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**Subslug:** [Article by Yuriy Grigoryevich Naido, director of the Center for Structural and Industrial Research Under the Russian Academy of Sciences Institute for Economic and Political Research, and Stanislav Iosifovich Simanovskiy, chief of the Section on Innovative and Industrial Policy: 'Not for the Print-Media Family: Export of High Technology Will Give an Impetus to Western Research']

**FULL TEXT OF ARTICLE:**

1. [Article by Yuriy Grigoryevich Naido, director of the Center for Structural and Industrial Research Under the Russian Academy of Sciences Institute for Economic and Political Research, and Stanislav Iosifovich Simanovskiy, chief of the Section on Innovative and Industrial Policy: 'Not for the Print-Media Family: Export of High Technology Will Give an Impetus to Western Research']

2. [Text] Russia's conversion has scarcely managed to take its first few steps, and its military-industrial complex has still not flung its doors wide open to the international community. But even the 'peep' that American experts have succeeded in taking has allowed them to count thousands of technologies and developments exceeding the world level. As noted at the Congress on Problems of Converting Military Production Facilities, which was held in December last year in Moscow, Russia has the capacity for creating superpowerful scientific and technical systems for defense, information science, astronautics, and the nuclear power industry. Along with North America, West Europe, and Japan it could become a fourth side in the global technological rivalry.

3. The practical attainment of Russia's potential in the field of

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high technology and scientific exports requires considerable preliminary effort on our part, as well as on the part of the international community.

4. As to Russia itself, the measures necessary for expanding its international technological ties relate primarily to the competence of the state. It is obvious that first and foremost among them we can cite state subsidization of, and extension of credit to, global technological developments and those with particularly good future prospects, international projects, as well as providing economic incentives for technological exports. With the aid of measures in our tax, credit, currency, finance, and customs policy, we must provide for the most rapid possible adoption of a package of laws designed to furnish a whole complex of measures for protecting and safeguarding our industrial and intellectual property. We need laws on state requisition orders in the defense field and on the transfer of technologies from the defense sectors to civilian sectors of industry. We need encouragement as well as active economic and legal cooperation with regard to diversifying the forms of property ownership in the scientific and technical sphere. We cannot get by-of course-without creating a favorable investment climate for domestic and foreign investors, including the formation of national and international funds for insuring investments against political risks, as well as the economic encouragement of risk-type financing of technological developments and innovative activity.

5. Russia's acute need for currency assets and the above-mentioned measures with regard to liberalizing international technological contacts must not, however, blind us to the necessity of solving yet another urgent problem. What we have in mind here is preserving and safeguarding Russia's national technological security, naturally, as adapted to the conditions of an open market economy. But this matter requires special examination and consideration.

6. As to the international community, from the latter Russia is entitled to expect-at a minimum-the complete elimination of discriminatory measures along the lines of Cocom, and in the sphere of bilateral trade relations-being granted most-favored-nation status. It is obvious that-from the West's viewpoint-this would be the best way to assist the Russian democratic reforms. It would be aid, which in the future would be returned to the West in the form of the largest possible economic and political dividends, stemming from the opportunity to operate in the vast Russian market.

7. Turning now to some specific technological possibilities of our country's VPK [military-industrial complex], we should bear in mind that Russia is already prepared to propose a number of major projects and offer them to the international community. For example, the

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Program for a Satellite Telecommunications System (STSS) for providing business digital transmission between stationary and mobile subscribers at any point in the world. In all, three satellites in a geosynchronous, high orbit allow the creation of a global communications system for 60-80 million populated points in virtually any region on Earth. The principal components of this system--including the space vehicle and the satellite, the means for putting it out there and bringing it back, guidance controls, the communications lines from the space vehicle to Earth, the land-based controls, etc.--have already undergone successful testing within the framework of defense programs. The STSS would save 200,000 jobs for personnel employed in enterprises being converted.

8. A project involving global space communications with the aid of Gonets [Messenger] low-orbit satellites is of great interest. As early as 1994-1995 there will be 36 satellites in this system's orbital grouping. They will provide their subscribers with communications within a system of electronic mail, telex, telefax, exchange of computer data, and--in the future--radio-telephone communications. The practical operation of this system has been shown in Australia, and it demonstrated a stable communications link between Melbourne and Moscow.

