

Annex 1: Proposals for Drafting Economic, Scientific and Cooperation Programs

Annex to Personal Message from Mikhail Gorbachev to G7 Leaders

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We view the Soviet Union's integration into the world economy primarily in the context of mutually beneficial cooperation within a global economic space.

Based on both the national requirements of the Soviet Union and the interests of the international community, we propose cooperation programs in the following fields:

conversion of defense industries;

fuel and energy production;

foodstuffs;

market infrastructures;

protection of the environment;

research and development;

education and training.

Summarizing existing proposals, including those set forth by individual republics, regions and territories of the Soviet Union, the government of the USSR will coordinate the implementation of such programs by creating incentives for the participation of enterprises therein, giving enterprises freedom of action in choosing partners and specific economic and technical decisions. Governments of other countries could assist entrepreneurs in the implementation of such programs.

A number of proposed programs would not aim exclusively at commercial benefit and could contribute to the solution of global problems (the environment, fundamental research), or have transnational dimensions (e.g., a single European space for energy supplies). Implementing such programs will require participation by interested governments.

Conversion

Cooperation in this field may, in our view, yield reciprocal benefits. They include:

significant political results in the form of accelerated progress towards genuine and irreversible disarmament;

general economic gains due to the release of scientific, material and production resources;

greater opportunities for launching within a short period of time and with comparatively limited additional investment the production of highly advanced and sophisticated items both for meeting Soviet domestic demand and for the international market.

The Soviet military and industrial complex is a large system of industry branches, production facilities and research and development centers forming the most efficient part of the Soviet economy.

It is the largest concentration of scientific and technological capabilities in the USSR and the origin of 40 percent of all Soviet R&D as well as of the best trained technicians, engineers and scientists. It also has received the best material and technical supplies.

Putting this potential to a more effective use in today's circumstances would offer the Soviet Union major new opportunities for the restructuring and modernization of its economy and for coping with its present economic and social challenges.

In terms of the scale and timing of potential activities it would be useful to formulate a short-term and a long-term program for foreign investment in the conversion of defense industries.

The short-term program would center on inviting foreign investors to participate in launching the production of consumer items at defense factories. Preferential treatment would be reserved for those Western companies that would be prepared to start delivering consumer goods immediately upon the signing of contracts, against collateral in the form of future products of Soviet enterprises. Semi-processed goods and parts may also be supplied on the same basis. The long-term conversion would be aimed at profound reorientation of a significant number of enterprises now manufacturing weapons and military hardware towards the production of transportation and communication systems, motor cars, farm equipment as well as a broad range of consumer goods.

Preliminary estimates place the cost of activities required to convert defense industries to the production of civilian goods and non-food consumer items between 30 and 40 billion dollars, including 10-15 billion dollars in the initial 2 or 3 years. We invite foreign partners to participate in these programs.

Following are several areas of potential large-scale mutually profitable cooperation:

development of more efficient and environmentally clean long-range airliners and business aircraft and helicopters; designing new types of aircraft engines including those using unconventional fuels based on natural gas or hydrogen; the use of foreign-made engines as well as certain navigation, communications and control systems on existing Soviet aircraft;

modernization of air traffic control and navigation systems, including the use of space components, with a view to increasing the capacity of air routes; establishment of joint ventures to produce modernized support systems for foreign flights via Soviet airspace;

using Soviet launch systems for launching various types of international or Western civilian satellites;

construction of civilian vessels at Soviet shipyards by orders from foreign companies, using Western technologies; restructuring of enterprises and facilities, both existing ones and those under construction with a view to producing home appliances (TV sets, VCRs, washing and sewing machines, vacuum cleaners, etc.), as well as medical and ecological equipment;

setting up joint ventures to produce super large electronic chips, powerful transistor, color tubes for TV sets and computer displays, condensers, and resistors required for the production of non-food consumer items and other civilian products;

converting a number of defense enterprises to the production of equipment for agro-industries and the construction sector;

joint completion of numerous research and design developments to a stage of their commercial application in diverse areas: new types of consumer goods, medical equipment, office equipment, etc.;

manufacture of sophisticated oil-pumping and drilling equipment (inter alia, under Western licences) at defense enterprises for subsequent use in joint development of oil and gas deposits;

participation in the development of telecommunication systems (using communications satellites, electronic telephone switchboards, fiber-optic communications lines), transportation systems and power grids, and in the work to integrate them into global and regional systems.

