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# ***JPRS Report***

# **Soviet Union**

***International Affairs***

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# Soviet Union International Affairs

JPRS-UIA-89-015

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### Consular Service Operations Described

18070748 Moscow ARGUMENTY I FAKTY in Russian  
No 34, 26 Aug-1 Sep 89 pp 4-5

[Interview with V.M. Zelenov, Chief of the USSR MID Consulate Office, by Yu. Sigov: "Concerning the Visa"]

[Text] Today the Soviet Union has established consular relations with 117 governments, and the number continues to grow. V.M. Zelenov, chief of the USSR MID [Ministry of Foreign Affairs] Consular Office, is speaking to us today about the activities of the consular service.

[Sigov] There is a general opinion that the workers at the Consular Office are engaged exclusively in "paper work": filling out visas and completing applications for passports. To what extent does this conception correspond to reality?

[Zelenov] First of all I would like to point out that the consular service staff includes not only the Consular Office, the union republic consular departments of the MID, representatives of the USSR MID in Leningrad, Odessa, Batumi, Nakhodka, and Syktyvkar, but also 194 Soviet consular establishments abroad. Workers at Soviet consular establishments are charged with promoting the development of political, economic, scientific- technological, and cultural ties with other nations and also protecting the legal rights and interests of Soviet citizens and juridical persons abroad.

[Sigov] For a long time it has been thought that the consular service is something like an "exile" for those unable to handle other kinds of diplomatic work. Has this situation changed today?

[Zelenov] Such an attitude has certainly been prevalent in the recent past. But so that our readers do not falsely imagine the consular service of yore to be a place where only "exiles" were sent, I would remind them that the consular service is an integral, essential component of the Soviet diplomatic service. Even in the past many qualified people worthy of defending the interests of the Soviet Union and its citizens have worked in the Consular Office.

After the conference of consulate workers of December 1988, measures were adopted to improve the staffing of the Consular Office by adding qualified personnel. For those without enough diplomatic experience, obligatory training periods at the Consular Office for two or more months are organized before their business trips abroad.

[Sigov] Today the transition of enterprises and organizations in various sectors of our economy to *khozraschet* [economic accountability] is being widely discussed. Is such a form of economic activity workable within the framework of the Consular Office?

[Zelenov] Today out of 194 Soviet consulate establishments abroad at least 11 are fully capable of becoming *khozraschetnyy*, or paying for themselves in foreign

currency earnings. In the near future we intend to switch the Soviet consulate-general in Milan (Italy) to *khozraschet* as an experiment. And I should add that the part of our hard currency fund to which the work of our consulates abroad is contributing can be used to help Soviet citizens abroad in the event of emergencies (loss of money, robbery, elemental disasters, etc.). In such cases we can help the victim to obtain a ticket home and take on other expenses, for which we are of course later reimbursed.

[Sigov] Recently the number of Soviet citizens going abroad has increased significantly. How long does it take them to apply for a visa?

[Zelenov] From the moment the decision has been made to travel abroad and the necessary visa documents have been prepared (a note from the Consular Office, forms, photographs, and a passport), the amount of time it takes for an application for a visa depends upon a number of factors: whether there is an agreement on the period of issuance between the USSR and the given government; whether the receiving side would like its guests to arrive as soon as possible; the Soviet citizen's time of stay in the given country, etc.

We have reached a number of visa agreements with France, for example, according to which the French consulate issues official and diplomatic visas to Soviet citizens within 8-10 working days and normal visas within 20 days (under the condition that the visitor's stay in the country not exceed 30 days). Our citizens must take such conditions into account upon planning trips to other countries as well.

[Sigov] Have any short-cuts arisen in the application procedure for Soviet citizens traveling abroad on official business?

[Zelenov] There is a continual effort under way towards simplifying the application procedure for official business trips abroad. The most significant changes have taken place in the application process for official trips to socialist countries. They only require a decision by the directorship of the enterprise where the prospective business traveler works. Within a few days an international passport is granted by a union republic MID or by a *kray* or *oblast* MVD [Ministry of Internal Affairs] organs. Last year on business trips alone 533,000 Soviet citizens visited socialist countries.

As for the governments of capitalist and developing nations, they require visas which take time to process and for which visa forms and a number of other documents must be submitted to a consulate. We have managed agreements on shortening the period of review for visa applications with Iran, Great Britain, and Sweden. The FRG embassy processes them fairly efficiently, and we have reached an agreement with Cyprus on travel to their country without a visa, on a diplomatic passport. Our suggestions on these issues are also being considered by the MID's of France, Italy, and a number of other nations. New regulations on applying for official

business trips abroad are now being worked out and will go into effect in the near future.

[Sigov] You mentioned simplification of the application procedure for official trips to socialist countries. But in the last two years the flow of Soviet citizens traveling to socialist countries by private invitation has increased sharply...

[Zelenov] In accordance with intergovernmental agreements, mutual travel by citizens of most socialist countries takes place on a non-visa basis. In April of last year the Soviet Union and Hungary signed a Supplemental Protocol to the Agreement on Mutual Travel without Visas for citizens of both countries, stipulating the simplification of the procedure for entry on official or family business, or for the purpose of visiting the graves of relatives. Today such trips to Hungary from the USSR are made upon receiving telegrams of invitation, which are approved by competent bodies. A sanatorium pass or confirmation by a medical establishment demonstrating a willingness to receive the patient is needed to travel to Hungary for rest and medical treatment. A certificate from the Red Cross is needed in order to visit the grave of a relative in Hungary.

Arrangements for similar protocols with other sister nations are now under way.

It has been decided that travel on private business should now require only an internal Soviet passport with an insert issued at a USSR internal affairs organ. Exactly

the same kind of agreement with our partners from socialist countries has been reached in regard to Soviet tourist groups.

[Sigov] Recently forms of economic cooperation such as the creation of joint enterprises have become widespread. What kind of visa procedures will be required of their workers?

[Zelenov] The consular service is trying to significantly simplify the procedures foreign citizens must undergo to enter the USSR on trade and economic, scientific and technical collaboration including and relating to joint enterprises. Two fundamental steps in the new procedures are a 48-hour period for the issuance of visas and the significant expansion of the practice of issuing multiple visas. It should be emphasized that our nation introduced these rules unilaterally in May 1988, despite the fact that most western nations have adopted much more stringent visa procedures for Soviet businessmen, scholars, and specialists.

[Sigov] The editorial office of AIF ["Arguments and Facts"] is receiving letters from readers who say that foreign citizens who have received private invitations to visit the USSR have for some reason been unable to enter the country.

[Zelenov] Foreign citizens may be denied permission to enter the USSR for reasons foreseen in Article 24 of the Soviet Law "On the Legal Status of Foreign Citizens in the USSR." In most cases a foreign citizen is denied entry into this country because of an ill-intentioned violation of Soviet legislation on hard currency or customs or because of other violations, such as attempted drug-smuggling.

### USSR-Bulgaria Scientific-Production Association Profiled

18230074 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 9 Sep 89 p 3

[Article by V. Vasilyeva, special correspondent: "SELTO' Looks to the Future: Today Is the 45th Anniversary of the Socialist Revolution in Bulgaria"]

[Text] In Sofia it could be said that I immediately dropped in on a Bulgarian language lesson.

"'Stol' means 'stul' [chair] in Bulgarian, while a 'stol' [table] is called a 'masa' in Bulgarian," V. Parkhomenko, the SELTO [Specialized Electrical Engineering Equipment Association] learned secretary, explained to his colleague.

His colleague—Vladislav Yurevich Pikulev, recently the chief of Rotor's international division—was entering upon his new position. "Chabanov's viceregent" is what he was called by Lyubomir Talev, one of his scientific associates, but if we are to cite his official title—representative of SELTO's general director in Bulgaria.

The MNPO [International Soviet-Bulgarian Scientific-Production Association] has its own representatives' offices in three capitals—Sofia, Moscow, and Kiev. But its main residence is in the ancient Ukrainian city of Cherkassy, where its pilot enterprise—the Rotor NPO—is located. It is also the principal work place of Alim Ivanovich Chabanov, SELTO's director, who is, at the same time, Rotor's general director, and now also a member of the USSR Supreme Soviet.

I was persistently warned against making the following mistake: SELTO means "specialized electric engineering equipment." Specialized! And not at all "modern" or "improved," as some journalists have "decoded" it. But, to be sure, there is a certain rationale in this mistake: the formally inaccurate interpretation of this abbreviation, to my way of thinking, accurately reflects the ideology of this international association. For its ultimate goal is to create the most modern and most improved equipment, capable of competing with the best world models and even surpassing them.

It is precisely this goal which has united the partners from the two countries concerned. Among them are such solid, substantial scientific organizations as the USSR Academy of Sciences' Electric-Welding Institute imeni Ye.O. Paton, the Bulgarian Academy of Sciences' Engineering Cybernetics and Robotics, the Moscow Aviation Institute, and enterprises turning out the most diverse machine-building items. At first glance, the selection of participants seems random.

"We are casting our nets wide," says V. Pikulev, "we are looking right now in many directions. What will this bring us? In principle, each of the participants understands that he could also achieve outstanding successes even independently, but if we combine our potentials, an explosive effect is possible at the points of intersection."

And there are already examples of this. Here is what was said by Zhivko Denev, deputy general director of the firm named "Vacuum Technology," which is located in the city of Ruse: "Our firm produces units for lithography in a vacuum." And then an unexpected, almost fantastic idea emerged—to combine them with Rotor's coordinate tables. We see in the future equipment which has no analogies throughout the world. It's even frightening! But the game is worth the candle: the new unit will allow us to process not just one microscheme [chip] but 100 or even 200 without interruption.

According to its status as an international association, SELTO should merely coordinate the efforts of the partners with regard to developing a new product and in organizing its cooperative production. Each of the participants fully preserves its own juridical and economic independence and its right to its own property. To be sure, in order to successfully conduct scientific research, the MNPO can create an integrated financial fund made up of contributions from the participants. Such a form of cooperation presupposes, above all, an initiatory interest of the partners in a commonly shared project; the attitudes here, in contrast to joint enterprises, are built on something other than an economic foundation.

"We perceive cooperation within the framework of the international association as the initial phase of our joint activity," V. Pikulev explains. "Today the partners are not yet ready to combine their property; we are still taking a look at each other."

