

Russia as Cinderella

By Vladimir Kvint and Spyros Manolatos and Roula Khalaf

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WILL THE BALTIC REPUBLICS actually separate from the Soviet Union or not? If yes, will Moscow's response be military intervention, as it was in 1968 in Czechoslovakia? These are the questions that have been worrying many people for a long time. In the meanwhile, mutual reproaches within the Soviet Union are growing into real quarrels and may come to a dead end.

Is there no way out? Maybe a drastically new approach to this problem is necessary. Maybe Russia should be the first to separate from all the other republics and thereby give the others the freedom of choice, too.

For decades the official image was of a "unanimous family of nations" in the U.S.S.R., a friendly circle of people in national costumes, marching hand in hand toward progress and harmony. With glasnost, this fiction has given way to a more realistic picture. No more "hand-in-hand" circles.

Not so long ago my friends from Estonia were joking: Our republic is the most independent—just because nothing depends on it. Now that has changed: World peace, international stability itself may depend on what happens in these Baltic republics and in Azerbaijan.

We are now accustomed to satellite photos of atmospheric masses, quickly moving and powerfully changing the global weather. The political and democratic will of people in the Soviet Union is changing the political atmosphere with the same power and speed. It goes without saying: People of any nation should have the right of self-determination.

At the same time there exist certain economic realities, and national feelings—no matter how passionately felt and how legitimate—cannot ignore these economic realities. Economists should have cool enough heads to give economic evaluation to political decisions. The economic reality is that self-sufficiency is a two-way street. If Russia itself—as I suggest above—were to adopt the principle of self-sufficiency and take its own measures, the standard of living in the Baltic republics would inevitably and sharply decrease.

In this kind of divorce, the wife should not necessarily expect alimony. If Russia were to secede from the Soviet Union, it would not have to continue giving economic aid to its former fellow states.

In the beginning of our century an Italian economist, Vilfredo Pareto, formulated a principle of "economic well-being." As applied to the Soviet Union, Pareto's principle would be expressed in this way: The standard of living and effectiveness of the economies of any of the republics can be increased only up to the point where it is not done at the expense of other republics. Otherwise, negative reaction, harmful to everybody, is inevitable.

There is a hope among Baltic nationalists that the Baltic republics have good prospects for developing industries connected with scientific progress—high tech in the American phrase—as well as for the export of agricultural products. These hopes may not be realistic. Compare the cost structure in Estonia with that in Austria. Estonian costs for producing milk are 2.9 times higher than in Austria, and 2.8 times higher in the case of meat. The picture does not change in terms of other products. In short, Estonian products simply cannot be sold in international markets at prices that would recover their costs.

Only 2.2% of Estonia's output is exported at present, well below the 6% figure for the Soviet Union as a whole. Lacking export income, where is Estonia going to get capital for the development of high technologies?

Other union republics buy goods from Estonia at prices that are sometimes 10 to 20 times higher than prices on the world market. On the other hand, Estonia gets oil, gas, raw materials of the highest quality from Siberia at prices ranging from 50% down to 15% of the price on the international market. That means that under a system of regional self-sufficiency, the same Estonia will have to pay the real price for energy resources.

Were Siberia to reduce its deliveries of energy resources to the Baltic republics by 20%, it could cause a decrease of Baltic production output by 40%. (For a different view, see box, P. 104.)

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These concessional prices were part of the Soviet policy of aiming for equal economic development among the various republics. Instead of the full benefit of Siberian oil going to Siberia, some of it was shared with Estonia and other non-oil-producing republics.

The leveling to social-economic development of the republics for dozens of years has been carried out at the expense of “the older sister” in this “unanimous family.” The older sister is, of course, Russia. Those republics that were “helped” in many parameters went far ahead of Russia. Instead of becoming the princess, Russia became Cinderella.

It is clear that the example of neighboring, highly developed Finland impresses the Estonians. They would like to be like Finland and hope that independence would do for them what it did for Finland. If the Baltic republics could return to the beginning of the century, maybe they could find their place in the economic system of the West, as Finland has. But today world markets are already divided, a system of world economic relations is formed already. It would be extremely difficult for Estonia, if at all possible, to break into this established system, where everyone fights for his place in the sun. Estonia can quite the Soviet Union, but it cannot roll back history.

The Baltic republics and other secessionist regions may hope for economic help from abroad. But it is highly unlikely that a whole region will be granted a “refugee” status. As for loans, how can the Baltic republics repay them? With what? Overpriced milk?

It would be shortsighted and self-defeating for the Baltics and other secessionists to sacrifice economic well-being to the dream of political independence. For example, the idea of the introduction of new Baltic currency won't serve the purpose of creating a market system; it is at variance with the concept of a “common European home” and with realities of today's life. The European Community is integrating; a unique currency, “ECU,” has been created and is already functioning.