Apart from commercially orientated cooperation we see possibilities for joint activities with government support from both sides in the following areas:

development of technologies for environmentally safe elimination (utilization) of chemical weapons;

technologies and procedures for the dismantling of nuclear explosive devices and elimination of conventional ones;

dealing with problems of nuclear waste, including that of nuclear submarines;

development of joint ABM early warning systems to prevent unauthorized or terrorist operated launches of ballistic missiles.

Organizational and economic forms of cooperation in the area of conversion could take a variety of forms, including:

direct and portfolio investments into defense industry enterprises being transferred to public ownership and converted to the manufacture of civilian products;

purchase by foreign companies (full or partial) of operating enterprises, as well as those under construction;

establishment of joint ad hoc or permanent scientific and technical task forces for specific R&D projects;

establishment of a number of investment trust funds involving both Soviet and Western partners. The objective of such funds would be to combine the capabilities of the best Soviet enterprises with the expertise of leading Western corporations in the areas of finance, technology and marketing. Models for such funds exist already, e.g., the October 1990 agreement with the Batterymarch Financial Management Company of Boston, USA, to establish a joint fund of up to 1 billion U.S. dollars for investment in Soviet enterprises.

The Soviet Union is prepared to grant especially beneficial treatment to those foreign companies which, in establishing business partnerships with Soviet enterprises and conglomerates, would assist them in gaining access to world markets of high technology products. The Soviet side would establish for foreign investors a regime of openness and most favored treatment.

For enterprises undergoing conversion, a number of additional incentives will be introduced in terms of taxation, licensing, exchange rates, etc., aimed at protecting the economic interests of both Soviet enterprises and their foreign partners.

A year or two ago the overwhelming majority of our defense enterprises were not yet prepared to cooperate with foreign partners. Excessive, mainly unjustified, secrecy was a serious impediment. Many obstacles to the participation of foreign capital in civilian production units of our defense enterprises are now being removed. Many defense enterprises possessing advanced technology and highly skilled personnel now have the right to establish independent foreign ties and are vigorously seeking partners in [the] West.

We believe we have reasons to expect the West to join us in removing many of the barriers which might be described as "atavistic", namely by:

providing state guarantees for credits and investments by Western companies;

removing discriminatory tariff and customs barriers on Western markets;

granting import quotas (in countries where those are applicable).

The COCOM limitations continue to be a serious obstacle to economic cooperation between Soviet enterprises and foreign companies.

This applies, for example, to the international market of civilian space launches, primarily for commercial purposes. The USSR has the complete range of first-class highly reliable launch systems with a wide scope of capabilities. Despite considerable interest on the part of a number of companies in using those vehicles to launch commercial [satellites] and the favorable

commercial terms offered by Soviet enterprises, [no] contracts have been concluded yet, since all our foreign partners remain bound by COCOM limitations.

Other projects, such as laying a fiber-optical communications cable across the bottom of Lake Baikal or the establishment of a transcontinental fiber-optical communications link through the entire territory of the USSR (Leningrad-Moscow-Far East-Japan) have been subject to similar prohibitions.

Based on the above approaches to international cooperation in the area of defense industry conversion, the Soviet side is prepared to submit for joint discussion a list of specific projects for foreign investment in conversion as well as proposals on the practical modalities for their implementation.

Fuel and Energy

The Soviet Union could become a major stabilizing factor in global energy supplies, considering, inter alia, their vulnerability to conflicts and crises in different areas of the world.

The Soviet Union produces one-fifth of the world's primary energy resources. Its share in global energy exports exceeds 10 percent. In 1990 the USSR supplied one of every nine tons of oil, one of every three cubic meters of natural gas and one of every ten tons of petroleum products sold in world markets.

Energy consumption in the countries of Central and Eastern Europe relies in large part on energy resources imported from the USSR.

The export of energy resources and primary materials underlies to a great extent the solvency of the Soviet Union in international transactions and its ability to import goods from other countries.

