

USSR Trip Report #7

Notes of the USSR

February 2 – February 10, 1991 - Prepared by Art DeFehr

What a fabulous time to be a traveler – if you have good nerves and believe that God holds your destiny in His hands. The airports are uncongested, any check-in required five minutes or less, you can have an aisle seat with leg room or the whole row. Airlines will happily adjust and accept any excursion ticket just to get you on their aircraft. That's the upside, what you find on the ground when you land is distinctly less pleasant.

Note: The international skies were empty because of events in Libya and hijackings and the consequent fear of flying.

The trip was marred by a family emergency requiring a return home two days earlier than planned. During the stopover in Germany a television documentary about President Bush began with the question “Who is this man, the most powerful person in the world who is dividing the world community into good guys and bad guys, friends or enemies on such narrow criteria?” The same question could be asked about Mikhail Gorbachev, a person who is loved in the West for abandoning Eastern Europe but hated internally for his disastrous economic policy. Events in Lithuania suddenly shatter our stereotype and we are confused. Is Gorbachev allowing the military or hardliners some scope to try their methods and thereby see them discredited? Or does Gorbachev really believe in holding the Union together by force? The commentator went on to ask, “In the long run – which person will be more dangerous to the world; the President, who consults evangelists, and claims righteousness on his side; or a wily and enigmatic pragmatist who shifts his ground in order to survive”? The euphoria of 1989 has evaporated as we realize how dangerous the world remains. A Frankfurt taxi driver (the ultimate reservoir of wisdom) said that he has believed for 20 years that his children and their children would not be fighting Communism, but the conflict which will grow out of the gulf of incomprehension between Islam and the West.

From the perspective of 2014 the wisdom of taxi drivers is confirmed!

Political and Economic Situation in the USSR

The pre-eminent issues in the USSR remain the continuing independence aspirations of various nationalities and the virtual collapse of the economy. These factors define the ongoing battle lines between reformers and hardliners. Gorbachev along with the military and central authorities remain uncompromising on the integrity of the borders of the USSR. It is reported that at a recent gathering in Moscow of 6,000 senior officials of the military-industrial complex there was a strong message sent to Gorbachev that if he would continue to waffle on the question of centralized power they could dispense with his leadership. A senior military official suggested privately that if they had orders to turn their guns on the people, his troops would refuse. A university-age son of another senior official announces that he has abandoned the communist youth league “Komsomol” and “wants only capitalism”. His younger brother won't even bother to join the “Young Pioneers”. Over and over we hear the comment that the young generation has been lost to the Communists and that whatever setbacks there may be, a political sea-change is only a matter of time. The hardliners appear to be in the ascendancy yet simultaneously Marx Avenue in Moscow reverts to its pre-civil war name of Okhotny and Pioneer (communist youth training) camps are being sold for purposes of Christian camping and Bible Schools. The press is free

and controversial yet a TV Journalist says that they have become more cautious and obey an “inner editor”. If they lose their jobs – the replacements may be even less experimental.

On the legal and judicial side there is monumental confusion. Many old laws have been scrapped, yet the new laws have not been created. Some new laws have been decreed but have not been signed into law. In many cases Republic and Union laws differ markedly with both claiming supremacy. On the question of which laws will finally govern, an expert from the Commission on State Law throws up her hands and says “I don’t know.” One person asked a lawyer whether it was legal to sell her house for hard currency. The answer was “yes and no.” It remains legal to hold both rubles and hard currency – but illegal to exchange them. The paradoxes are endless creating great uncertainty. At least one company has successfully registered as a 100% foreign-owned company by registering at the level of one of Moscow’s 33 districts – yet there is no final provision in national law for such a status. This chaos provides intriguing opportunities for anyone with imagination, and parallel opportunities for bureaucrats to line their pockets by threatening to exploit the ambiguities.