Since its first few steps, however, SELTO has evolved and found the characteristic features which distinguish it from the classic scheme of an MNPO. In the first place, it immediately discovered the possibility of implementing project starts. The joint production of the following unique equipment was inaugurated: precision drilling-and-milling machine tools on linear motors, items which have no analogies throughout the world, highly precise, coordinate tables, and laser-type technological units. Their manufacturers are the Rotor NPO, the creator of this equipment, and the Arsenal state firm in the city of Kazanlak, where they are still producing individual units and processing granite mounts. But they have already mastered the linear motor as well and will soon begin to assemble the machine tools. The equipment is being sold in the Soviet Union, in Bulgaria, and in other CEMA countries. Last year 10 million rubles worth were sold, and this year a five-fold increase is proposed. And so SELTO has its own profit, which, in general, is not characteristic for an MNPO and is rather a sign of a joint enterprise. A portion of the profits is distributed, in accordance with contractual principles, among the association members who do not participate directly in manufacturing the product concerned.

Another feature of SELTO is its foreign economic activity. Together with its representative's office, the office of the marketing director is also located in Sofia. It concerns itself with advertising, organizes product exhibits, and maintains trade ties not only with the

countries of the socialist community, but also with Western firms. An independent, cost-accounting organization known as "SELTO-Trading" is being created at its center. In short, SELTO's activity goes beyond the framework of coordinating the functions envisioned for such associations.

But problems have arisen right away. The principal one is the inconvertibility of the national currencies.

"Above all, this has affected the mutual accounts between Rotor and the Kazanlak firm," V. Pikulev stated. "How should they be handled? We divided the general financial fund into two parts. The first, as provided for by the legislation, is used for the common needs of all the partners—for financing scientific programs, maintaining the apparatus, organizing exhibits, etc. The second part comprises the working capital. This is, essentially, joint property. The money is kept in accounts in both the USSR and Bulgaria. It would seem that everything is simple: Kazanlak ships out some granite slabs to Cherkassy—receives payment in the Sofia Bank; Rotor sells some machine tools in Bulgaria—the money arrives from Kiev. However, this simple scheme does not fit into the presently active legislation; the main account must be located at the place where the pilot organization is situated, i.e., in Cherkassy. And, furthermore, Kazanlak must be paid in transfer rubles. But what if there are none at a given moment? That means that they will have to wait for two or three months and scrounge up some money from various intermediate levels.

Such trouble is, of course, not unique to SELTO. Vladislav Yurevich considers that the sooner the problem of convertibility is solved, the more successfully Soviet-Bulgarian economic relations will develop. They have become very lively in recent times. "Nowadays the main goal for SELTO is the scientific quest," he said, "but as new developments appear, we intend to create production capacities to support them; and these will be the property of SELTO. The coordinating association will gradually be transformed into an economic organization. In addition, we intend to attract new partners, including Western ones. We have already begun a joint project with the Reza-ABC firm from the FRG. In the future, we consider that SELTO will become an international concern."

But that is the future, while today the employees of the Bulgarian representative's office have many current worries. Now and then the telephone rings in the room on Baba Iliytsa Street, and business meetings take place. Customers for SELTO's products are frequent guests. Peter Yanchev, technical director of the Bolshevik Tool Plant in Gabrovo, arrived to discuss laser-technology units. His plant purchased three such units. They ensure a high degree of productivity and precision for graphing

beam compasses and also—which is very important—ecological purity of the production process. The introduction of laser technology has allowed this plant to enter the Western market with this tool. That is why P. Yanchev considers it profitable to do business with SELTO.

An adjuster—the laser specialist V. Kosobokov—arrived from Cherkassy. He is headed for Gabrovo. There are two more Soviet specialists working there—employed in servicing the equipment. Vladimir Ivanovich is convinced that servicing must be put on a firmer footing; permanent centers are needed with support points which would service the nearby regions. Without reliable service nowadays nobody will buy equipment.

The threads which connect Soviet and Bulgarian enterprises are becoming stronger and stronger. In Kazanlak we became acquainted with a group of specialists from Rotor. They have already been here for more than a year, employed in developing a new ChPU [numerical control] system for machine tools and laser units.

"Why are we working here and not at home?" Vitaliy Vasilyevich Anokhin, the group's leader, asked rhetorically. "In Kazanlak there is something to see on the ChPU level; the firm is outfitted with the up-to-date means of computer equipment. Moreover, cooperation with Western countries has been put on a better footing; it is possible to obtain the computers necessary for our work and, therefore, complete our work more rapidly."

A new partner—the Moscow Aviation Institute—recently appeared in Kazanlak.

"We've just begun to familiarize ourselves with its developments," said Ivan Chakov, the firm's chief engineer, "but our first impressions have given us confidence that we will find quite a bit of interest to us. We've already begun to test the new technology of applying hard coatings to metal, as worked out at the MAI [Moscow Aviation Institute]. We are hoping for good results."

In addition to scientific and production programs, SELTO is also actively engaged in a program of cooperation in the social sphere. This includes joint rest and recreation, an exchange of youth delegations, as well as helping each other in providing consumer goods.... Everything that is best in each of the participants in the association—ideas, developments, equipment, rest homes—is becoming commonly accessible.

"We've been working together for half a year," says V. Pikulev, "and the initial results seem to look pretty good against the general background. But we also know that this is just the tip of the iceberg. Our basic possibilities will be revealed only after a few years, but then our achievements will be much higher. SELTO is working for the future."

### Influence of Technological Revolution on Third World 'Capitalism'

18070340 Moscow *RABOCHIY KLASS I SOVREMENNYI MIR* in  
*Russian* No 3, May-Jun 89 pp 14-23

[Article by Viktor Georgiyevich Rastyannikov, doctor of economic sciences, main research associate of the Institute of Oriental Studies, USSR Academy of Sciences: "Scientific-Technical Revolution and the Stages of Capitalist Evolution in the 'Third World'"]

[Text] The issues of the gradual course of the development of capitalism always come to the fore when a radical change in the system of productive forces occurs. Such a change is now under way under the influence of the accelerating process of scientific-technical revolution. I think that we need to look for an explanation of how world capitalism is getting its "second wind" turning from a "decaying" (at least until the 1940's) into a dynamic mode of production primarily in the context of such a change. The STR [scientific-technical revolution] which proceeds in an extremely uneven manner affects in different ways the center and the periphery of the world capitalist economy (WCE), serving as a catalyst for the impact of the law of uneven economic development in both zones of the WCE.

In the arsenals of Marxism, there is a theory which provides bearings in the search for answers to the questions about the manifestations of the gradual course of capitalist evolution in the periphery of the WCE under the influence of the STR. As is known, K. Marx and V.I. Lenin developed a theory of the 3-stage type of development of capitalism for their own time (small-scale commercial production—manufactory—factory). Three main stages of increases in labor productivity were discerned: simple cooperation—cooperation based on the manufactory-type division of labor with the partial worker characteristic of it—a system of machines.

In the periphery of the WCE, the stages in the course of capitalist development are now represented by a more complicated form than the one reflected in this "classical" pattern which was typical of the WCE centers before the advent of the era of the STR. Thus, the fact that here the factory stage of capitalism developed historically not as a product of prior development of its manufactory stage but as a phenomenon introduced from the outside (by colonialists) constitutes one of the most remarkable peculiarities of peripheral capitalist development. Hence, there is a break in "the direct linkage between sequential forms of industry." Such linkage "was encountered only as an exception."<sup>1</sup> This break was a manifestation of "skipping over" the manufactory stage of production. However, subsequent development which was geared to domestic needs has provided the impetus for such a division of labor inside the society during which the "normal" course of evolution of capitalism in stages is gradually restored, albeit at a considerable social cost.<sup>2</sup> Putting it more precisely, a plant "imposed"

in one point gave the impetus for the "normal" course of development of capitalism in stages at another point.

Among other things, the normalcy of this development was in the fact that, as it got established, the factory "spawned" (especially in the recent decades) forms of economic organization of labor which were inferior in terms of their stage (a separate shop, a manufactory). However, they were reproduced mostly as functional appendages of the factory frequently tied to it by the unity of the production cycle which was crowned by the creation of a use value for final consumption. The only "abnormality" here is, perhaps, in the fact that the entirety of depressants at work in the peripheral zones of the WCE at great segments of the economic space of the societies of developing countries puts a brake on and considerably slows down overcoming the preceding (early) stages of capitalism, "freezing" their independent existence for a long period of time. At the same time, the dynamics of the world productive forces, their shift to the periphery of the WCE (or the reproduction here of the "pieces" of its analogs on an independent basis) bring to life the setting up of still new, more perfect forms of their capitalist organization (for example, a semi-automated factory). The multi-stage nature of capitalism developing in the periphery of the WCE is enhanced on this basis.<sup>3</sup>

The scientific-technical revolution introduces perceptible corrections in the course of the evolution of world capitalism in stages, including in the developing world. The STR takes this evolution as an organic process to the planetary arena (as opposed to local- and country-specific versions of it). In what aspects is the STR changing the fundamental conditions of the evolution of capitalism in stages, i.e., the conditions shaped by the dynamics of development of production forces themselves? First of all, a profound turnaround occurs in the tangible-asset productive forces imposing parameters of economic operations which are new in principle. The essence of this turnaround is in a qualitatively different technological organization of the process of production replacing the current stage of industrial productive forces with the a three-link system of machines (the machine-engine, the transmission machine, the working machine). The former is based on a four-link system of machines under which the control and management function is transferred from people to mechanisms.

At an industrial-type factory, which is very common in the countries of the "Third World" the worker is an appendage of the machine—in the very sense that it is not the worker, in the words of K. Marx, who "consumes them (the means of production—note by V. Rastyannikov) as tangible elements of his production activities, but they consume him as the ferment of their own life process" ([Edition] 4, Volume 23, page 320). A transition to the post-industrial stage of development presupposes the release of the worker from putting in direct labor in the process of production and his transformation into "the controller and regulator" of this process. As K. Marx foresaw, "instead of being the main agent in

the process of production the worker stands next to it" ([Edition] 4, volume 46, Part II, page 213). (However, it must be stressed that K. Marx associated such a transformation of the worker with overcoming capitalism and establishing the technological mode of production inherent in the communist formation. The reality turned out to be different). The current stage of the STR also ensures adequate (machine) means for the performance of such control and regulatory activities by man.