At present the USSR has no possibility for ever-increasing new investment in fuel- and primary-material industries, and the processing of carbohydrates; indeed, such investments have had to be reduced.

This has already led to a significant drop in the production of oil and petroleum products. The production of coal has declined as well, and the growth of the natural gas output has slowed down dramatically.

The degree of processing of oil and other commodities remains low; as a result, we fail to extract several million tons of high quality petroleum products. The specific fuel consumption in the national economy has hardly reduced, so we are forced to cut exports by almost the entire volume of lost oil production. This has also dramatically reduced the supply of fuel and energy resources to countries of Central and South Eastern Europe, which receive those resources mainly from the USSR.

As mutually advantageous cooperation with the leading countries of the world is organized and major foreign investments attracted, production of fossil fuels may be stabilized and their processing and use made drastically more efficient, thus making available considerable additional quantities for export.

The USSR and its constituent republics have prepared a set of coordinated large-scale projects in the framework of a common strategy for energy development that could be implemented with broad foreign capital participation. These include the following problem areas:

stabilization of oil production, attainable before the end of this year given foreign capital participation. The USSR government, jointly with the leading oil-producing enterprises and representatives from a number of republics and regions, is now nearing completion of a crash program to achieve this goal that could be presented to the Heads of State of the Big Seven in the nearest future;

development of fossil fuel production in additional areas of Western and Eastern Siberia, the North of the European part of the USSR, and the Caspian Lowlands, as well as in the Caspian, Okhotsk, Barents and Kara sea-shelf areas;

development of gas fields in the Yamal peninsula and the adjacent sea-shelf areas and a system of trunk gas pipelines from the USSR to Western Europe, as well as gas reserves in the Barents Sea and a related gas-liquifying plant, to yield a total annual amount of 15 to 20 billion cubic meters of natural gas for export;

reconstruction of the national gas distribution system and more efficient gas use to bring about an additional annual increase of 6 to 8 billion cubic meters in gas exports. Participation by foreign companies is required to satisfy demand in high-efficiency equipment;

modernization of oil refineries in various parts of the country (near the urban centers of Odessa, Kherson, Perm, Saratov, Syzran, Mozyr, Ryazan, Yaroslavl, Omsk, Chimkent, Ufa, Lisichansk, Khabarovsk, Komsomolsk, etc.) with a total fuel oil production capacity of 70 to 80 million metric tons in order to make them yield an additional 30 to 35 million metric tons of refined products a year thanks to deeper oil processing;

modernization of a number of presently-operating thermal power plants (Ekibastuz-2, Zmievskaia, Moscow-27, Novokemerovskaia, Gusinozerskaia, and Dobrotvorskaia) that are to accept imported technologies for the removal of sulphur oxides, nitrogen and other pollutants from the flue gases;

development of environmentally safe, efficient technologies for the production of coal bricks, liquid hydrocarbons and other chemicals from coal mined in the Kansk-Achinsk basin, aiming at an output of 1 million metric tons of coal bricks in 1995 to be subsequently increased to 6 to 10 million metric tons on the basis of new technologies and equipment;

setting up of joint production of gas and steam power units in order to considerably speed up construction of thermal power plants and increase their efficiency to 50 to 52 percent while reducing air pollution: development of environmentally safe equipment for coal, sulphur dioxide and fuel oil combustion, as well as alternative, environmentally safe energy technologies.

Taking into account the size and nature of the prospective cooperation in these problem areas and their individual components it may involve partners ranging from governmental agencies of the USSR, its republics and regions, to various kinds of concerns and associations to individual enterprises, and is to comply with the Soviet legislation in force. Inputs in foreign currency may be repaid by energy exports from the USSR.

These projects, if implemented, may make a major contribution to the development of a common European energy space, as proposed by the Netherlands and supported by the CEC.

The USSR has an interest in participating in the preparation and harmonization of long-term policies aiming at developing the energy sector on the European scale and in individual European countries, including an all-European program for environmentally safe nuclear power plants and radioactive waste recycling.