Note: At this time I was being introduced to many people and situations engaged with early staged privatization of USSR assets. I was often offered 5% of the deal in exchange for finding Western Partners. I became involved initially but the direction, violence and absence of morality quickly became evident and I distanced myself from the future oligarchs.

The economy is a basket-case and creates limited flexibility in the political arena. It is estimated that GNP dropped 10% in 1990 alone, with even larger drops in critical raw materials such as oil, coal, metals and timber. Everyone admits that there is not a genuine food storage, but selective and often severe hardship on a regional, product or social strata basis. We visited a suburban Moscow grocery store with adequate supplies at that moment of bread, milk, peach jam, borscht and what looked like mashed pumpkin. The only lineup was a huge crowd in front of the Vodka counter. No sugar, no meat, no flour, no vegetable oil, etc. etc. The real problem is exemplified in areas like the Baltics where the Governments are attempting economic reform – which usually means tripling prices of the heavily subsidized basics and forcing the marginal groups out of the market. Life is an increasing struggle for survival with vast amounts of time spent scrounging for food and consumer goods rather than being on the job.

Economic policy remains a disaster area. The Abalkin – Ryzkov approach of gradualism with the absence of private ownership contrasts with the Yavlinsky – Shatalin 500-day shock treatment. Alexander Zaichenko, a senior Christian economist in the Government believes that both plans were flawed in that they failed to deal with the structural imbalance of an economy which devotes too much expenditure to the military and to state-controlled investment. He believes that either plan would have failed. Yavlinsky, #2 to Yeltsin in the Russian Republic, resigned in mid-October over his frustration with the lack of economic reform while Shevardnadze, the (Union) Foreign Minister, resigned in mid-December over his fears of a return to political dictatorship. Stay tuned.

ACB Conference (February 7–9, 1991)

The third ACB Conference (March, 1990 in Kiev – May, 1990 in Moscow) was held at the Olimpietzk Hotel near the Sheremetyevo-2 International Airport in Moscow Feb. 7-9. There were 100-150 Soviet delegates and approximately 25 Western delegates representing the USA, Canada, the Netherlands and Germany. The ACB leadership had been quite restrictive in its invitations and had excluded people who were not really in business or whom they judged as not well enough established. The western delegates were a mixture of people representing missions, some who were a mixture of mission and business, and some real businessmen. There were some excellent sessions, quality input by economists and other experts, and a much more mature exchange of information and ideas than at the previous conferences. There were separate orientation sessions the first morning for the Western and Soviet groups which

helped to shape behavior and process. The facilities had their limitations, but the food was adequate, the meeting room excellent and the isolation of the hotel helped to keep the group together. The following offers some observations and conclusions:

- 1) The cancellation (due to war and other concerns) of many potential SUN visitors seriously reduced the capacity to find meaningful partnerships. If we cannot produce more real business partners our credibility will soon be called into question.
- 2) The Western representatives who were there performed well within their respective abilities and experience levels. Nevertheless, we produce a substantial number of first timers at each conference who legitimately need to “learn the ropes.” The problem is that having learned the ropes they generally don’t appear at the next conference and everyone starts over. The 10 or 12 repeaters were clearly much more effective than the first-timers and we must search for ways to expand that kind of commitment.
- 3) There is a serious problem in trying to create partnerships when the ideas remain verbal, conceptual or written in Russian. SUN and ACB must find ways to give proposals from either side much greater definition prior to the Conference to permit more practical discussions.
- 4) We must recognize that most ACB or potential ACB participants have limited training and respond very positively to visual or hands-on ideas. The demonstration by Dr. Paul Polak of a home-canning device caused a minor revolution and demonstrated the need for more practical definitions of projects.
- 5) There is a serious cultural gap between the perceptions of SUN (as defined in our documents) and ACB as represented by its leadership on the nature of our relationship. The ACB assumes that it is a relationship between two organizations which invites, sifts, approves, controls, etc., any initiative through a narrow funnel while SUN desires to create contacts and permit them to function freely and independently with SUN available as a resource. There is some violent opposition to the ACB leaders by the smaller members who see the Directors as controlling ACB substantially for their own benefit. In view of the fact that ACB has not forwarded any project or request to SUN other than from the directors, their accusation is probably correct.
- 6) SUN has the objectives of finding partners for existing Christian businessmen – which the link with ACB will partially accomplish, but SUN also desires to promote and encourage the entrepreneurial process – which the link with ACB will definitely not accomplish. SUN must review its objectives and, if the second remains important, will need to seek or establish other channels.
- 7) SUN also desires to promote understanding of the relationship between business and the church as well as business and ethics. ACB insisted on running the Conference itself and SUN permitted this. Regrettably these questions both were effectively absent from the agenda. The opening of the Conference by Victor Hamm and the closing by Johannes Reimer were both at the instigation of SUN. Without their contributions, there would have been an almost complete absence of spirituality. In view of the expressed piety of many of the ACB members, we found this both confusing and troubling.
- 8) There is an asymmetry in operational style between SUN and ACB. Sun is moving toward professional management in the form of Christopher Shore (who deserves commendation for his very helpful work before and during the Conference) as an effective and relatively