The emerging post-factory stage of organizing material production is characterized by the establishment of a qualitatively new type of automation of the labor process. Contemporary automation adequate for the essence of the turnaround under way in the world productive forces "begins at the point where imparting tangible characteristics to the mental functions of labor activities occurs" ([Edition] 5, page 25). It is exactly the systemic use of electronic devices (and, first of all, their common type, microelectronics) that is the key link in the new industrial revolution under way<sup>6</sup> and the definitive technological element of the new technological mode of production.<sup>7</sup> This is why electronic industries at present are the focus of attention of any state which strives to establish a science-intensive stage, with its inherent systemically automated material production, as the general stage of development of the world productive forces which is universal for society.<sup>8</sup> The nature of microelectronics-based technology is such that it can be used in the most unusual forms in many types of operations: in the processing industry, in the service sector, in commerce, and in the social sphere. The limits of creative imagination of the developer are the constraint on the application of such technologies rather than the restrictions of a technical nature.<sup>8</sup> One cannot afford to fall behind in development in this sphere because, as the Consultative Council on Applied Research and Development of Great Britain testifies authoritatively, if any country, even that in the group of industrially developed states, fails to master the technology of producing and applying semiconductors, this heart of electronic technology, it will soon "join the ranks of the underdeveloped countries."<sup>9</sup> This is legitimate, because it is exactly the technological superiority based on the use of electronics that ensures the survival in competitive struggle for even the largest transnational corporations. As one of their representatives stresses, "we are most confident of succeeding in penetrating the market in the spheres where we are particularly strong in technology."<sup>10</sup>

The inner contradiction of the stage under consideration is in the fact that, for as long as "the 4-link system of machines has no technical foundation of its own, it is produced by the 3-link system" (or even, if we expand this idea of A.M. Kulkin somewhat, through the massive application of manual labor organized in the form of a manufactory, which is quite typical in exactly the peripheral areas of the world). "A universal industrial turnaround" is still in store ([Edition] 5, page 19). This is why the systemic-automation stage in the system of world tangible-asset productive forces thus far forms rather its

top echelon. It embodies the universal direction of their evolution, but still remains bound to the continuously modernized industrial-type factory by an umbilical cord which is quite strong, but is continuously getting thinner.

The process of transition by a modern factory to the postindustrial stage of existence of the tangible-asset productive forces (signifying the disappearance of the factory itself in the precise meaning of this word) occurs in the centers of the WCE, in countries which are leaders in scientific-technical progress. However, this process does not rule out (which would seem natural) but, quite the opposite, presupposes intensive tapping of the resources of the "Third World" (in the form of labor and intellectual potential, capital, and substance of nature) for the world economic circuit spawning various forms of capitalist organization of labor in the peripheral areas of the WCE.

Indeed, the STR gives rise to a phenomenon such as the extensive "spread" of the factory system (the factory proper together with all its pre-factory appendages) beyond the national boundaries of the developed capitalist world. The diffusion of this system into the pores of the developing world occurs. At issue in this instance is not only the interbranch shifting of factory production to the soil of the periphery. (The thought about transferring there "coarse," ecologically dangerous industries is reproduced as a refrain in virtually all studies devoted to industrial growth in the periphery in the 1970's and 1980's). We also mean the intrabranched expansion of the economic space occupied by the factory system at the expense of primarily the development of this space by the system in question in the "Third World", i.e., at issue is such an expansion of the factory system, such a dispersion of its shop elements which become the norm of its internal organization. Similar elements performing partial operations (or some complexes of partial operations) may be represented by both independent production units and, correspondingly, subjects of commercial exchange endowed with full rights (in this case, we are dealing with the classical form of social division of labor) and by pseudo-independent production units.

With regard to the latter, the price ratios of the exchange are set "from the outside," in keeping with the conditions for the sales of the final product. This occurs, for example, during the organization of a technologically unified cycle of work at the enterprises of a transnational corporation dispersed all over the world, when the results of every individual partial operation enter the intracompany exchange as merchandise. However, in all of this the price of given goods is in no way associated with the actual cost of manufacturing them: Depending on the specific circumstances, it may be either much higher or much lower than these costs. We also observe the setting of the price ratios of exchange in the case partial work is performed on the basis of subcontracts.

It is particularly remarkable that the range (spectrum) of stage forms inherent in this factory system is sort of

stretched. After all, the transition to the systemic-automation stage of development in "the leading shops" of the system, which in the centers of the WCE control the entire cycle of the technological process, does not cause the advancement of peripheral shops to the next stage of technological existence necessarily and simultaneously on the entire space embraced by a given factory system. A number of such shops still do not cross the factory threshold in the proper meaning of this word, staying at the stage of a manufactory which is technologically improved but is still based on manual labor. In other words, any given factory system developing on a world scale turns out to be highly heterogeneous in its composition due to drawing into its orbit the industries of the "Third World" which are at different stages of social organization (or due to starting new production there). On its part, this heterogeneity is in a state of dynamic changes stimulated by the impact of the STR.

This revolution gives the impetus to the development of such a type of material production under which the number of partial operations in creating a product meeting the same social need is sharply reduced compared to the previous stage of development of the factory. This reduction may be manifested in a substantial reduction in the number of distinct operations needed to produce a given product within the confines of a factory proper (that is, within the technical division of labor).<sup>11</sup> However, the application of new, very precise technologies is equally likely to bring about the exclusion of extensive blocks of independent production units (i.e., blocks which embody the social division of labor) from the sphere of economic activities.<sup>12</sup>

To be sure, along with such transformations, the STR brings to life still new processes of social division of labor, taking them to a qualitatively new level of the development spiral. Therefore, regularities established by K. Marx in the case of the division of labor inherent in the generation of factories which preceded the era of the STR, mainly: "Capitalist production, and, therefore, the regimented division of labor inside the factory directly increases the free division of labor within a society" ([Edition] 4, volume 47, page 346), remain valid; in the course of this, "both types of the division of labor develop at an equal pace and give rise to each other through interaction." ([Edition] 4, volume 47, page 349). However, the STR plays the role of catalyst for both processes. An essential aspect which the scientific-technical revolution introduces into them consists of the following: The elements of the division of labor are shed which have outlived themselves within the confines of the factory, transforming its own self, and within the confines of society and the world system of the division of labor<sup>13</sup>, on a mass and unparallelled scale, at an unparallelled rapid pace, on the basis of operations of the capital which has mastered the achievements of the STR. The faster the STR soars the more vigorously the economy sloughs off the old forms included in social linkage. This influences the economy of the "Third World" tremendously.

Under the classical variant of changes in the technical structure of capital it was exactly "the invisible hand" of the market that "tested the strength" of given specific capital and prompted the entrepreneur to introduce more productive means of production, which allowed him within a corresponding time span to reduce the cost of production, reduce the individual cost of the merchandise manufactured compared to its social cost, and appropriate, in addition to the average profit, the surplus profit, the object of desires of all owners of capital. The STR introduces a new element into the mechanism of such changes. The development of a new technological process in the absence of direct control by the market mechanism and the value criteria of evaluations which it presupposes rather than the direct feedback (from the elements of the market to the brains of a businessman making a decision on renewing fixed assets)—such is the metamorphosis, important in principle, in the subordination of factors promoting the progress of productive forces under the STR.<sup>14</sup> Putting it in other words, a time lag (frequently, quite long, embracing one or two decades) separating the technological choice (including all stages of the development of new technologies) from the moment when the market mechanism joins the testing of it as "a co-equal component" has become the norm of capital development. This means that the sphere of research and development as "an autonomous force in the industrial and economic development"<sup>15</sup> ultimately sets not only the direction of technological changes by causing corresponding transformations in the economic organization of production but also the pace of these changes and their sequence in the elements of both the technical and social division of labor.

However, the sphere of research and experimental design work has its own laws of development. The arrival of any successful technology is accompanied by a great number of failures, negative results, and expenditures which are "not needed" (from the point of view of a capitalist) but nonetheless are absolutely normal (from the point of view of rules of the process of scientific creation); the price of entrepreneurial risk taken in organizing a modern factory increases sharply.<sup>16</sup> In the process, the rule applies: "The more radical an innovation is, the higher the degree of uncertainty both with regard to carrying it out technically and with regard to its evaluation by the market."<sup>17</sup> New (information) priorities are increasingly asserted in the struggle of various capitals as the innovation process develops.<sup>18</sup>

All of this predetermines the "uneven pace" of technological progress, technological changes which are not simultaneous. Under such circumstances, a renewed element of production turns out to be organically linked (within the framework of a unified production process) with another element of production, thus far frozen in its previous technological shape, even within the framework of the same economic sector. It goes without saying that breaks of this kind exist in the interindustry division of labor.

The unevenness inherent in the process of technological innovations is also reflected in the evolution of capitalism in stages. The more significant the innovation introduced is the stronger and the more graphically its property of "comparative advantage" is manifested (the emergence of a qualitatively new foundation for the growth of the productivity of labor, and, correspondingly, the appropriation of surplus profits), the more extensive the space becomes on which the impulse spreads for changing the forms of economic organization of various elements in a given capitalist factory system (emergence, or, just the opposite, disappearance of manufactory appendages to the factory; division of labor between production with automated lines and production based on the use of machines in combination with the use of extensive pools of human labor, and so forth). The innovation which has passed the test of capital is the motive force the operation of which causes the replacement of blocks of the social division of labor by the technical division. The latter, predicated on the implementation of innovations, frequently gives the impetus to another wave of social division of labor. Among other things, it is manifested in broad territorial shifts of interconnected production among countries (e.g., the shops of an industry-wide factory system).

All of these processes are adjusted by feedback. "Comparative advantages" which the developing countries hold permanently, namely, the cheap labor, appear as factors narrowing down the choice of innovative technologies. In this instance, the law formulated by K. Marx shows its power in its primary form: "...for it (the capital—note by V. Rastyannikov), the application of machinery is expedient only within the confines of the difference between the cost of the machine and the cost of the labor it replaces." ([Edition] 4, volume 23, page 404). Nonetheless, the field for the manifestation of the law becomes relatively more restricted even in industrial production proper: After all, in a number of elements of the factory system the use of human labor as an appendage of the machine turns out not to be needed even from the point of view of technology.

As a result, within the framework of a given factory system, technological changes in its various production elements and, correspondingly, in the economic organization of labor (i.e., ultimately changes in the stage forms of capital) appear as the result of interaction of "comparative advantages" working in different directions which are used by the capital in the competitive struggle.<sup>19</sup>

However, on the whole and in general—and this is the most significant point in this instance—it is the destiny of the less developed countries and territories to handle exactly the segment of partial work within the unified chain of the production process in the course of which the application of machinery (even that consisting of highly automated lines) turns out to be either not at all economically advantageous for the capital or advantageous only in part (for example, in combination with using a large pool of human labor). In the process,

external random circumstances, such as historically formed and constantly changing local differences in the degree of cheapness of hired labor of the periphery, are fully taken into account. The labor-intensive "shop" of every factory system is moved to the exact point where in a given time span the price of labor is so low that it allows to reap the "comparative advantage" of cheap labor to the greatest degree.