We have a considerable stake in participating in the work of the International Energy Agency (IEA) and the forthcoming European conference on energy. Underlying our participation would be above all our desire to develop international cooperation in the restructuring of the fuel and energy sector of the Soviet economy, making it more compatible with the world economy, and integrating it into the world economy in the basis of a market environment.

Food Production

We attach priority to developing cooperation in the production of food. The acute character of the food problem, the insufficient supply of foodstuffs constitute a major source of social tension

and political instability in the USSR and indeed question the future of political and economic reforms.

With 5.5 percent of the total population of the Earth, the USSR produces 10 percent of world grain, 21 percent of milk, 26 percent of potatoes, 31 percent of sugar beets, and 34 percent of sunflower seed. However, in terms of per capita consumption we are seriously behind many countries. While the USSR virtually equals the U.S. in the volume of primary agricultural output, it actually produces three times less food.

Massive food imports amounting to 10 billion dollars do not resolve that problem deforming at the same time the Soviet Union's balance of payments and placing limitations on normal mutually advantageous economic ties with Western countries.

What are then the prospects for, and the ways of resolving the food problem in the USSR?

To meet the basic needs of the people we must increase food production by one-third. In our view, this can be achieved mainly through improved utilization of farm produce, reducing losses, better processing, increased output of final products and better quality, as well as dramatically increasing the efficiency of the producer -- the consumer link known in the West as "distribution". The focus should be on better storage, transportation, processing and marketing of agricultural products. This area has the main potential.

The distribution problem can be resolved in the first place through in-depth transformations in the agro-industrial complex where, alongside with the land reform, privatization will be carried out and a mixed economy introduced, combining various forms of ownership, including cooperatives and private enterprises.

In resolving the food problem the main emphasis will be on small-size enterprises which guarantee quick returns on investment at moderate risks.

At the same time we attach great importance to cooperation with foreign partners. The Soviet side is interested in foreign capital involvement in the following projects:

Modernization of meat processing. The industry has developed too slowly and relied on backward technology. One ton of meat yields twice as little [in] final products in the Soviet Union as in the United States.

We propose advantageous cooperation in launching several dozen meat processing plants, in modernizing existing ones, supplying modern equipment and establishing small-size processing enterprises of a modular type as well as turning out refrigeration and compressor equipment and other machinery.

Modernization of dairy industry. Our country accounts for a quarter of world production of milk and yet experiences a shortage of dairy products. Here again the problem lies in the low degree of processing and inadequate quality of end products. The industry promises high returns on investment. For example, an investment of 700 million roubles will in a short time increase the output by 2 billion roubles.

Development of sugar industry. Out of 318 sugar plants more than 100 require major modernization. This will reduce the time needed to process sugar beets to 95-100 days, increase sugar yield by 10-15 percent and its total output by 2 million tons.

About 50 baby food factories and production units could be built, establishing a line of joint ventures with broad reliance on highly efficient imported equipment.

Solving [the] grain problem has special importance as a precondition for the development of the entire food complex. There is a realistic opportunity to achieve a relatively quick buildup of grain resources, improve the grain balance structure and make more efficient use of national grain resources.

We plan to achieve this primarily through cutting grain losses at various stages which now amount to 30-40 million tons a year. This requires a re-equipment of the grain production and hence an adequate development of farm machinery production.

Factories could be in cooperation with foreign companies to produce modern grain and forage harvesters, mower crushers, corn planters, grain drier and cleaner units, loading equipment and pickup presses.

To increase the production of grain including corn, beans, rape and other oil seeds, a program is proposed to establish -- together with foreign companies -- enterprises and service centers for introducing new technologies of plant growing and setting up seed improvement farms.

Broad cooperation with Western companies may also develop in other problem areas including fruit, potato and vegetable processing, food fats, baked goods and confectionery production, and container and packaging materials manufacture at every stage of production from the agriculture to the final products output to its delivery to the consumer.

A possible downfall in exports of agricultural produce to the Soviet market would be offset by new opportunities for the cooperation of other countries with Soviet partners in the agro-industrial sector.

Market Infrastructure

Creation of a modern infrastructure in the Soviet Union may constitute an important area of cooperation between the USSR and the leading countries of the world.

