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Cooperation between Korea and Russia

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Condition for the Development of Business in the USSR

Oleg S. Vikhanski

I. Introduction

As it recognised and declared by Soviet officials and famous economists at present USSR is facing a deep economic crises. The declining production of consumer goods and services, aggravating of external and internal state debts, growing inflation and weakening of the rouble, destroying of economics links between republics, growing unemployment, etc. are providing necessity of radical changes in economic and political systems.

During the six years of Perestroika, Soviet society have been changed and some of the results of these changes are irreversible. Due to Glasnost, Soviet people now have different attitude to work and life as they had before Perestroika. And the failure of August attempt of conservative forces to turn the country's course back to totalitarian communist regime seemed to. Political democratisation wake up political awareness of ethnic groups, strengthened the demand of the republics to shape their own policy making process.

Peoples realized what type of society they do not want to live in, and they was ready to destroy that society, as they showed it in August. But unfortunately, they have a different vision and sometimes, no idea about the society they would like to have in future. The fact is Soviet society is diverse, and it generates a lot of difficulties and obstacles on the way to democracy and independence.

Political changes stimulate economic changes. The command system of economic management is loosing its dominating position. The entrepreneurial sector is growing. More and more people are changing their thinking from reliance on the state to self reliance.

But economic reform is carried out extremely slowly and not successively. New plans of economic reforms are elaborated. But no one of them has been implemented. The Soviet economy is still quite close to a command and administrative one. It seems that the transition period to the market economy will be never finished nor has been started.

As a result of it economic collapse and accelerated political reforms, it has lead to the disintegration of the Soviet Union. Now instead of one State-Union of Soviet Socialist Republics, we have some kind of political union of completely independant states. This is the new reality, and under these circumstances it's impossible to talk about common conditions for the development of business in the USSR.

People aspire to live in normal and civilized society. Political leaders declare that they will lead country to democracy, a market economy, peace and freedom. As president Gorbachev said, "We want to become an integral part of modern civilization, to live in harmony with mankind's universal values, abide by the norms of international law, follow the 'rules of the game' in our economic relations with the outside world." Very good words, but unfortunately between words, aspiration, and reality, there's a big difference. And it's happend in our country mainly because economic reform is carried out much slower than the political and ideological ones.

II. Necessary Conditions For the Development of Business

The objective of the Soviet economy reform is to create market relations based on private property. Only after setting up a market economy one can expect overcoming the economic crisis and real development of business. Only private ownership in which market forces of supply and demand will stimulate production and innovation can provide a basis for creating new economic system. While not rejecting the significance of the soviet government program on economic restructuring, I consider that the market relations and the market itself cannot be created from above, but they have to emerge and expand only from the efforts coming from the grass-root entrepreneurship.

To creat market economy it's necessary:

1. to guaranty basic economic rights and first of all private property rights:
 - restrictions elimination on private economic activity and market behavior;
 - signing bilateral agreements on guarantees for foreign investment
2. to privatize the majority of state enterprises;
 - small-scale privatization
 - privatization of large firms;
 - housing privatization
 - land reform
 - implementation of anti-monopoly policies;
3. to stabilize budgetary and monetary systems;
 - cutting the expenditures on defence;
 - freezing of new social spending programs;
 - reduction of enterprise subsidies;
 - internal convertibility;
4. liberalization of prices, determination of prices on the base of

- supply and demand balance;
- elimination of price control;
- 5. normalization of international trade;
- eliminating the majority of licensing and quantitative restrictions;
- liberalization of international trade;
- removal of trade barriers;

III. How to Create Necessary Conditions

It is not so difficult to prove the necessity of introduction all above mentioned measures in order to transform a centrally planned economy into a market economy. The question is how to realize these measures and who and why will implement them. The Soviet Union has the enormous potential of human and natural resources, and a new economic system can wake up this potential. But how to take concrete steps to transform the economic system, how to facilitate people to use effectively these enormous potential. Nobody from outside of the Soviet Union can do it for the Soviet people. They should do it themselves. If Soviet leaders, Soviet scientists, and of course Soviet people will not realize it and will not be able to start to work and to live in a new way, no Western assistance and relief could help them to change society. Western cooperation including the financial assistance is very important especially at the present time. But it can not be made than help to restore market economy. To my view this is the key point of reform.

Starting from April 1985 Soviet leaders are trying to carry out restructuring of economic and political systems. These reforms brought light to many problems. New democratic institutions created in society helped to understand problems but could not solve them. As a result all these attempts to make radical changes in economic system led to worsening economic crisis, separatist movements became stronger, simultaneously accelerated ethnic conflicts. Initiative in reforms from Union level went down to the

republic and with coup d'etat Perestroika finished.