9. The future prospects for utilizing the technological possibilities of the military-industrial complex are shown by the following simple list:

10. --a project for launching artificial satellites from mobile stations;

11. --utilizing aerospace possibilities in navigation, research and exploration of natural resources, cartography, meteorology, forecasting natural phenomena, and protecting the natural environment from pollution.

12. --obtaining new materials and preparations on orbiting stations;

13. --creating the wide-body Ekip [expansion not given] space vehicles in the form of "flying saucers." The production of hypersonic PVRD [ramjet] aviation engines.

14. At the present time Russia is working to prepare a contest for conversion projects to involve foreign partners in 10 sectoral lines of activity, including the following: programs for developing motor-vehicle manufacturing, railroad transportation, civil aviation, communications media, electronics and information technologies, creation of machines and equipment for civil engineering construction, development of electric power complexes, development of

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the production of agro-engineering equipment and machinery, conversion, and ecology.

15. In order to finance such projects, targeted investment funds can be created, including international ones, and in order to carry them out-joint ventures, consortiums, and other types of associations. As a result, the Russian military-industrial complex is capable of substantially advancing Western research and development in the high-technology field.

16. Up to now the complexities and difficulties here have been connected with the incompleteness of the legal and economic mechanism of conversion. Nevertheless, elements of the new economic relations and attitudes- corresponding to the spirit of an open market economy-are gradually being approved and affirmed not only in the economy as a whole but also in the defense industry.

17. An essential role in forming a legal mechanism for conversion was played by the Law "On Converting the Defense Industry in the Russian Federation," as adopted in March 1992. Even though last year enterprises in the military-industrial complex turned out to be in an exceptionally difficult situation because of the curtailment of defense orders by 60 percent, many of them-thanks to the above-mentioned law-were rendered strong state support. The 1993 budget has provided allocations for targeted programs (the Russian State Space Program and the Program for Developing Civil Aviation), in which a great role will also be played by the participation of the conversion enterprises. They will be subsidized for the purpose of paying wages, for social needs, and for maintaining custom-made, special purpose, bench-type equipment.

18. But even prior to the adoption of the law on conversion, life itself had engendered some utterly new forms for us by way of carrying out economic activity within the framework of the military-industrial complex. In particular, various types of joint-stock companies had begun to appear, attesting to the beginning of the processes of radically changing the forms of property ownership in the military-industrial complex.

19. Among them is Ural-Kosmos, which has set as one of its tasks the commercial utilization of rockets which were originally constructed as military missiles but whose service life has expired or is about to expire, or rockets which are scheduled to be destroyed in connection with the arms reduction program. In place of warheads, communications satellites will be installed on them.

20. The Aviatika joint-stock company has established itself in those shops where MIG-29's used to be produced. It now turns out an

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ultra-light aircraft for sports aviators and farmers. This product is now being exported. And during just the first quarter of the current year more than 200 orders have been received from the United States, Italy, Spain, France, Britain, and other countries.

21. The Balakirev Machine Plant (which used to produce artillery) has also been converted to a joint-stock company. One part of it continues to turn out defense products, while another part is preparing to make American Case tractors.

22. At the present time work is also progressing on solving the problem of creating other comprehensive organizational-marketing structures for the military-industrial complex. We can cite four such structures as examples. A business center which is a semi-state organization designed to expand the development of contacts with domestic as well as foreign entrepreneurs; a finance company, which includes the Defense-Industry Bank; the Russian Defense-Industry Insurance Company; and an information association.

23. However, the changes that have taken place so far do not bear the imprint of an integrated, systematic approach to solving the problem of conversion in Russia. To a large extent they are of a spontaneous nature. Nevertheless, their logic corresponds, with no ambiguity at all, to the process of the emergence of market-type relations in our country's economy, as well as to the appearance of fundamentally new entities for managing the defense industry. And that means that the complex's high technological potential is being reinforced-albeit slowly-by the appropriate market mechanisms and its implementation at the national, as well as the international, level. And it would be no surprise at all if the military-industrial complex-which was renowned as the conservative portion of our economy-with the appropriate state support were to become the locomotive and principal financial source of Russian economic reform. A pledge of this is its high decree of competitiveness and material-technical preparedness for inclusion in the international division of labor.

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