Investment projects in this sphere may include technically and informatically well-equipped modern business centers, offices, banks, exchanges, hotels and other facilities where foreign and Soviet businessmen could conduct business in accordance with internationally accepted working and living standards.

There are real prospects for economic, scientific and technical cooperation in the sphere of transport.

We could cite as examples of this cooperation establishment of transcontinental rail and air "bridges" via the USSR territory, connecting the Pacific coast with Europe, and implementation of large-scale projects for renovation and development of the existing highway network, ports and other transport systems that in fact ensure effectiveness and flexibility of market operations.

Participation of foreign capital could significantly accelerate the creation of telecommunication systems (electronic mail, radio-telephones, satellite communication system, telefax, etc.) that are much needed for a modern market.

The Soviet Union can offer [its] foreign partners a number of large-scale development projects in the field of telecommunications and broadcasting, using inter alia, space platforms of various types (e.g., [the] "Marathon-3" project); the implementation of these projects would make it possible to solve major problems relating to the provision of conventional telephone communications, fax and electronic mail and broadcasting for the territory of the USSR itself, as well as to integrate the USSR into the global communication systems.

Within the framework of cooperation with interested countries a satellite system could be created which would permit communications with mobile, remote and not easily accessible objects. This system would be a major part of the infrastructure, which would promote the efficiency of the national economy and international communications by providing services to over 100,000 subscribers in the USSR and abroad. The cost of such a system, including organization of gross production of its components and operational services, is estimated at ca. 3.5 billion rbs with the foreign credit component of about 130-150 million dollars.

Of an obvious interest is the project of a transsoviet fibre-optic communications line (TSL) that would close the global ring of such communication line. The length of this line in the territory of the USSR would exceed 14,000 kilometres which would considerably increase the capacity of the whole international communication network. The national part of the would make it possible to transmit, through 8,000 digital phone lines, of both traditional and new [several words missing -- ED.]

There exist vast possibilities for cooperation in the field of construction and modernization of facilities used for the purposes of international tourism and for providing services to foreign citizens within the USSR.

These projects could be implemented in the major political and economic centers (Moscow, Leningrad, Kiev, Minsk, capitals of other Union republics), in ports (Murmansk, Arkhangelsk, Odessa, Novorossiysk, Vladivostok, Nakhodka) and in the centers of international tourism (Sochi, Yalta region, "Golden ring" cities, etc.).

Research and development

It is generally recognized that we have done fairly good work in a number of fundamental disciplines and related applications.

In this connection one could cite theoretical physics, lasers, high power electronics, nuclear physics and technology, aerodynamics and aviation, rocket and space technology, high temperature superconductivity, creation of new materials.

Over a number of years 70-90 thousand studies had been carried on annually in the USSR but a great deal of new technologies, materials and designs were shelved because of the unreceptiveness of the administrative and command economy to technical innovation.

Also, the fact that the major part of research and development was carried out under [a] veil of secrecy, was not without negative [several words missing -- ED.] drastically eased. The estimates by the Soviet and foreign experts suggest that the joint engineering development of the research products for commercial application is most effective.

In this connection we propose:

to organize international scientific, technological and economic cooperation to study the problem of "high energy physics" bearing in mind joint construction and utilization of the LHC (Berne, Switzerland), YNK (Protvino, the USSR), SSS (Texas, USA) accelerating complexes;

to set up a number of European research centers on material testing on the basis of a cluster of the institutes of the USSR Academy of Sciences, including the Solid State Physics Institute, Institute of Theoretical Physics, Institute of Chemical Physics, Institute of Microelectronic Technology Problems and Highly Pure Materials; a center of neutron studies using [the] "PIK" research reactor (which is under completion) in the Leningrad Nuclear Physics Institute of the USSR Academy of Sciences; a center on thin layer technology for superconductive electronics and strong current electronics on the basis of the Institute of Applied Physics of the USSR Academy of Sciences in Nizhni Novgorod; a center on ultrapowerful magnetic fields (using cumulative generators which were conceived by academician Sakharov) on the basis of a laboratory of the defense complex;

it might be appropriate to establish, under some government control, special centers on transfer technologies in ... [several words missing -- ED.] the USSR, on application of lasers and laser technology, on irradiation technologies, space systems, on the development of science intensive small batch chemistry, on application of energy of the explosives to solve energy consuming economic problems, on production of highly effective composites and a wide range of reinforcing and protective coatings, etc.

