

USSR Trip Report #8

May 10 – 22, 1991

Participants: Art DeFehr and Johannes Reimer

Itinerary

Three days in Germany in the Bielefeld area and the Hanover wood-related equipment fair. We departed from Berlin for Moscow (3 days), then two days in Kazakhstan (Shuchinsk, Kokchetov), a day driving through the Caucasus including a stop at Nevanymsk (Kuban settlement, my mother's birthplace), a day in Maikop – Belorechensk for the closing ceremony of the Logos Bible School, then two more days in Moscow.

Purpose of Visit

Investigate possibilities for establishing a private company (100% foreign-owned rather than joint-venture), to investigate several specific business opportunities and to make an initial visit to the Shuchinsk area (where Hans Warkentin lives).

Summary of Results and Impressions

The political climate has changed enormously since February. Some of it can be attributed to the beauty of a Russian spring, but the realization among top government officials that co-operation is essential is certainly a determining factor. Some people suggested that the mid-winter period could be compared to the end of NEP in the 1920's, except that the situation reversed itself and momentum is in favor of the market reformers.

Laws continue to be passed and there is a slow accumulation of legislation which is permitting more and more initiatives to take place. One of the more dramatic developments is the emergence of an entrepreneurial spirit among bureaucrats in almost every Ministry and region. Scratch a bureaucrat and you find he either has or is planning some kind of business on the side and "let's step outside and I can really help you." Many of these situations would be defined as a "conflict of interest" by anyone's standards, but it is probably a necessary stage to loosen that dead hand of state control. This development was one of the most encouraging observations.

We again checked a number of food stores and did find more quantity and variety than in February. But with a kilo of sausage at two days wages, this is hardly an economic miracle. The overall shortage of goods is spreading into an increasing number of sectors, such as shoes and certain types of clothing. People find this downward spiral very depressing.

On a scale of 10, this trip would rate a solid 7, compared to about 3 ½ back in February. The old adage was again true – the enjoyment of a trip increases in direct proportion to the distance from Moscow!

Traveler's Tales

Several readers have commented that they enjoy my travel anecdotes – one said it was comforting that I also experienced the same grief as he and everyone else! If you want the facts and politics only – skip to the next section.

Obviously a visa to the USSR and the specific cities has always been a somewhat mysterious and arbitrary process. Shuchinsk, a small city in Kazakhstan, has often been difficult to get listed on the visa.

After another failure, I sent a very personal plea to the Embassy in Ottawa explaining my reasons. Upon presentation of my letter, the consulate officer remarked – “no problem, get the visa at 3:00 p.m.” – then was overheard to remark to his colleague – “I wonder where Shuchinsk is – we better check.” It seems that the lack of knowledge about Shuchinsk kept the city off of our visas for nine months! We brought him a map with Shuchinsk underlined.

Johannes and I had the opportunity to enjoy the perks of Aeroflot on five occasions (I actually spent most of all of five nights in aircrafts on this trip). Departing from Moscow, our driver wanted to take us to the tarmac (avoiding the entire terminal) and directly to the Intourist lounge (although we were on ruble tickets the whole way). The guard wouldn't let us in, but a passing motorized luggage cart and driver volunteered to take us – so we careened around the tarmac for a while, with me squatting on my luggage in the back – and Johannes taking photographs. From that lounge we were led on foot across a Kilometer or so of tarmac, winding between aircraft to the VIP lounge where our bags were checked for security purposes. Then a long bus ride to somewhere else where we were left on our own for a while – finally our guide pointed to a plane 300 meters away and we wandered there on our own. So much for all the security!

If I described one cold chicken aircraft lunch, (after midnight), it could describe them all. The seats were a bit tight so both of my legs were in the aisle. The lady on my right had different anatomical difficulties – the tray could not get past her ample bosom and it is hard keeping two boiled eggs in place with the tray at 30 degrees. The lady on my left passed the bosom test but the tray was perched at 20 degrees on her stomach – she also ate my piece of chicken.

On another flight the entertainment was a young mother with a capacity for feeding triplets who seemed to think that her baby was happiest if she bounced up and down the aisle while breast-feeding with both ample breasts fully exposed. The most remarkable incident, however, was our chance meeting of a very senior Soviet Research agronomist who heads a research institute at the Stavropol Agricultural University. He is Professor Harry Heidebrecht, Mennonite background, but because of his position was prevented from meeting any German visiting agronomists until one year ago and had never met any Mennonites from outside of the USSR.

We couldn't get a flight from Kazakhstan to Krasnodar so the local regional “President” secured the two front seats reserved for the KGB – going to a city 400 km. from our destination. The Professor was sitting opposite us and introduced himself when he heard our babble in three languages.