independent executive director while ACB is operated in a very individual and centralized style by the President who is frequently not accessible. The staff will avoid any decisions in his absence.

- 9) Networking remains a foreign concept in the USSR. Since forming the ACB there has not been a single general mailing of any kind to the membership. There was no generalized invitation to the Conference – in fact many interested parties were discouraged from attending. We need to be sympathetic to the reasons for this approach but so far we can't come up with any explanation which can justify this behavior. It may be attributable to the personality and style of the individual in charge, but there is a strong suspicion that many of the other directors may not be all that different.
- 10) ACB lacks a Constitution and any form of democratic operation. For example, one director was replaced between conferences at the sole discretion of the President. Another person was declared Vice-President who had not even been a director prior to that time. It's not necessarily a matter for us to decide, but this behavior is causing serious dissension among the balance of the membership and will limit ACB's effectiveness and testimony if not corrected.

Results of Conference

In spite of the many concerns above, one can list some impressive accomplishments. A movement on an interdenominational and geographically-dispersed scale now exists among Soviet Christian entrepreneurs. Regardless of the problems – there is too much mutual benefit in the relationships to permit the movement to die. There was also increasing recognition that the relationships among the Soviets may in fact produce more immediate benefits. The nature of the discussions between East and West were more balanced, measured and mature and reflected a closer harmony in terms of mutual expectations. Each Western participant was encouraged to try to accomplish at least one concrete action on this trip, and we heard of numerous specifics which may lead to exchange visits or small investments. Enough good things happened to ensure that ACB and SUN will carry on, but we are still a long way from achieving even our more modest objectives.

Future Actions

- 1) The next international conference of SUN and ACB will be held in Odessa on the Black Sea around May 14-16, 1992. The time of year, location and 15 months of work should encourage a much stronger SUN delegation.
- 2) ACB will hold its own mini-conference in three months to sort out its leadership and constitutional issues. Don't hold your breath!
- 3) There will be specific focused visits of businessmen in both directions during the next 15 months. Chris Shore will seek guidance from SUN members in establishing small groups from the West who have a common geographic or industry interest. Simultaneously we will respond to enquiries from the USSR by matching them with a particular business for training purposes or a more generalized introductory tour if appropriate. It is anticipated that Alexander Semchenko ("Protestant-publishing), Anatoli Pekhotin (construction and bricks from Rovno), Maslow (interested in construction materials from Moldavia) and possibly Sergei Kibirev (computers from Novosibirsk) may visit Winnipeg, Chicago and possibly a third location March 11-25. Alexander Kloss, a Russian and German speaking architect from Germany may accompany them.

- 4) Western delegates visited the Maikop, Rovno and Leningrad areas before or after the conference. There appears to be some reasonably specific plans as a result of these visits.