The contribution of the Soviet scientific teams to the development of world fundamental [basic] sciences and their applications could be even greater if their research is carried out on orders (contracts, grants) received on a competitive basis under internationally accepted procedures, that is to say on the basis of open project bidding and their scientific assessment.

The positive experience of the cooperation between the USSR and FRG in the field of high temperature superconductivity, gained so far, seems to confirm our point of view.

Environmental protection

Environmental protection forms a major integral part of the comprehensive international security system. Such phenomena as atmospheric and water pollution, influence of human activity on the climate, proliferation of highly toxic and radioactive wastes, deforestation and desertification, transcend national boundaries of any given State and have global impact.

Forests in the USSR are the largest carbon dioxide absorbers in the world and their role as stabilizers of the global climate seem to be not less important than that, for instance, of tropical forests of South America. The Baikal Lake accounts for 20% of the world's fresh water reserves. Swamps of Western Siberia are the largest providers of methane for the Earth's atmosphere.

According to Soviet estimates, currently 45 percent of [the] national territory are not yet affected by human activity. However, without active international cooperation in the field of environmental protection the situation can change drastically in 10-20 years to come which will have significant negative consequences for the whole world.

In recent years, public attention to environmental protection in the USSR considerably increased.

Growth of toxic emissions into [the] atmosphere and water sources has been halted. Specific measures to protect such unique resources as the Aral Sea, the Volga River, the Baikal Lake and others, have been taken. A number of ecologically harmful projects (transfer of a part of northern rivers' water resources to the South, etc.) have been stopped. Functioning of nuclear reactors has been made much more secure after the Chernobyl accident.

However, the environmental situation in the USSR remains very dramatic.

The Soviet Union is ready to play a more active role in [the] realization of international ecological programs and projects, inter alia, relating to:

study of problems of global environmental and climatic ... [several words missing -- ED.]

... internationally environmental conditions using outer space monitoring systems;

study of the causes underlying the Earth's ozone layer depletion and development of a program to reduce emissions causing this phenomenon, based on effective division of labor and direct assistance to the USSR;

environmental protection in such areas as the Danube basin, the Caspian Sea, the Black Sea and the Far East seas of the USSR.

It is of utmost importance to assess jointly the current situation and necessary assistance so that the USSR could comply with its obligations under European and international environmental conventions such as the Convention on Long-range Transboundary Air Pollution, and protocols relating to it, such as the Protocol on the Reduction of Sulphur and Nitrogen Emissions.

Taking into account the percentage of the USSR territory in the global Earth surface, the burden of natural and ecological problems accumulated in the country and the fact that during a period of radical social and economic changes the problems relating to channelling resources to ecological programs inevitably grow more complex, international cooperation in [the] realization of our natural and ecological tasks becomes a matter of highest priority.

We would appreciate our working together in the following areas:

large-scale technical and economic assistance in environmentalization of the industry in the North-West region of the European part of the USSR as well as in comprehensive ... [several words missing -- ED.]

technical assistance in solution of the problems of national ecological disaster zones in the USSR;

financing the development of and provision of additional resources for specially protected territories (preserves, reservations, etc.) which serve to preserve genetic resources and to maintain natural diversity;

financing of the programs to reorient the industry of the Baikal Lake region and to establish there a world center of international ecologically-oriented tourism;

establishment of and provision of financial resources for the activities of international expert ecological commissions to analyze major national environmentally intensive projects and to study special ecological standards for specific regions in the USSR in which maintenance of ecological balance is very important for all mankind (Northern, Arctic regions, etc.);

technical and economic assistance in development of networks to monitor environmental conditions, including maximum possible use of scientific and industrial capacity of defense enterprises for ecologically oriented conversion;

attainment of a higher level of safety in the field of nuclear energy;

technical and economic assistance in organizing integrated utilization of mineral resources and of mining industry wastes and in recycling of communal wastes, organization of joint projects in the fields of recycling and disposal of highly toxic and radioactive industrial wastes;

methodological and consultative assistance in elaboration of modern environmental and ecological legislation and in creation of [a] payment and insurance system that meets the requirements of [the] transitional period when the national economy is moving towards market forms of management, as well as in its integration into the world economy;

creation of an international institute to study global problems related to the population and ecological safety in emergency situations and under the impact of technogenic and natural factors.

