

American counterparts, may increasingly provide a life-support function for the over-extended defence industry and serve as an indefinite substitute for genuine defence conversion.

CONCLUSION

If current trends continue, Soviet conversion is unlikely to overcome the difficulties of the last two years. As practice has demonstrated, any effort to reduce the massive military burden on the collapsing civilian economy must go beyond palliatives to address the root cause of the country's economic malaise: the dysfunctional system of central planning. Contrary to initial expectations, the command system has proven itself unable to effect even a relatively smooth transfer of defence resources to civilian production. Indeed, the Soviet system seems even less conducive to conversion than any market economy. As long as conversion remains subject to the *diktat* of central ministries, no amount of tinkering is likely to create the necessary financial incentives, or lessen the extent of unchecked political intrusion, which would enable conversion to go forward. Thus far, conversion has only served to reinforce the extensive influence of the military-industrial complex over civilian resources without producing any significant benefits for the civilian economy.

The future prospects for conversion are not entirely bleak. The official commitment to conversion, though muted at the moment, has not been withdrawn. More significantly, the underlying economic trends which prompted conversion two years ago have only intensified. Perhaps in recognition of this fact, the Soviet government has indicated recently that more legislation on conversion is pending. Furthermore, new hope for conversion is found in recent proposals — suggested by both defence industry officials and their critics — for a third-way remedy for conversion. This approach speaks of breaking up the monopoly control of the centralized defence ministries in favour of a system still based on state ownership, but in which defence enterprises would be finally free of central planning. Ultimately, however, the fate of Soviet defence conversion will depend on the outcome of the broader, more vital struggle over the future orientation of the Soviet economy.

NOTES

¹ Quoted in Andrew S. Weiss, "Conversion of Soviet Defence Industries: A Preliminary Assessment," *Soviet Observer*, Vol.2, #2, December 1990, p. 1. This is the dominant interpretation of 'conversion' in the West as well, see: Seymour Melman and Lloyd J. Dumas, "Bombs into Ploughshares —

Planning For Economic Conversion," *The Nation*, 16 April 1990, p. 1.

- ² United Nations, *The Relationship between Disarmament and Development*, New York, 1982, p. 101.
- ³ Officially, the Soviet defence burden is currently 8% of GNP. Both Soviet defence critics and Western analysts reject this as too low. According to a committee of the USSR Supreme Soviet, when hidden costs are included, the real burden is closer to 20% of GNP, a figure generally accepted by Western analysts. See: Yuri Ryzhov, "The Security We Do Not Need," *New Times* #10, 1990, p. 27.
- ⁴ Arthur Alexander, *The Conversion of Soviet Defense Industry*, Rand P7620, Santa Monica, CA, January 1990, p. 10.
- ⁵ The draft conversion legislation was officially made "classified information". Even the Soviet parliamentary committee responsible for defence and security issues was not privy to the draft's contents. See: Gyorgy Arbatov, "Why Does Parliament Lack Military Data?," *Izvestiya*, 25 October 1990, p. 3, reprinted in *Current Digest of the Soviet Press*, Vol. 42, #43 (1990), p. 116.
- ⁶ Quoted in Yuri Adamov, "Economic Reform and Conversion," *International Affairs* (Moscow), January 1990, p. 116.
- ⁷ Vladimir Lopatin, "The Army and The Economy: Economic Aspects of Military Reform," *Global Affairs*, Winter 1991, p. 15.
- ⁸ Quoted in *Foreign Broadcast Information Service FBIS*, Daily Report: Soviet Union, 19 September 1990, p. 15.
- ⁹ "Status For the Defence Industry," *Pravda*, 6 September 1990, p. 2, reprinted in *Foreign Broadcast Information Service FBIS*, Daily Report: Soviet Union, 10 September 1990, pp. 68-70.
- ¹⁰ Peter Goodspeed, "China Launches Massive Arms Building Program," *Toronto Star*, 15 April 1990, p. A17; and "China Extends a Friendly Loan To Moscow," *New York Times*, 16 March 1991, p. A6.
- ¹¹ "Hard-Pressed Czechs Retain Arms Trade," *New York Times*, 3 May 1991, p. A3.

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