Therefore, out of the two methods of generating surplus profits—by either making the elements of the capital used, in particular, fixed capital, cheaper in the course of the STR, or reducing or using the already existing low price of labor—in the developing countries, it is exactly the latter source that provides the greatest bulk of such profits for the capitalists of the WCE. The following data testify how large the gap could be between the price of labor in the peripheral zones of the WCE and that in its center. In the 1980's, the wages of workers were 5 to 10 times lower even in the "newly industrialized" countries compared to the technologically most advanced countries of the WCE. Thus, hourly wages at the industrial enterprises amounted to \$10.42 in Japan and to \$9.52 in the United States, whereas in, for example, Singapore to a mere \$2.03, in Taiwan \$1.60, in South Korea \$1.29, and in Mexico \$1.08.<sup>20</sup> Contrasts between the countries of the center of the WCE and the countries of "mass periphery" were even greater.<sup>21</sup>

This very "range" of prices of labor serves as the "perpetuum mobile" transferring the capital of countries of the WCE center (and, at present, frequently also the national periphery capital) in the economic space occupied by the factory systems of world industries. The existence of such an "engine" as a comprehensive (worldwide) phenomenon predetermines the universality of the process of direct subordination of great masses of periphery labor by the capital of the WCE centers. Certainly, the processes of economic integration under way in the WCE<sup>22</sup> have given a certain impetus to the leveling of differences in local prices of labor (specifically, in conjunction with the emergence of new determinants of the cost of labor, for example, its "adjustment" by the worldwide process of universalization in the systems of human needs, as a result of the establishment of new production in the periphery of the WCE which requires employees of a qualitatively different type compared to the old economy, and so on). Still, the basic conditions for the existence and maintenance of a gap between local prices for labor continue to be reproduced, and frequently on an increasing scale. The following two aspects are particularly significant in this regard.

The expansion of the factory systems of world industries into the peripheral zones of the WCE, primarily in the form of manufactory appendages of a highly automated modern factory,<sup>23</sup> entails the tapping of still new resources of local labor for the process of production controlled by industry capital. In the process, an even greater number of new workers "developed" by the capital happen to be in the manufactory subdivisions of

the system of that kind in agriculture than in industry ("contract farming" is quite typical in this sphere). The peculiarity of such "development" is in the fact that, despite the new contingents of toilers being drawn into more effective (as a rule) production geared to the worldwide consumption standards, the price of labor of such contingents is still more regulated by the factors of the traditional environment for their existence, to which they remain tied by the strongest bonds. In particular, this is an indication of the underdevelopment of the moral and historic elements of the cost of labor (compared to their West European, North American, and by now also Japanese analogs).

The lack of correspondence between the remuneration for the labor drawn into production and the efficiency of this production is also caused by the fact that, as a rule, local labor markets experience much pressure from "surplus" labor. Continuous competition between the workers, the ranks of which are abundantly augmented by migrants from rural areas, reinforces the trend toward keeping the price of local labor at a stable low level (in turn, the manufactory type of modern production presupposes only nominal training of a partial worker). In any event, this level is below the ideal average world standard, to say nothing of the standard characteristic of the developed capitalist countries.

Hence, the very significant differences in the cost of production per unit of homogenous product manufactured under the same (or similar) technological conditions. The following example taken from the field of production of electronic integrated circuits (statistics are in dollars per unit, 1982) testifies to this:<sup>24</sup>

	Hong Kong	United States
System based on manual labor	0.0248	0.0753
Semiautomatic system	0.0183	0.293
Automatic system	0.0163	0.0178

Only the switch to automatic lines eliminates such differences. In the process, it is natural that the capital in a developed country wins a lot more than the capital in a developing country (because the lower the price of labor is the higher the resistance of manual labor to the offensive of automation and the less the advantage of the entrepreneur as a result of implementing the means replacing manual labor; the statistics above prove this graphically).

The inexhaustible and practically boundless main resources of the WCE periphery, its cheap labor resources, provide an opportunity for drawing them on a broad scale into the processes of capitalist exploitation both within the time (duration of the process) and spatial (the massive scale of the process) boundaries. This labor may be "developed" by the capital of economically more developed countries primarily on the basis of forms of manufactory organization of labor which presuppose the use of machinery in combination with the use of labor of partial workers. (K. Marx discerned specifically this type of manufactory as early as at

the stage of independent existence of manufactory production)(see [Edition] 4, volume 47, page 330).

Thus, the very emergence and development of the factory systems of world industry of the type in question, whereby they integrate a part of the production potential of the developing countries, essentially represent the technological (and thus stage-wise) regression of capital<sup>25</sup>, i.e., its reverse evolution from the technologically more advanced stage to a technologically less advanced one (in particular, to a partially mechanized and, at times, even "pure" manufactory entirely based on manual labor). In other words, within such industry systems a combination of various stages occurs in the course of which the technologically less organized element (in the periphery of the WCE) appears mostly as a secondary element in relation to the highly automated stage of industry production (in the WCE centers). It is secondary not only from the point of view of its functional role (because it does not embody the economic and technical progress as measured by the standards of world production but merely serves to extract surplus profits for the capital), but also because the very technological changes in the peripheral shops of the industry systems of the world occur mainly (but not exclusively!) under the influence of scientific-technical progress under way behind their backs.

Further evolution of such peripheral subdivisions of the factory systems of world industry proceeds in two directions: firstly, in the direction of expanding the front of production which ensures surplus profits primarily in an extensive manner (drawing into the processes of exploitation masses of live labor at low, at times excessively low, prices of labor); secondly, in less frequent cases, in the direction of independent development (i.e., based on national priorities) of a model of production becoming increasingly complex from the point of view of technology in which intensive factors begin to play an increasing role in generating surplus profits—the augmentation of the mass and renewal of principal capital (which ultimately reflects the "normal" course of the evolution of capital in stages). This, however, is a subject for a special study.

#### Footnotes

1. See V.I. Pavlov, *The Formation of Indian Bourgeoisie*, Moscow, 1958, p. 285.
2. The Soviet researcher L.I. Reysner questions whether the thesis on the "skipping" by factory capitalism over the manufactory stage of development in the WCE periphery during the colonial period is definitive. The author proves (to be sure, on restricted, local material) that the Indian factory, emerging as early as the end of the 19th century, in a number of cases used in its development the ties created by the manufactory organization of labor which preceded it as a stage (see L.I. Reysner, *The Role of the Manufactory in the Development of Some Branches of Factory Industry in the United Provinces of India in the Late 19th and the First Quarter of the 20th Century—India*, *Sketches of Economic History*, Moscow, 1958, pp. 72 through 94).

3. For more, see V.V. Krylov, "The Capitalist-Orientation System of Social Development in Liberated Countries," *RABOCHIY KLASS I SOVREMENNYIY MIR*, 1983, No 2, pp 28-31.
4. K. Marx and F. Engels, *Works*.
5. A.M. Kulkin, *Capitalism, Science, Politics*, Moscow, 1987.
6. For example, this is exactly how the entirety of changes in production proper and intellectual activities of man, which are brought to life as a result of introducing electronic devices and information technologies based on them in these activities, are viewed in the materials of a report to the Club of Rome from the early 1980's (see A. King, *Introduction: A New Industrial Revolution or Just Another Technology?—Micro-Electronics and Society*. A Report to the Club of Rome, Oxford, 1982, pp 1-36).
7. A group of Soviet philosophers (V.G. Marakhov, I.F. Kefeli, and others) call this mode of production "systemically automated" (see *Scientific-Technical Progress and Material Production Under Socialism*, Leningrad, 1986, pp 7, 14, 15, 17, and others). A group of scientists from the German Democratic Republic—V. Huebner, E.-M. Langen and others—have analyzed the information technology as the foundation of a new mode of production in detail (see *Microelectronics as a Key Technology*, Moscow, 1987, Chapter II, paragraphs 3,4, and 5).
8. S.E. Labor, *Overview of the Microelectronics Industry in Selected Developing Countries*, *INDUSTRY AND DEVELOPMENT*, 1986, No 16, p 28.
9. Quoted after J.F. Rada, *A Third World Perspective*, in *Micro-Electronics and Society*, p 222.
10. Quoted after D. Ernest, "Recent Developments in Semiconductor Industry: Implications for International Restructuring and Global Patterns of Technological Dominance and Dependence," *INDUSTRY AND DEVELOPMENT*, 1984, No 11, p 34.
11. For example, in the course of introducing new technologies the number of parts in the TV sets of OECD countries decreased from 1,400 to 400 within just 10 years (*INDUSTRY AND DEVELOPMENT*, 1984, No 11, p 4, note).
12. Thus, by the mid-1980's a transition from the automation of individual assembly operations to the systemic automation of assembly work in the sphere of integrated circuit production became apparent in the countries leading the WCE in electronics. In turn, such automation becomes merely a technical element in the unified chain of an automated process (see *Transnational Corporation in International Semi-Conductor Industry*, New York, 1986, pp 98, 99). The development of systemic automation may completely deprive the numerous electronic assembly shops of the developing world of any prospects for further existence in their present form.
13. The winding down of obsolete forms of social division of labor may even be manifested in individual groups of countries with a narrow merchandise specialization and excessively high production costs being partially crowded out of the established international division of labor (in more detail, see G.K. Shirokov, *Developing Countries in the World Capitalist Economy*, Moscow, 1987, pp 224-226).
14. "The nature of technologies and the process of continuous renewal of production indicate directly that a decision on turning out specific products should be made long before they appear in the market" (Activization of Development, Economic Growth, and International Trade. Report of the UNCTAD [United Nations Conference on Trade and Development] Secretariat at its 7th Session, Geneva, 9 through 31 July, 1987, New York, 1987, p 232). Technologies (high—note by V. Rastyannikov) should be the subject of planning long before they they yield tangible economic results... The economic forces (devices of a spontaneous market—note by V. Rastyannikov) simply do not have enough time in order to drive the development of new technologies (A. King, *Introduction: A New Industrial Revolution or Just Another Technology?*, p 17).
15. As above, p 16.
16. For example, Academician V.A. Legasov estimated the degree of risk in his innovative work to be 50 to 70 percent (see *PRAVDA*, 20 May 1988). The English researcher A.J. Hacking testifies that in the contemporary pharmaceutical industry up to 3,000 analog compounds are analyzed and tested before the one and only effective drug is found (see A.J. Hacking, *Economic Aspects of Biotechnology*, Cambridge, 1986, p 43).
17. D.A. Phillips, "Technological Innovation and Social Cost Benefit Analysis in Developing Countries," *INDUSTRY AND DEVELOPMENT*, 1985, No 13, p 68.
18. Thus, at present, the "the problem for the planner (of a transnational corporation—note by V. Rastyannikov) is to guess *a priori* in which particular branches of production innovations may be expected rather than predict the commercial results of introducing innovations." (as above)
19. However, it is characteristic that, according to a UNCTAD estimate, "the significance of the cost of labor and various natural resources, the only advantage of these (developing—note by V. Rastyannikov) countries, is decreasing considerably." Even in the countries which "have stood their ground successfully by combining new technologies with low labor costs or by tapping the natural-resource base these advantages are also being gradually eroded due to the rapid growth of technical achievements which continue to reduce the labor-intensiveness of final products." (Activization of Development..., p 233).