Human resources

Many experts believe that a purposeful education of managers and experts targeted for market relations is the most cost-effective investment of funds in the program of transition to the market.

The USSR has already embarked on creating an infrastructure for education of managers and experts, mainly in Moscow, Leningrad and some other industrial centers. Some 300 institutes for upgrading of senior administrators and experts, managers' schools in the form of state and cooperative structures, joint ventures, and, most recently, small private firms are now operational.

In addition, there are more than 150 special departments in the universities and other higher education establishments for training of managers and experts, as well as over 400 different, mostly short-term, courses. Some 10,000 staff [several words missing -- ED.] part-time basis are involved in the functioning of this system of education.

We extend our gratitude to different governments, many firms, universities and business schools which render great assistance to us in this field. We welcome the initiative put forward in this connection by the Economic Commission for Europe, [the] European Bank for Reconstruction and Development, [the] U.S. Department of Commerce and many other organizations.

After the conclusion of intergovernmental agreements on cooperation in the field of vocational training with Germany, France, Italy, Britain and Finland and overall enhancement of relations between our country and foreign States our managers and experts for the first time were able to study abroad in the best business schools.

About 1,000 students were involved in educational activities under the sponsorship of the Soviet Academy of National Economy alone. Now hundreds of managers and experts are not only enrolled in the training course, but are gaining practical skills during probationary work in a number of leading countries.

As compared to the recent past the progress is evident. But if we assess the current scale of this work in terms of needs, we shall see at once that very much is still to be done.

The administrative structure of Soviet enterprises and organizations now accounts for some 15 million people or almost 13 percent of all employed. The majority of experts, including ... [several words missing -- ED.] managers in the field of industry, transport and building, have technical education and know little about economic activities, especially under market conditions. Only less than six percent of managers have economic education.

During the years of perestroika the age of personnel became much younger, and now senior managers in the USSR over 60 years of age account for only three percent. The most typical age of directors of enterprises is 35.45 years. They have a particular need to gain knowledge about market economy and management.

Along with the extension of training of managers and experts it is not less important to improve the quality of this training. It is not practicable to send millions of managers to study abroad, where they can acquire first-hand knowledge about market functioning.

Therefore, while continuing to increase the flow of students sent to Western business schools, it is appropriate to ensure first priority training of teachers who could later provide mass education in the USSR at a new qualitative level.

It would be desirable to deploy in the shortest possible time, with the participation of Western companies in the territory of our country regional, sectoral and intersectoral centers for training and retraining of personnel, who would be able to work efficiently under the conditions of market economy integrated into [the] global economic area, to issue manuals on market economy, entrepreneurship and management, and create, in cooperation with leading foreign companies, a modern resource basis of educational processes and joint education centers.

We would like to develop extensively, with State support, direct contacts with numerous foreign companies, switching from academic education in the field of basic market economy to acquisition of practical skills allowing to work under market conditions, by sending directly our personnel on probation to foreign banking institutions and companies. Today we already have good examples of this practice.

Thus, the IBM company has supplied to the USSR for educational purposes 13 thousand personal computers which helped to teach thousands of our experts. In the nearest future this company will open its educational center in Moscow, extending at the same time more invitations to our experts to study in management schools of companies in other countries.

Cooperation in the field of training will not only facilitate and make more effective the transition to the market economy in the USSR. It will promote in a most favorable way the development of economic, scientific and technological relations between organizations of our country and those of Western countries and will contribute not only to better education in the field of business, but also to closer human relations.

All realistic directions and possibilities of economic cooperation are not limited to the specific projects cited in this memorandum. In order to guarantee a more extensive and constructive discussion the Soviet side is ready to propose detailed lists of projects in different fields of cooperation that meet mutual interests.

Source: Released at the London Economic Summit, 17 July 1991.

<http://www.g8.utoronto.ca/summit/1991london/annex1.html>