In September 1991, the first time since April 1985 appeared the real possibility to create a market economy in some republics and in Russia Federation as in one of them.

Perestroiks were restructuring the Soviet economy within a "socialist choice." Now leaders of some of the republics are talking about restoration of capitalist economic system that is based on private ownership.

Substitution of "Socialist Choice" by choice of real market economy and democracy, the popular support for radical reform and readiness of democratic republics leaders for immediate action means that now in some parts of previous Soviet Union there exists a real chance to change economic system. But the political situation looks very unstable first of all because of the economic crisis. And as a result, it is necessary to create a real market relations in the shortest possible time.

Transformation to the market economy must be built with five basic elements, that have been elaborated in "500 Day" plan.

1) Stabilization of the macroeconomy, reduction of the governmental budget deficits, cutting military expenditures, stopping the printing of money etc.

2) Liberalization of prices.

3) Privatization of industry, agriculture, services, housing etc.

4) Internationalization of the economy, opening of the economy for foreign business.

5) Reducing to minimum direct governmental managing of the economy.

Also it is very important to abandon attempts of some leaders to find the special way of building market economy. Of course the market economy should be created according to a peculiar situation existing in some republics, on the same principles as the economy of advanced countries.

Entrepreneurship as one of the most important factors of the development business. Market economy exists only in there is the free entrepreneurship. Long time entrepreneurship, entrepreneur-

ial activity have been outlawed. Now development of entrepreneurship is recognised as one of the most urgent tasks of economic reform.

Free entrepreneurship can excite and develop only with the presence of the following conditions. First, the existence of normative legal basis guarantering the right of independent entrepreneurship. Second, the emergence and the development of the elements of the market, necessary for private entrepreneurship, such as independent enterprises in various forms, financial and credit institutions, a stock exchange. Third, favorable socio-political conditions and support by the population and the governmental institutions for the introduction of the market relation and development of entrepreneurship. And forth, a new type of economic leadership, entrepreneur, and modern thinking businessperson.

Many progressive legal acts have been adopted in the Soviet Union and Russian Federation lately. Laws on Banks banking and currency market regulations, new customs codes, law on foreign investment, law on privatization, anti-monopoly law already have been adopted. These legal acts provide the legal framework required for entrepreneurship.

But in practice these acts however as rarely brought into realization. In reality, the executive authority appear to be a much stronger power, who would ignore such acts or interpret them for their own advantage.

Many problems and difficulties of creating normative legal basis of the market relations today are also caused by the fact that the multitude of instructions and various resolutions. Those are designed to define the practice of entrepreneurship, not only restricts the possibility of entrepreneurship but show hostility, to some extent, to the very idea of entrepreneurship.

Recently the Soviet Union witnessed the development of a large number of contemporary forms of entrepreneurship such as private company, joint-stock company and so on. A stock market, a commodity exchange and other institutions of market have also

grown. All this looks very promising, but the real market, however, will emerge only when free and independent peasants appear and develop their own independent agricultural farms in the country. The majority of collective farms and state farms should be transformed immediately into individual farms or other forms of enterprises with private ownership. Administrative control on the deliveries of food-stuffs also should be stopped immediately, and wholesale and retail trade of agricultural products should be privatized. These are the most urgent measures. But this is where we have biggest challenger. And this is why I think it is impossible to say that new forms of entrepreneurship laid foundations for their real development.

Radical changes in economic system can be done only in case of these changes will be supported by wide sections of the population. Now various states of society are involving in process of revolutionary reforms. More and more ordinary people demonstrate political activity. It looks very promising. But nevertheless many of Soviet people do not support the transformation of socialist economic system into capitalist one. And as a result their position puts many obstacles in the path of reform.

One of the biggest obstacles in the introduction of a market economy is the lack of civilized entrepreneurs. Under existing unfavourable conditions, the education of civilized entrepreneurs is the task of prime importance, because only business persons are capable of creating the market. Though in turn market will create businessmen.

Significant role in the education of businesspersons in Soviet Union at present play Business Schools. Now in Soviet Union, there are many Business Schools of different types. One of the best is School of Management at Moscow State University. This School strives for the preparation and reparation of people engaged with management as well as those who intend to get up their own business.

Main objective of the School are as following:

- development of entrepreneurial Spirit.
- changing attitude of the managers of state-owned enterprises.
- preparation managers for working in market economy
- improvement and development communicational potential of managers.

School of management of Moscow State University also running training courses for foreign businessmen who are interesting to learn Russian and to know how to do business in Soviet Union. At present on this program are studying students from Korea and Japan.

The number of businessmen is growing now in Soviet Union very rapidly. In a near future they will determine direction and content of process of creating market economy. And it is very important now to set up atmosphere of civilized business and mutual understanding between business community and new democratic leadership of independent states, former republics of Soviet Union.