20 Industry and Development. Global Report 1987, UNIDO [United Nations International Development Organization], Vienna, 1987, p 17.

21. For example, in 1980, hourly wages (including bonuses) in the semiconductor industry at American enterprises and their foreign branches amounted to \$8.06 in the United States; respective statistics for "the newly industrialized" countries are \$2.0 in South Korea, \$1.25 in Singapore, \$1.2 in Hong Kong, and \$0.8 in Taiwan; in the countries of the "mass periphery," these rates came to a mere \$0.6 in Malaysia, \$0.5 in the Philippines, and \$0.35 in Indonesia (Transnational Corporation in International Semiconductor Industry, p 376).

22. "During the 1960's and the 1970's, the national economies united with each other and with the world market... the share of exports in the gross national product for all countries of the world combined almost doubled and came to 20 percent" (Activization of Development..., p 28).

23. "According to the latest survey carried out by the Ministry of Labor of Japan, 26 percent of the Japanese companies in the processing industry employing 1,000 persons or more have already moved a segment of their production facilities abroad. Overall, 52 percent of such companies are planning to organize processing enterprises abroad in the near future... The high rate of Japanese currency prompts many Japanese entrepreneurs to seek abroad (in the developing countries—note by V. Rastyannikov) cheaper sources for the delivery of assemblies and parts for their enterprises turning out finished products... This is why their recent dash toward such resources signifies the end of the old era." (of procuring assemblies and parts for their enterprises within the national boundaries—note by V. Rastyannikov) (Industry and Development. Global Report, 1987, p 13).

24. These systems differ in their technological parameters: In one of the most labor-intensive operations under the automatic system, one operator works simultaneously on six soldering machines (attaching wires to the chips of integrated circuits); the technological process is fully controlled by electronic devices (microprocessors); under the semi-automatic system, this operation is performed manually by a worker using his individual instruments fitted with electronic control devices (see Transnational Corporation in International Semi-Conductor Industry, pp 97-99).

25. For more on the regression of capital, see RABOCHIY KASS I SOVREMENNYI MIR, 1983, No 2, pp 28-31; 1986, No 3, pp 18, 21, 22.

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SEGODNYA No 4, April 1989**

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#### English Summaries

18070265b Moscow AZIYA I AFRIKA SEGODNYA in  
English No 4, Apr 89

[Text] The essay "Leninist Theory Against Stalinist Dogma," written by Doctor of History P. Shastitko, opens the April issue of ASIA AND AFRICA TODAY. It deals with the Communist International, the 70th anniversary of which is marked this year. The author gives a detailed analysis of the differences between the Second Comintern's member-states on the issues of national liberation revolutions and the role played in them by national bourgeoisie of the colonial and dependent countries. Step by step, two concepts emerged there: the first—Lenin's theory was marked by realism and creative spirit, and the second—Stalin's, was dogmatic and far from the realities of life. Following Lenin's death Stalin began to consider himself the main theorist of the nationalities and colonial questions. This stance of Stalin, anti-Leninist in essence, began to establish itself in the Comintern, too.

The military method of settling disputes between the two systems, two opposing ideologies, is unthinkable in our day and age as it is suicidal for both sides. Consequently, the inevitability of the peaceful coexistence of both systems and ideologies is necessary. The way to such a coexistence, given a complete incompatibility of the ideologies and social objectives of the two conflicting systems is the subject-matter of the essay "Deideologisation of the Inter-State Relations," by Doctor of History G. Mirsky.

Journalist A. Chistyakov, in his article "To Overcome the Fortress Syndrome" discussed the most complicated and difficult conflict in the world at present, namely the Middle East situation. The journalist is sure that it is only by peaceful political means that the conflict may be settled and the pernicious consequences prevented, with the settlement being comprehensive and involving all the

parties concerned. As for the conditions and opportunities for a practical positive step in this direction, they do exist and it would be unforgivable to miss the chance to use them.

"The Strategy of Developing Countryside," written by two scholars, Y. and N. Bazhanov, is carried by the column IN THE SOCIALIST COUNTRIES. The Chinese is a peasant, first and foremost, the authors contend, and this has been so for many centuries. If you learn some history you will find out why the village and land are synonyms of life itself for a Chinese, why he is so attached to his tiny plot of land. The problem is no less acute for today's China. The problems of agriculture are primary, they define whether the socio-economic backwardness is to be overcome, whether the standard of living is to be raised. This article will tell the reader of how the agrarian reform is proceeding in China and what problems it has to overcome.

The next article gives food for thought to those interested in the Arab East. Entitled "Arab Capitalism—the Variants of Progress," it is written by Candidate of Economics S. Stoklitsky who narrates the 30-year history (1960's-1980's) of the Arab world's development with all its zigzags and ups and downs. The author arrives at the conclusion that bourgeois structure has become a fundamental, leading system in practically all the Arab capitalist-oriented states, and even domineering in some of them.

The article by N. Listopadov, "The Crisis and Its Consequences," opens the section COUNTRIES, PEOPLES, THE TIME. It discusses the situation in Burma whose future is, according to the author, troublesome and indefinite. The present-day tempestuous events are not a conclusion but the beginning of a long and arduous path which Burma has to travel in order to overcome its socioeconomic backwardness and restore peaceful life.

Africa is presented by the article on Mozambique entitled "National Resistance: the Beginning of the End?" The author, A. Polyakov, proves in a well-reasoned manner that disintegration of the national resistance is getting worse, with the chances of its influence on the events diminishing with every passing day.

Oman, to use the author's expression, is the land where "history is closely intertwined with legends." Candidate of History V. Isayev writes that up to 1970 this sultanate was a hermit country where oil and seven kilometres of asphalt road were the only traits of the 20th century. Oil was discovered in 1964, its resources were not very large but sufficient enough to turn the country into a paradise in a mere decade. Sultan Kabus, who came to power in 1970, began to modernise the state, buying abroad almost everything that civilisation could offer him in the realm of technology. Entitled "A Difficult Parting with the Past," the article will tell you about the striking changes that have taken place in Oman.

"A pragmatist to the marrow of his bones who worked hard to achieve 'end results,' heedless of what opposition

intellectuals and caustic newspapermen will say about him, but at the same time taking into account any smallest detail which could promote the regime," by these words Pakistan's ex-President is described by V. Moskalenko and C. Sumsky, the authors of his literary portrait. The article traces the path Zia Ul-Khak had to traverse toward the summit of political power, and analyses the domestic and foreign policies pursued by the then Islamabad administration. The "mullah in a khaki uniform," as the late President was described by one of the journalists, brought his country to dire straits. And what about the new Pakistani government, to what extent will it be independent and viable? These and other questions have no answers, so far.

TRAVELS AND MEETINGS present the completing part of the notes by the well-known Soviet Indologist and writer L. Shaposhnikova. In a colourful, poetic language the author tells us what she saw in the temple of the Tikse monastery. Nikolai Roerich, the famous Russian artist who visited the monastery in his time, named it the "island of repose" and gave the same name to the canvas depicting it. L. Shaposhnikova is profoundly convinced that the ancient "landmarks of many roads" crossed here, at the "island of repose," intertwined in a mysterious pattern, the key to which has still to be found.

"The struggle to liberate humanity," the ideal to which Pavel Korchagin was ready to dedicate his whole life, is still on the agenda, as the struggle for the liberation of humanity is going on in many regions of the world. In his article "The Man Who Conquered the Time," Candidate of Philology L. Terekhov writes about Pavel Korchagin, the hero of the novel "How the Steel Was Tempered," about the importance of the feats he performed for the formation of social consciousness in the young people of many countries today. Ostrovsky's novel is really very popular in many countries of Asia and Africa, he writes. Suffice it to say that the novel was published and read by young people in Afghanistan, Kampuchea, India, Mongolia, Vietnam and many other states.

Complying with numerous requests from our readers, we commence a series of articles on the popular actors of the Indian cinema. This issue presents Shashi Kapoor, the actor embodying the spectator's dream about an ideal hero, who can perform feats of valour and love with all his heart. Art critic A. Lipkov writes that Shashi can create a most complicated psychologic character and be a producer, too. The films he released are famous all over the world.

THE PAGES OF HISTORY column carries the article by Candidate of History E. Patlazhan throwing light on the events of 1919 in Sevastopol. Seventy years ago the seamen of the French Fleet staged a mutiny on the ships in the Sebastopol harbour to support the Russian revolution and refused to participate in the intervention against the young Soviet state. There were many poor peasants from Algeria and Morocco, from Senegal and Vietnam among the marines, and this can explain their readiness to help the young socialist state.

Ecologic problems have been the cause of growing concern among the world public. The network of illegal burial places for deadly waste, discovered in West Europe, started a wave of indignation. As to the developing countries where such burials also exist, the press keeps silent about them. But the scanty facts that do appear in the newspapers are enough to understand that Africa is the "world's garbage heap." A. Gorodnov, the author of the item, warns the reader about the threat these countries are faced with: their drinking water is poisoned, their peoples, animals and plants are directly affected by this waste. The genotype of the coming generations is also threatened. It is extremely difficult for the African countries to solve the problem all by themselves; the efforts by ecologists throughout the world are needed.

The day when God Murugan, son of Shiva, and the girl Valli were wed is one of the most favourite festivals among the Tamils. Murugan is the most popular and esteemed god in the state of Tamilnadu. Candidate of Philology A. Dubyansky describes this festivity in a vivid manner. The story of love between Murugan and Valli is a very old plot known in South India since the dawn of our era. You will learn about it from the article "Murugan, Protector of the Tamils."