Other Issues Relative to ACB and SUN

- 1) The office issue has unfortunately not been resolved. The John Deere tractor was sent as requested at a cost of US \$21,000 but officials said they “did not like it” when it arrived. This was in spite of their initialing the brochure to indicate advance approval. The more underlying issue is that Filev was acting alone in the Moscow environment and stayed at the lower levels someone higher up would not follow through.

The second and I believe important reason is that “our” building is essentially derelict and needs to be restored in its entirety. If they allow a Western group some degree of tenure on a single apartment it will severely limit future options for re-development. With the help of Anatoli Pekhotin who is also a city deputy in Rovno, we went political and spent two productive hours with the Chairman or “Mayor” of the District (one of 33). When the problem was explained to him, he apologized but explained that we really need to talk about the whole building. Regrettably, we had set up a meeting on February 11 to discuss a redevelopment project in depth but my premature departure intervened. The tractor in the mean-time is in storage and we will seek to use it as leverage sometime.

- 2) ACB staff and executive director. There seems to be some grudging acceptance of the need for a professional director apart from the board of directors. Unless they find a person of adequate ability and independence it will only have limited value. Hopefully there will be progress on this front at their next meeting.
- 3) Information - The complete lack of communication before and to a large extent during the conference was a major concern to the other delegates. It has been agreed that Herb and Maureen Klassen will begin publishing a monthly newsletter. Hopefully it will become a reality!
- 4) Herb and Maureen Klassen, assisted by Dave and Elfrieda Loewen (proposed camping ministry) and Chris assisted the Soviet staff in running the Conference. They also lack a phone in either location or a fax machine. This inadequacy needs to be addressed promptly if they are to make any progress.
- 5) Sergei Kibirev donated a computer and printer to ACB. The precise nature and utility is not yet known but the Klassens are hopeful.

Other Observations in the USSR

- 1) The enthusiasm caused by Paul Polak’s home-canning device was a useful lesson. We need to respond to their projects, but in many cases they really don’t have a project that one can easily plug into. Others are casting about looking for ideas. The home-canner suggests that we need to develop certain standardized ideas for small or medium businesses, and provide access to the idea or technology or some variation of a franchise. Some examples are:
 - a) Home-canning: Sell canner and provide access to supply of cans and recipe.
 - b) Sausage manufacturing: There are very few sausages on the market because there is a lack of both knowledge and equipment.

- c) Home-knitting machines.
- d) Access to sewing machines and some basic supplies.
- e) Various projects related to the service and repair of automobiles.

This kind of project needs to be fully defined and tested and then offered on a more generalized basis. In many cases an existing co-operative could take on one of these projects and act like a general distributor and promoter. These ideas could be presented at an exhibition connected to the next ACB/SUN conference as well as separate travelling exhibitions. The purpose would be to encourage large numbers of individuals to become entrepreneurs on a small or small/medium scale. As they gain experience and capital, some will naturally evolve into larger enterprises.

2. **Banking:** A bank has been formed in Toolski, a small town in the foothills of the Caucasian Mountains with Filev as Chairman. Based on Filev's operation of the ACB it is unlikely to become a development-oriented bank for small entrepreneurs. There is talk of a new Moscow-based development bank with Semchenko and Warkentin, two of the key promoters. Their stated intentions are to provide small loans but it is premature to pass judgment or to count on this venture.
3. **Camping:** Dave and Elfrieda Lowen of Winnipeg have committed themselves to a multi-year effort to promote Christian camping in the USSR. They have many enthusiastic invitations and will spend the next seven weeks exploring a number of areas of the country.

Note: This initiative quickly developed into a sustained Christian Camping Ministry known as Kingdom Ventures in the Ukraine and other Republics with a Russian equivalent it resulted in the establishment of hundreds of Christian camps and continues today.