The visit to Shuchinsk was a real highlight. It is in a range of mountains about 100 km. square completely surrounded by steppe. The scenery resembled Banff but it has the added benefit of over 30 good-sized lakes. We stayed in the forest in a beautiful dacha which Warkentin is purchasing.

Another highlight of Kazakhstan was an invitation by the “President” of Shuchinsk and the head of a nearby Sovkhoz (state farm) to a “Bishparmakh” (five fingers) or ritual Kazakh feast. It included every part of a sheep and parts of a horse including smoked horse blubber. As guest of honor, guess who got the sheep's head with all associated benefits!

Visit to Germany

I visited Logos headquarters for the first time and met their staff. The nights were spent in the hospitable home of Johannes and Cornelia Reimer.

On May 10th there was a dinner meeting with seven “Umsiedler” business persons, all active in the USSR. They have formed a group of 17 such businesses and expect to grow to double that number as the word gets around. They call themselves the Verband Russland Deutschen Unternehmer (VRDU).

Alexander Kloss was the stimulus for this group and his motivation grew out of the contact with SUN. They will probably organize locally to meet their needs but are very willing to co-ordinate with SUN in dealing with the ACB and other business contacts. We agreed on three forms of co-operation in the immediate future:

- 1) Someone from Germany should participate in the SUN meeting this Fall;
- 2) We should publicize the VRDU in the next SUN Newsletter;
- 3) SUN should try to include a German participant in any specialized SUN tours since they have language and local knowledge.

ACB Business

Chris Shore was in the USSR at the same time including visits to Kiev, Odessa and Moldavia. He spent significant time in Moscow with Alexander Zaichenko to plan the future program and co-operation of ACB and SUN. Zaichenko has agreed to the leadership position, several prominent ACB members have promised to underwrite a 300,000 ruble budget and we should expect a pick-up in activity by this Fall.

I tried to determine the value of visits by ACB members to the West to this point. The comment they always make is that they have difficulty relating to our larger and more successful enterprises. They also would like to get in depth at certain places. We need to learn and try to tune the visits as we gain experience.

One of the more rewarding moments was a thank you from Evgeny Filev regarding my critical comment at the ACB conference. "With new technology Filev will only make more poor quality bricks more quickly." Apparently that stung! Filev went home and plunged into his plant. The strength of brick (a key measure of quality) has increased by well over 100% and the plant has grown from a loss to a solid profit without any addition of equipment. We need more stories like that to help people understand that equipment is only one solution among many.

Filev also reports that the bank in Toolskaya, of which he is President, is doing well and is profitable. Banking in the USSR is currently the scam of the century. There are now over 3,000 banks in the Russian Republic alone. You put in your capital – then multiply it 20-fold from the state bank at very low interest rates. There seems little control on lending policies, so many banks operate as merchant banks putting the money into their own or related enterprises. In an inflationary environment that is quite literally a licence to print money!

Chris will report in greater depth about other matters concerning the ACB.

Registration of Companies

A law was passed on October 26, 1990 which states that it is possible for a foreign company or individual to register a 100% foreign-owned company in the USSR. Then the winter storm clouds rolled in and nobody got around to creating any forms, instructions, etc. for such an entity. Well, three companies have found their way through this maze but are not yet in active business.

The Soviet solution to such a "riddle wrapped in an enigma" is to introduce you to their friend who is a very good friend of Everyone assured us that a simple fee for the troubles (or even helping pay medical expenses for the sick niece of Gorbachev's former law professor) was the magic key. After several rounds of increasing frustration Zaichenko arranged a meeting with the senior person in the Council of Ministers who actually wrote the law – Dimitri Alexeevitch Beskournikov who gave us a very frank assessment of the situation. He also told us that he would leave the government and become a private consultant in 20 days and then "we would no longer be able to afford his services!" This meeting also produced the classic quote of the trip, "Since I wrote this 100% law, I know it is not working."

Nevertheless, we visited a recommended German-Soviet law firm which had a good grasp of the situation and guaranteed a registration or our money back. We will probably proceed with an attempted registration this summer.

The registration is done within each Republic, is registered at the local city or municipal level and then is automatically registered with the Republic Ministry of finance. Such a registration allows a company to do business anywhere in the USSR with very few restrictions (nothing military related and possibly insurance). The minimum capitalization is 10,000 official rubles (about U.S. \$6,000). After that you can buy rubles at currency auctions (presently about 29:1).

Beskournikov and others suggested that taking in a small (3-5%) Soviet partner made the process simpler – but it may also expose the company to some of the arbitrariness of the Soviet system. It's early in the day, but things are clearly on the move. We also inquired in Kazakhstan regarding registration and they claimed it was possible. It seems the old Kazakhstan clan system is alive and well – the old chiefs are now party secretaries. The solution to everything is "I'll call my brother in Alma Ata". We'll advise further next visit!