The issue also continues the novels by Peter Driscoll and Romain Rolland.

There is a lot of interesting information in the EVENTS, FACTS, FIGURES section and many answers to the readers' questions in the section THE READER WANTS TO KNOW.

#### Reducing Role of Ideology in State-to-State Relations

18070265c Moscow AZIYA I AFRIKA SEGODNYA in Russian No 4, Apr 89 pp 6-9

[Article by G. Mirskiy, doctor of historical sciences: "De-ideologization of Relations Between States"]

[Text] "'De-ideologization'.... How could that be possible?" the zealots of simple and stagnant axioms, raised on "immutable facts," will ask. "How can ideology be taken out of international politics?! Out of competitive sports—this would be possible. Out of cultural exchange—be my guest. But out of the sphere of relations between states—absolutely not! After all, this is the class struggle in the world arena; after all, this is the battlefield of the two systems, especially today, now that armed struggle—in other words, nuclear struggle—is inconceivable. The only struggle left is political and international. How can ideology be eliminated from it?"

No, it is not easy for everyone to accept this idea, just as it is not easy for everyone to accept many other parts of the new political thinking, but this is demanded by the realities of life; by the real life of mankind in our era, an era which is so different from all earlier ones. Now we have to take a closer look at the implications of this.

After we have realized that the military method of settling disputes between the two systems and the two opposing ideologies is inconceivable because it is tantamount to mutual suicide and after we have thereby realized the need for prolonged—or, in fact, permanent—peaceful coexistence by the two systems (and ideologies), we must think about how this coexistence should be organized, how capitalism and socialism should live together, side by side, in a state of interaction on the same planet. Whether we like it or not, we have to distinguish between two spheres: class struggle, including ideological struggle, and the relations between states.

"The de-ideologization of relations between states," M.S. Gorbachev said when he addressed the United Nations on 7 December 1988, "has become a requirement of this new stage." The leader of our party and state then stressed that "we will not give up our convictions, our philosophy and traditions, and we are not asking others to give up theirs."

Therefore, although we are fully aware of the contradictory and, consequently, incompatible nature of the ideological precepts and social goals of the two worldwide social systems, we must nevertheless arrange for mutually acceptable peaceful coexistence—and not mere "coexistence" in the sense of "living close to one another without fighting or touching one another." No, this kind of parallel existence in "separate living quarters" is already unrealistic in our time. After all, we are all experiencing the same technological revolution. Is it reasonable or even possible to live without borrowing the achievements of this revolution from one another, without exchanging the fruits of this revolution, and without developing various aspects of this revolution together—with each side working on the fields of its expertise?

After all, our natural environment is also the same for the entire planet: Air and water cannot be partitioned off by state borders. The decaying ecosystems in the capitalist countries will poison the environment in the socialist countries tomorrow, and vice versa. Can a sane person take pleasure in watching the destruction of his ideological opponent's natural surroundings? Within minutes, the radiation from Chernobyl had crossed more than just the border between the Ukraine and Belorussia....

Besides this, the problem of "underdevelopment"—the hunger, disease, and illiteracy of hundreds of millions of people—is also a global problem. After all, the per capita income of these hundreds of millions is under 80 dollars a year—the price of, for instance, a pair of ladies' shoes in New York. Even if we disregard the immorality of this state of affairs, we can predict that the endless and boundless accumulation of wealth at one end of the scale and the poverty at the other could have serious or even catastrophic implications for all of humanity.

Finally, the most important and most frightening problem is the danger of the nuclear annihilation of the

entire human race. It cannot be eliminated by staying within one's own boundaries and refusing to have anything to do with other states, which, incidentally, also have the same kind of weapons. There is no such thing as unilateral disarmament. Disarmament can only be multilateral. But this will take so much mutual effort—and it must be mutual: contacts, dialogues, negotiations.... We should remember how many summit meetings it took just to produce the initial momentum for the disarmament process and to reduce the gigantic arsenal of weapons of mass destruction by just a slight percentage. Imagine how many more such meetings will have to take place to make total disarmament a reality!

If the approach to all of these problems is permeated by the spirit of ideological intolerance and class enmity, how can we hope for any kind of progress at all? After all, then each side would have to revel in the other's misfortunes, seek out its weak spots and hit them, "make points" wherever possible, and click the keys of its political calculator, summing up its successes in spreading its own point of view throughout the world and increasing the number of its supporters, allies, and clients.... What kind of cooperation in the resolution of global problems, the problems of all mankind, could we expect then? Our present objective consists precisely in organizing cooperation, and not mere existence "along with the other side."

This is precisely why our leadership renounced the confrontational approach in favor of cooperation and asked the other side to work toward the new type of relationship. "I," M.S. Gorbachev declared, "am definitely in favor of the new international relationships." And they are absolutely new—this is the first time in history that relationships of this kind have existed. They are so new that it is not readily apparent how many tenacious stereotypes and common assumptions we have to change!

Of course, both sides have to change. There is no point in trying to calculate which side has more prejudices against the other—"ours" or "theirs." These prejudices are the product of history, and not merely the result of false and malicious propaganda. This makes it all the more important to find and analyze their sources. When established beliefs become rigid, they turn into insurmountable dogmas. Dogmas, however, are frequently nothing more than ideas and precepts which might have been valid for the time of their origin. Times have changed, and so have conditions, but human thinking has not kept up with them (or has been deliberately retarded and perpetuated so that it will not catch up with them). This is how dogmas become mental fetters.

If we analyze the development of the Soviet people's attitude toward international issues from the very beginning—i.e., from the time of the October Revolution—we can say without any doubt that the prevailing view for some time was the idea of world revolution, the first seat of which was to be Soviet Russia—the true motherland

of the workers of the world. As world capitalism stabilized (even though this stabilization was always seen only as something temporary) and as the principle of building socialism in one country took hold, the theory of world revolution per se began to disappear, but its spirit lived on, and it was sustained by the parallel idea (which was also valid for its time) of capitalist encirclement. A stereotype took hold—"we" were on one side and "they" were on the other; furthermore, "they" were just waiting for the right moment to smother "us." Hitler's rise to power and the real threat of war gave the common belief in the inevitability of the final battle to the death tremendous strength and vitality.

The defeat of Hitlerism did not weaken this conviction or the constant readiness for battle—only the image of the enemy changed. For decades the image of America, which was striving for world supremacy and longed to destroy socialism, colored the Soviet people's attitude toward world politics, especially whenever U.S. policy provided real reasons to sense the constant threat of aggression. Official propaganda painted such a distorted image of the main power in the capitalist world that people who still had vivid memories of 22 June 1941 were seriously afraid that the American president might send missiles to the Soviet Union suddenly and without any warning, in just the same way as Hitler sent his divisions to attack us—in a surprise attack at dawn. The entire international situation was viewed through the prism of the "great confrontation." "Who will get whom?"—this terse question lay at the basis of the people's outlook on everything.

This was accompanied by the vigorous dissemination of the thesis regarding the progressive decline and decay of capitalism, which had suffered one crushing defeat after another—the formation of the world socialist system and the collapse of the colonial system. The two stereotypes were combined in the public mind: Capitalism was getting weaker and was seized by irreversible crisis, but it was precisely for this reason that it, sensing its unavoidable demise, was becoming increasingly dangerous and increasingly ferocious. When these ideas had passed through the public mind, they returned "to the surface" and lay at the basis of the policy aimed chiefly at "making points" throughout the world and finding the opponent's weak spots (particularly in the national liberation zone in the "Third World"). An identical, "mirror-image" process was taking place in the other camp, where the myth of "Soviet aggression" was embellished and the goals of "containing" and "rolling back" world communism were proclaimed. It was in this ideologically prepared soil that the absurd arms race blossomed and developed, the same arms race that led mankind to the last and most dangerous frontier....

It was here, at this critical point, that the fatal slide toward the edge of the precipice was stopped. The opposite process, the process of moving away from the edge, began, but it has just begun and has still not become irreversible. The first—and decisive—link in

this new chain consisted of the changes in our development and the appearance of a new leadership in the Soviet Union after the many years of stagnation. Perestroika, democratization, and glasnost—these processes in our country were the catalysts of the favorable changes in international life that have reduced the danger of war. The image of the "communist enemy" began to fade away quite quickly, at least in the minds of many, if not most, of the people in the capitalist countries.

As soon as these people no longer regard the Soviet Union as an "aggressive and despotic Stalinist state" capable of suddenly sending tanks into Western Europe, there will be no need to preserve the atmosphere of permanent and extreme vigilance, to strive for constant military superiority, and to "seize the initiative" and be prepared for a "preventive strike." Old stereotypes are disappearing, and the slogan "Better dead than red" is already unlikely to inspire many people. The seemingly monolithic iceberg of "cold war" is melting before our eyes. And the more solid and irreversible our perestroika becomes, the more tenuous the platform of the anti-Soviets and advocates of "power politics" in the West will be.

In this new international atmosphere, the ideas about the priority of common human values over all others, including class and ideological values, seemed natural and organic. The idea of eliminating ideology from relations between states began to take hold within the framework of the new political thinking.

Does this mean that ideology will be eliminated from international relations? Certainly not. The latter concept is broader than the former. Relations between states are only a part—even if the most important part—of the entire system of international relations, which includes social and political movements, currents, parties, etc. Obviously, this facet of the system of international relations cannot be "free of ideology."

Special relationships, based on common ideologies, exist and will continue to exist between, for example, various segments of the international communist and workers movement, between them and the states of the socialist community, and between the latter and the socialist-oriented countries in the "Third World." Some states will always be closer to the Soviet Union and the socialist world as a whole than others because of their social structure and prevailing ideology. Conversely, there will always be, for example, pro-American regimes in some countries. People, classes, parties, and states cannot be forbidden to sympathize with close or kindred forces and to assist them. De-ideologization would be inconceivable in this sphere.

Ideological values which do not resemble one another and are alien to one another will always exist, and it would be naive to think that these values, sympathies, class interests, and general ideological positions will not influence world affairs at all. Of course they will. But there is a nuance here: Those who cannot see past their

own values, who "stay in their own backyards," and who constantly say "this is not for us" or "we do not need this" are impoverishing their own life, material and spiritual, to an incredible extent by refusing to exchange all of the original creations of each different nation.