4. **Television:** I had the opportunity to spend an evening in the home of the producer of "Good Evening Moscow" for Wednesdays and we discussed the concept of a weekly series built around "economics and morality". We had a meeting scheduled for February 12th which was also postponed. We also met a group of independent Christian T.V. producers who now get 35 minutes free airtime each month on the #2 national channel. Their cost for the production of these 35 minutes is 27,000 rubles. They are very enthusiastic but their capabilities are not yet known.
5. **Bibles:** There was a major news conference on February 6th to announce the project to donate 4,000,000 New Testaments to the Soviet churches from the International Bible Society (Denver). One of the other foreign Bible specialists publically criticized the low quality of the US \$0.32 book and suggested another dime would have been well spent. The plan is to print half of the New Testaments in the West and half in the USSR.
6. **Foreign Credit:** Credit for the USSR has essentially dried up. The Vnezheconombank (foreign trade bank), which is the intermediary and effectively guarantees the future access to hard currency, has stopped providing new guarantees. Many Western credits are also delayed or cancelled as a statement of protest regarding the crushing of dissent in the Baltics. The total value of credit affected was estimated by one person as \$16 billion. It is also reported that the "Deutsche Bank", the largest German commercial bank, has taken some significant write-offs on USSR debt that was not guaranteed explicitly by the Government. This could mean that new projects will dry up and the authorities will become both more desperate as well as more generous in their dealings with foreigners.

7. Moldavia: Moldavia represents a special opportunity since much of its leadership appears to be Protestant/Evangelical and is encouraging direct investment and involvement by Western Christians. It could warrant a special mission by a group of potential investors.
8. Lithuania: We were unable to obtain visas so the folks from Lithuania traveled to Moscow to meet us. The project to establish "Liberty Christian College of Lithuania", a **Liberal Arts College** on the Western model in the city of Panevezys is still very much alive. A delegation of six persons will visit Winnipeg, Chicago area and Washington DC sometime this spring. The plan is to begin with an English language program for approximately 100 Lithuanian school teachers of English in July/August, 1991. If you know of persons who would like to teach English July 1 – August 16th, please contact Art DeFehr or Johannes Reimer.

Personal Conclusions

The political future is much more uncertain than the economic direction. The wild cards of ideology, the struggle to retain power by the elite and the military as well as the question of nationalism makes a potent brew. Some people predict blood in at least some streets before it is all over. On the economic side, there is a certain kind of consensus that whoever is in charge, they have no real alternative but to liberalize the economy. A prudent investment strategy is to establish market position and experience, but not to commit large external funds. From the ACB/SUN perspective, we should emphasize smaller manageable projects which create some mutual basis for further growth but do not result in losses which cannot be absorbed or sustained. This will lead to some disappointment among the larger ACB members whose projects are growing rapidly. For example one ACB member had a volume of 2 million in 1989, 7 million in 1990 and is projecting 50 million rubles in 1991. Another had 600 employees in August 1990 and has 800 today. The big boys are doing well but don't seem adequately interested in carrying the smaller ones with them. Based on limited information, notable exceptions would be Latvia and Kazakhstan.

The mood of the people is much more somber and cautious but most still have faith that the current events will be seen as an aberration rather than the beginning of a long march backwards. They are also becoming more realistic about the role of the West and realize that fundamentally they will have to be the agents of their own salvation.

It had been my intention to begin active work on several personal business projects which had been held in abeyance until SUN/ACB was a little more established. As a result of my departure, these appointments will be postponed until next time. The USSR remains a place which holds enormous fascination for me. We are in the midst of a "historic moment" where some of our actions may have significant and long-term consequences. I encourage others to seize this moment and apply their God-given talents and resources to a nation which is seeking its soul among the shambles left by Communism.

AD/dd

P.S.

A special note of thanks to the many delegates from the West, and our capable staff, who took the initiative at many points to "make things happen". It is that kind of support which encourages me to stick with SUN.