The secessionists tend to forget the sacrifices made on their behalf by the people of Russia and other areas. For example, in Sverdlovsk (Urals) and Donetsk (Ukraine) the basic industrial facilities are the oldest in the country,

because much of the available capital has been sent to other parts of the Soviet Union. Yet productivity of labor in Sverdlovsk and Donetsk is the highest in the country, and the standard of living is almost the lowest. It is not by accident that these regions became the sites of the biggest strikes of 1989.

Look deeper into some of the ethnic/nationalist tensions within the Soviet Union, and you find economic causes. Take the city of Uzen, in Kazakhstan. The main reason for the hatred of the Kazakhs toward the Caucasians working in Kazakhstan is not a national one. In the Caucasian republic of Dagestan there is severe unemployment—up to 35%. Many people there moved to take jobs in the enterprises of Kazakhstan. But there are no normal transport connections between Dagestan and Kazakhstan. Because of that, many Caucasians, instead of commuting to Kazakhstan, had to settle there with their families. Every thousand workers there manufactures production worth 3.5 million to 4 million rubles more than the equivalent production in Dagestan.

Several years ago I predicted that the economic disparities between these two regions would lead to conflict. They were unable to become one economic unity without transport communication.

I proposed to immediately improve the situation by building transport lines, but this proposal was not carried out. Unsolved economic problem, forecast in 1986, turned into bloody conflict in 1989.

So, I think it is criminal to pretend that there are no conflicts between the republics. The immediate result of such head-in-the-sand behavior is the war within the U.S.S.R. between its republics of Armenia and Azerbaijan.

What is happening to the Baltic republics, therefore, has meaning for the entire Soviet Union. The notion of regional self-sufficiency is a child of perestroika. At the same time, it is one of the great dangers for perestroika. It can sharpen the contradictions and conflicts.

True self-sufficiency can be attained only by viable economic units, not by purely political or nationalist regions. The effectiveness of regional economies now depends first and foremost on interregional connections.

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One should take into account existing reality. Out of 150 Estonian industries, as few as 18 are oriented only to Estonian inner necessities. The same goes for other republics. Whether the people of the various republics like it or not, their economic destinies are bound together. The European Community is transcending national differences at least as great as those within the Soviet Union. This must be our model rather than anachronistic dreams of ethnic sovereignty. Autarchic development is impossible today, under the conditions of internationalization of the modern world.

Even a rather short railway blockade of Armenia showed what the results of a forced autarchy can be.

According to my evaluation, out of all union republics only the Russian Federation, Ukraine and Belorussia can independently solve their problems. They alone could make a viable economic entity. In Russia the ruble can be backed by gold, diamonds, mineral resources. If Baltic republics create their own money, how can they be backed, especially with the existing level of industrial and economic development?

This is not to denigrate nationalist sentiment. Indignation of any Estonian—or any Russian, or Tadzhik—can be easily understood, when an all-Union enterprise operates on their land having almost extra-territorial rights, like a foreign embassy. It is also very clear that no economic calculations can kill the eternal desire for freedom.

Hence my proposal for a Russian secession from the Soviet Union. In order to unite, republics of the Soviet Union should separate.

The Russian Federation should be the first to put forward the idea of breaking the old Union treaty. This will give opportunity to all the republics to regard all pros and cons and decide voluntarily whether they want or don't want a new Union.

Only under the condition of liberty and voluntary unification can economic considerations be given full play. The quicker Moscow, the Supreme Soviet of the country, cancels the old Union treaty, the more probability there is that the Soviet Union will remain a union. Cancellation of the old treaty would be not a destruction of the country,

but its revival. It is interesting that Russia possibly may be the first to profit from that, because it can also enter the new treaty, securing its interests.

Which of the republics is going to enter this new Union? I think, almost all. But this is not what is important. Who has lost after the end of the British Empire and creation of the British Commonwealth? England? Its role in the world of today shows that it has only profited by the new structure.

Has Austria lost after the disintegration of Austro-Hungary eight decades ago? I think the answer is even more clear—Austria has lost nothing; the standard of living of the Austrian population has increased.

As I see it, the U.S.S.R.'s future is one of politically and economically independent states, united in a federation or a confederation. Everything depends on conditions, written in the future Union treaty. Mutual benefits—and not only mutual help—is the key to a strong Union of independent states.

Such a Union, based on a market economy, will facilitate integration of economies of independent republic-states. For the Baltic republics, formation of a Baltic market is of essential importance, but it should be an open market, without obstacles in the way of effective cooperation with Russia and other republics on the one side and with the countries of the European Association of Free Trade and the European Community on the other.

But speed is necessary. It is impossible to solve the Soviet Union's nationalism problems by using force. But dithering is almost equally dangerous. If Moscow contemplates any longer, the results may be extremely negative. From the point of view of economy, this is a situation of dynamic balance. Whoever wants more in this situation may lose everything.

In Antwerp, I have seen a small statue of a worker, and the inscription on it, which consisted of only two words, was "Liberty works." It works for the people of Russia, though, as well as for those of the Baltic republics.