Obviously, this could include the exchange of ideas (And why not? Intelligent and useful ideas can come into being in any social structure), but this does not mean the merger of ideologies or the convergence of social values and politico-ideological precepts. Each side now defends and will continue to defend its own views while acknowledging the other's right to do the same in order to prove its superiority. This kind of honest struggle of ideas should not, as M.S. Gorbachev said, "be carried over into the relations between states." It is in this concrete sphere, on which the fate of the world most certainly depends, that ways of establishing the supremacy of common human ideals must be sought collectively.

It is time to get used to the idea that capitalism is unlikely to fall apart before our eyes. The process by which one social structure replaces another and ultimately results, as each Marxist believes, in the triumph of socialism is an extremely long process and transcends the horizons visible to us today. We will live together on the same planet with the previous variety of social structures. In the presence of goodwill and mutual understanding and respect, there will be no need to anticipate undesirable results in free and honest ideological competition. Capitalism is more viable than we thought, and it is better than we are at making use of the achievements of the technological revolution, but this certainly does not mean that it is preoccupied with smothering us. The big corporations in the developed capitalist countries have no interest in wars and disasters (even if many of them derive colossal profits from arms production). They are interested in business, and this necessitates international stability. Recent findings indicate that contemporary capitalism is capable in principle of existing without militarism. The realization of this ability will depend largely on the general psychological atmosphere in the world.

Some might object to what I have said on the grounds that there are no facts to support this theory. Well, there are facts. First of all, we should remember that the movement for non-alignment, effectively embodying the idea of the de-ideologization of relations between states, has existed for decades. Many countries with the most diverse social structures and with radically different political aims have united in a movement and have set common objectives to deal with what might be described as global problems on the level of the "Third World." The movement for non-alignment, which has been joined by some socialist countries as well as conservative regimes, is developing successfully and is playing a positive role in world politics. Second, we can simply take a look at the events of recent months.

An agreement was reached on the settlement of South-West Africa's problems. The real possibility of a political

solution to a seemingly almost hopeless conflict now exists. Racist South Africa and socialist Cuba agreed to a mutual troop withdrawal....

There was progress in the efforts to solve the Cambodian problem, entailing a search for a compromise to resolve this acute conflict....

There has been a perceptible change in relations between India and China, which were clouded by a territorial conflict for more than a quarter of a century. Gandhi's visit to Beijing created new possibilities for interaction by the two great Asian powers....

There is less tension in the relations between African countries which were just recently settling their disputes on battlefields: between Ethiopia and Somalia and between Libya and Chad....

There have been some signs of progress in the settlement of the protracted conflict over the West Sahara and a perceptible reduction of tension in Morocco's relations with Libya and Algeria....

Finally—and this should probably be put at the top of the list of these events rather than at the bottom—Soviet troops were withdrawn from Afghanistan. The complexity of the situation in this country did not shake the world public's certainty that a protracted bloody conflict can and must be resolved on the de-ideologized basis of compromise....

This is a list of just the major events, but there were also several minor but meaningful occurrences, such as the speed with which the criminals who had hijacked a Soviet plane and landed in Israel were turned over to the Soviet Union by the Israeli authorities.

A striking feature of all these events is the clear presence of the new political thinking. Ideological preferences were set aside in favor of the goals of negotiating settlements and stopping bloodshed. After all, one thing is clear in all of the examples listed: All of the sides in these conflicts retained the physical ability to continue the conflict, no side was defeated, and all of them could have continued fighting, but only on the condition that the ideological imperative had remained the chief priority and that the prevailing principle had been the following: We, and only we, are right; we, and only we, must use force to prove that our cause is just and that we are superior. What happened in all of these cases, however, was that this imperative was consciously sacrificed for the sake of the common interest in peace. This would have been impossible without the acceptance of the principle of compromise, without the rejection of the traditional approach ("Ours is the only just cause"), and without the acknowledgement that the other side's interests also deserve consideration.

Freedom of choice is what lies at the basis of the new thinking. Marxists believe in the superiority of the socialist structure of society and in the eventual triumph of socialism, but if the society in a particular country is

not ready to accept socialism yet for a variety of historical reasons, socialism must not be imposed on it. Revolution must not be exported to a country which is "not mature enough" for this. Conversely, it is just as impermissible to keep a country which has chosen the socialist road from taking steps in this direction. In this connection, it is wise to recall that national self-determination is one of the main principles of the UN Charter.

Of course, all of this applies primarily to the "Third World." Asia and Africa (as well as Latin America) are the continents that are the most "unstable" from the standpoint of the maintenance of peace and security throughout the world. The reason is obvious: On these continents, in contrast to more highly developed regions in the economic and social sense, everything is still in the formative stage, social structures have not acquired their final form, and radical reversals are possible. The depressed state of the economy, the lingering underdevelopment and poverty, the social contrasts, the unresolved ethnic problems, and the political instability all provide fertile soil for permanent conflict. Politics are permeated by violence, and extremism of various types flares up periodically. External forces can always be tempted to intervene in chaotic events and "pull" someone over to their own side. The consequences of this could be genuinely tragic.

Luckily, the great powers and the sides involved in the conflicts in the "Third World" are now taking a more mature and responsible approach to disputes. When E.A. Shevardnadze made a speech on the new international relationships in Tokyo, he said that "the world is obviously taking a more mature approach to explosive situations. The immediate result of this has been colossal progress in the settlement of regional conflicts. The situation everywhere is changing for the better."

Perpetuating this positive momentum is an important objective of our time. This can only be done if the principle of the de-ideologization of relations between states becomes a permanent and irrevocable part of the positive potential of world diplomacy or even an organic part of the fabric of contemporary sociopolitical thinking.

**Conditions for Political Settlement in Middle East**  
*18070265d Moscow AZIYA I AFRIKA SEGODNYA in Russian No 4, Apr 89 pp 10-12*

[Article by A. Chistyakov: "Overcoming the 'Fortress Syndrome'"]

[Text] Recently we have been receiving one promising report after another from several regions that have been in a state of conflict for many years. In some places only the first steps have been taken toward normalization, but in others real efforts have been made to settle the conflict. The Middle East is not on this list of regions. In connection with this, more is being said about the

region's supposed tendency to "lag behind" the increasingly strong general process of the resolution of regional conflicts.

This kind of "mechanistic" approach to the assessment of regional issues, however, hardly seems valid. After all, the conflict in the Middle East simply cannot be put in the "general category" of regional conflicts. It is also difficult to expect settlement procedures which have worked in other regions to be suitable for the Middle East. Nevertheless, there have been changes even in the Middle East. Furthermore, I feel that it is time to acknowledge the existence of a qualitatively new situation conducive to the political settlement of even this conflict, the most difficult and complicated regional conflict in contemporary history.

This situation is taking shape under the influence of the realization that the Arab-Israeli conflict cannot be settled by military means. This makes political settlement imperative.

As we know, the unresolved conflict in the Middle East was the reason for the intensive militarization of the sides in the conflict—the Arabs and Israel—and of the region as a whole. Furthermore, recently this process has been accelerated dramatically and is developing on the latest technological level. In terms of weapon statistics, the Middle East might be comparable only to Europe today. Particularly destabilizing types of weapons—missiles and chemical weapons—have appeared in the region, and the nuclear threshold is growing increasingly accessible.

The result is a situation in which plans for the military resolution of the conflict are completely meaningless to either side. In view of the destructive force of the weapons (from the quantitative standpoint, current military potential is two or three times the potential at the time of the Arab-Israeli war of 1973) and the probable human and material losses, the outcome could only be a Pyrrhic victory even for the "winner."

The very existence of this potential, however, could cause an explosion at any time, especially since the weapons are still being improved, by creating an uncontrollable situation with unpredictable dangerous consequences, and, regrettably, not only for the Middle Eastern states themselves.

Now even the sides involved in the conflict are apparently aware of this. This is confirmed specifically by the events in Lebanon in summer 1982, which many people, including the author of this article, were quick to call "the fifth Arab-Israeli war," but which, we must admit, never did become this war. At that time the experience of direct armed confrontation in the very first days of the hostilities in Lebanon essentially turned out to be enough to motivate both Israel and Syria to avoid such clashes in the future and to prevent the conflict from escalating into a new full-scale Arab-Israeli war. The

efforts of Israel and the United States to force a political settlement on Lebanon, backed up by military strength, also failed.

It is clear that consequences jeopardizing everyone can only be averted by blocking the conflict with a political settlement that includes a reliable set of guarantees.

The realization of this new situation was the catalyst for the growth of feelings and efforts in the world in favor of this kind of political settlement. It is probably no coincidence that the European states were among the most zealous participants in these efforts, especially the states which might call the Middle East a neighboring region—France, Spain, Italy, and Greece.

States with long-term economic interests in the region, requiring a certain degree of political stability and predictability, quickly redirected their diplomatic efforts toward the settlement of the conflict. In my opinion, Japan provides the most indicative example of this today.

The heavy burden the chains of militarization place on economic and social development is also being felt in the states involved in the Middle East conflict. In particular, this applies to Israel, where military preparations absorb around 30 percent of the gross national product, and where the per capita foreign debt of 6,500 dollars is the highest in the world.

Obviously, a settlement between the Arabs and Israel cannot last unless it takes the legitimate interests of the sides into account and is based on a balance of these interests. The outlines of this balance have been drafted: As a result of the settlement, Israel and its Arab neighbors should have the chance to live in peace and security, within recognized borders, on their own territory. Each nationality should have a chance to decide its own national fate at its own discretion, with respect for the right of freedom of choice.

Something else is also clear—an all-encompassing settlement is needed; i.e., the kind of settlement in which all of the sides involved in the conflict (Israel and its Arab neighbors—Egypt, Syria, Jordan, Lebanon, and the Palestinians) would settle all existing problems: territorial, political, military, and any others, without leaving behind any disputed issues that would lead to new conflicts. The Palestinian question is certainly the main issue. Settlement is absolutely inconceivable without the just resolution of this issue—i.e., without giving the Palestinians a chance to exercise their legal national rights. And these rights are political, which, incidentally, Washington officially admitted for the first time just recently. The right to self-determination is the main one.

The need for an all-encompassing settlement is attested to by the unsuccessful attempt to reach a separate agreement between Lebanon and Israel and by the experience of the Egyptian-Israeli peace treaty, which did nothing to promote the settlement of the Middle East

conflict and did not, as people in Cairo and in Tel Aviv admit, lead to the establishment of truly normal relations between the two countries.