Publishing

There will soon be one publisher for every reader – or it at least seems that way. One of the more interesting new contacts was Oleg Kostukoff, formerly the director at Trud, the largest paper in the USSR. He recently became a Christian and is associated with the Seventh Day Adventists. Kostukoff has just accepted a new position with the Rossizka Gazeta, the official newspaper of the Russian Republic (as in Yeltzin). This group wants to start a new Christian Weekly known as the "Rojistva" (meaning similar to Christmas) with a hoped-for circulation of 500,000. He invited Johannes and myself to co-ordinate a group of Christian publishers from the West to buy a major interest in this paper. This has enormous potential and we will draft a separate proposal for the appropriate parties.

His 17 year-old daughter; a precocious young lady, has applied to the Mennonite Brethren Bible College in Winnipeg so I interviewed her to assist the College in reaching a decision.

Agriculture

This is an area of obvious potential for Western involvement but has been nothing but frustration to date. The chance meeting with Dr. Heidebrecht opens some new and exciting possibilities.

We visited the town of Peske, two hours West of Kokchetov in North Kazakhstan. This is terrain similar to central Saskatchewan with a similar latitude of 53° and variable rainfall averaging 350-400 mm. The mayor of Peske gave us a great deal of information about crops, problems, yield, etc. They are willing to work with outside partners on virtually any basis. It seems you could drop out of a plane with a parachute on any Kholkhoz or Sovkhoz in the USSR and find an eager partner! The head of Agroprom for the whole region of Kokchetov is Victor Vartofsky, apparently also of Mennonite heritage. He is emigrating to Germany this summer, as is Heidebrecht, and they then plan to return as foreign consultants.

Heidebrecht gave us documents for a new company "Spectrum" which will be formed June 11th. This will be a company designed to co-ordinate the introduction of new ideas and technologies to a group of approximately 20 of the most progressive Sovkhoz's and Kholkhozes in four areas in the USSR. These areas include Stavropol (Caucasuses), Kokchetov, North Kazakhstan, Omsk in South Siberia and Barnaul (further East in Siberia). The latter three all range between 50-55° latitude with soil and rainfall conditions similar to Western Canada. I have applied to be a founding member (100,000 rubles) and they would be open to other members. This could be an excellent way to influence a group of progressive thinkers covering a good chunk of the Soviet Union. Heidebrecht is slated to become President of this new group.

We received more data than this report can handle. As an example, Heidebrecht described a controlled experiment comparing a Soviet combine and a German combine for the harvest of a difficult crop like alfalfa. The Soviet machine only captured 25% of the seed, the German machine 95%!

ACB Bank

Zaichenko wants to move on this as soon as possible. He is requesting assistance in two areas:

- 1) The assistance of one or more foreign advisors to help in organizing the bank. This is practical and real and we need some good candidates!
- 2) Foreign investors. This could be a good way for Western Christians to make a modest investment which will show solidarity, does not require personal supervision and may in fact be very profitable. Please contact Chris Shore if you are interested.

Other Contacts

Johannes and I made a wide range of other contacts, many associated with Logos or my private business. The Logos Bible Institute in Belorechensk was on our itinerary and we attended the closing ceremonies. It has gained considerable momentum and many of the Christian dignitaries showed up – everyone now claiming some degree of ownership. The school will be the site of a summer camping program (four camps of three weeks each for 120 youth per camp) from June through August – Dave and Elfrieda Loewen of Canada will head this effort with a lot of Logos and local help.

The phones do work in Moscow! We would usually get calls starting around 5:30 a.m. and the phone would ring until midnight. There were typically 3-4 visitors in our room every evening until we pushed them out anytime between midnight and 2:30 a.m. A centrally located hotel is really a must in Moscow to allow easy access to the Soviet visitors.

I also spent considerable time on my own business ventures. These included discussions regarding publishing, television, agriculture, banking and furniture. We will need to be a little selective – there is no lack of projects!

Radio Interview

I was asked to give a radio interview to Nadezhda Vladimirovna who does a one hour weekly Christian program on the new Russian Radio network. She used to do a very popular program on the Bible targeted at children on Gostel radio.

The questions focused a great deal on my own business, problem of ethics, environmental and Third World concerns. I was able to also give a good description of SUN/ACB and our purposes.

Conclusions

The USSR has survived another dangerous lurch on the political front this winter but the economic side is still deteriorating. There are goods in the market but at much higher prices. Production is still declining and in some categories you cannot find goods at any price.

The emergence of entrepreneurship within the state bureaucracies is an encouraging sign, although it does not lead to tidy arrangements. On the church side, we did not get a good sense whether there are more Christian entrepreneurs emerging. Possibly we did not meet the right people. The established entrepreneurs are all doing extremely well – most are increasing volume and profit by 200-300% this year.

The environment was more positive than this winter, but everyone understands that the economic difficulties have not yet been resolved. The challenge to Western Christians to be supportive and relevant still remains.