The need for an all-encompassing settlement stems from the multidimensional and multifaceted nature of the conflict. This will require the appropriate form of negotiations for this kind of settlement—an international conference.

It appears that in recent years, just as earlier, the lack of real progress in the resolution of the Arab-Israeli conflict was connected largely with the maximalist approach of the sides. They suggested their own idea of settlement as the only valid one and they regarded any counterproposal only as an attempt to restrict their interests and rejected them outright, without any discussion. Besides this, there was not enough dialogue. The parties directly involved in the conflict and the sides taking part in the settlement process seemed to be seated behind their own fortress walls, exchanging political insults....

In Israel they clearly felt no need to hurry. The occupation of Arab, primarily Palestinian, territories was convenient in the final analysis, and economic convenience was not the least of Israel's considerations. It felt that the maintenance of the status quo would be possible because the Palestinians, in its opinion, had reconciled themselves to the occupation and it was unlikely that the Palestinians, or even the Arabs in general, would be bold enough to initiate peace talks with Israel. This was a valid assumption for a long time....

Mass demonstrations by the Palestinian population of Israeli-occupied territories (the West Bank of the Jordan River and the Gaza Strip) began in December 1987 and have been going on continuously since that time. The Palestinians won considerable support for their position when people saw that these demonstrations were conducted in peaceful and non-violent forms in spite of the brutality of the occupation authorities.

The Palestinian people's uprising has many aspects—both external and internal—and these will certainly be analyzed in depth in the future. Here, however, we would like to stress two points.

First of all, the mass Palestinian movement showed the world, including Israel, that the issue of occupied territories cannot be "resolved" by military force. This was the conclusion drawn, for example, by the authors of the report on "The Military Balance in the Middle East in 1987 and 1988," compiled by researchers from the Tel Aviv University Center for Strategic Studies in Jaffa. Second, the movement strengthened the political base and gave the Palestinian leadership the moral right to take some enterprising steps toward Arab-Israeli settlement.

These steps consisted in a public announcement of the Palestinians' recognition of Israel's right to a peaceful and secure existence, their acknowledgement of UN Security Council resolutions 242 and 338, and their

willingness to negotiate with Israel on this basis at an international conference and to renounce all forms of terrorism, including individual, group, and state forms. The new program of the Palestinian Resistance Movement (PRM) and Palestine Liberation Organization (PLO) was adopted within the context of the political declaration approved at a special session of the Palestinian National Council (parliament) in Algeria on 15 November 1988. The new program was specifically outlined by Chairman Y. Arafat of the PLO Executive Committee in December 1988 in Geneva during a discussion of the Palestinian question at the 43d session of the UN General Assembly.

The realistic evolution of the PRM political platform took place earlier, and it was far from a sudden process. The PLO openly renounced terrorism back in 1985, for example, in its famous Cairo declaration. Palestinian leaders, including Arafat, expressed agreement several times with UN Security Council resolutions 242 and 338, declaring the right of all states in the Middle East to live in peace, within secure and recognized borders, which naturally also applies to Israel. Strictly speaking, Israel did not even need the PLO's recognition of its right to exist: This right was effectively confirmed by a UN General Assembly resolution in 1949, in accordance with which Israel became a full member of the United Nations. Finally, the PLO firmly advocates, both autonomously and as a member of the regional and international communities, the political settlement of the Arab-Israeli conflict by means of negotiation within the framework of an international conference on the Middle East.

Besides this, the new PRM program was set forth in a complete and concise form in Algeria, and then—in the basis of decisions made in Algeria—in Arafat's speech. Furthermore, the PLO leadership deliberately emphasized the statements listed above, because several sides, especially the United States and Israel, had taken advantage of their earlier vague wording to accuse the PLO of not being ready and willing for compromise, for the political settlement of the conflict, and for peace with Israel.

It is significant that the decisions of the Palestinian National Council (this applies to the political declaration and the declaration of independence, proclaiming the establishment of an independent Palestinian state) and the political steps the PLO leadership then took on the basis of these decisions are of a constructive rather than a confrontational nature and will create broad opportunities to seek mutually acceptable solutions in conjunction with other sides in the Middle East settlement, including Israel.

For example, UN General Assembly Resolution 181, adopted in 1947 and envisaging the division of the territory of what was then the mandate of Palestine into two independent states—Jewish and Arab—was named as the international legal basis for the proclamation of the Palestinian state. Incidentally, this General

Assembly resolution is mentioned specifically as the basis for the creation of the Jewish state—Israel—in Israel's declaration of independence (14 May 1948).

Furthermore, although the Palestinians have said that their state should be located on the West Bank and in the Gaza Strip now occupied by Israel, they believe that the final definition of the borders of this state should be the result of negotiations. Although they declared Jerusalem the capital of their state, they explained that this applies to occupied East Jerusalem, the Arab part of the city. The program the Palestinians have proposed is quite flexible in principle, and this will certainly facilitate the conclusion of agreements during negotiations to settle the conflict. One example is the Palestinians' announced intention to establish a confederative relationship with Jordan.

The Palestinian program evoked a positive response from the world public and was viewed as a realistic and constructive program paving the way for real steps toward the settlement of the Arab-Israeli conflict.

Something else is also obvious: The PLO proved to be an authoritative and serious negotiating partner and—what is probably most important—a partner capable of making difficult decisions on behalf of the Palestinian people and with their support.

Washington officials initially took a reserved stance on the Palestinian initiative, but within 4 hours after the Palestinian leader had made his speech in Geneva, President Reagan instructed the State Department to begin an official U.S. dialogue with the PLO. This dialogue has already begun.

Therefore, all the sides involved in the Middle East settlement are now in contact with the PLO, with the sole exception of Israel. Foreign Minister Moshe Arens of the new Israeli Government said that the U.S. decision to begin a dialogue with the PLO was not in the interest of Israel or the United States. The statements concerning the problem of settlement in the Middle East in the Israeli government program set forth on 22 December 1988 essentially repeat the previous government's 1984 program. To put it bluntly, this position is so outdated and so indefensible that even Israeli spokesmen are unlikely to use it as the basis for serious discussions of the Middle East settlement.

It is probable, however, that the enterprising actions of the Palestinian leadership and Washington's healthy reaction to them will help the Israeli leadership reconsider its approach to the settlement of the conflict with the Arabs and to the main issue—the Palestinian problem—and reconsider its attitude toward the PLO.

Much was accomplished in the search for peaceful solutions to the Middle East crisis during USSR Foreign Minister E.A. Shevardnadze's visits to Syria, Egypt, Jordan, Iraq, and Iran and his talks with the leaders of these countries and of the PLO. The Soviet foreign minister made this trip for the purpose of setting the

peace talks in motion and making the arrangements for an international conference on the Middle East.

Therefore, we can say that conditions today are more conducive to settlement and that opportunities are being created for real advances in the resolution of the conflict in the Middle East. This is a unique opportunity, and the failure to use it would be unforgivable.

### Chinese Agrarian Reform

18070265e Moscow AZIYA I AFRIKA SEGODNYA in Russian No 4, Apr 89 pp 13-17

[Article by Ye. Bazhanov, doctor of historical sciences, and N. Bazhanova, candidate of economic sciences: "Rural Development Strategy (Article One)"]

[Text] The common opinion outside China is that the Chinese are superlative merchants and that trade is their favorite occupation. This is based primarily on the fact that trade is a respected profession in the Chinese emigre communities in many countries. During the California "Gold Rush" in the middle of the 19th century, many Chinese emigrated to the West Coast of the North American continent. Not all of them were successful, but those who did get rich made their money mainly in trade. Singapore owes its prosperity to the commercial talents of huaqiao, as the emigrants are called in China. Financial tycoons and petty shopkeepers of Chinese extraction can be found in Indonesia and in France, Mauritius and Sweden, Guyana and the Philippines.

### The Ancestral Land

All of this is true, but trade never played the main role in the economy in China itself, and commerce was not a particularly honorable occupation. The Chinese is primarily a peasant. This was the case for centuries and it is still the case today: 800 million of the billion Chinese, or 80 percent, live in agricultural regions and are connected to some extent with agricultural production.

For the Chinese the countryside and the land are synonyms for life itself. Losing one's own plot of land is always a catastrophe. Even when necessity literally seized the peasant by the throat, he preferred not to sell his land, but to mortgage it, even if the mortgage payments over many years were far in excess of the value of the land. When land was sold, it was a funereal occasion, while the purchase of land was like a wedding celebration. Besides this, the owner of the land could sell it only with the consent of all of his adult sons and brothers, even those no longer living in the community. Selling land to an outsider was permitted only if no relative claimed it.

The primarily agrarian way of life was also perpetuated by the tradition of bequeathing the land in equal portions to all male heirs. In Japan, for example, the land was inherited by one son, and all other sons eventually left the countryside. Family ties were broken, and the former peasant joined regional or national organizations

and became a 100-percent urbanite. In China, on the other hand, all of the offspring of the peasant family remained in the rural community, and the rural population continued to grow.

The reader might wonder how the previously mentioned emigre communities came into being if the Chinese are so attached to their own plots of land. It is true that many Chinese live abroad, around 30 million, but we must not forget that this represents only 3 percent of the population of a billion. The percentage of Frenchmen, Irishmen, Italians, Poles, and members of many other nationalities settling in foreign countries is much higher, and the English moved en masse to their country's overseas possessions during the period of Great Britain's colonial expansion. Emigrants from the British Isles settled the North American continent, Australia, and New Zealand. The first settlers produced children, grandchildren, and great-grandchildren—tens of millions of people who regard themselves as Americans, Canadians, Australians, and New Zealanders.

China was also a colonial power since time immemorial. It colonized Korea, Indochina, and Mongolia, and then moved on to more distant countries, such as Singapore, Malaya, and Indonesia. In all these years—not 100 or 200 years, as in the case of the English, but 15 or 20 centuries—the Chinese sent only a negligible part of their population to these foreign lands.

Another important feature of Chinese emigration is that almost all emigrants came from two coastal southern provinces—Guangdong and Fujian. And they did not even come from all over these provinces, but from certain regions. Around 90 percent of the million huaqiao living in the United States came from four neighboring districts in Guangdong. The forebears of most of the Chinese in Singapore came from one district in Fujian Province. They went in search of a decent wage, so that they could return to their native community later with their heads held high. Many emigrants did return (with or without money), and some are still returning today.

This brings to mind an interesting story—but not a particularly surprising one for China—reported in the local newspapers. A huaqiao named Liu lived in Australia. His parents had taken him there when he was a child. The boy grew up, graduated from the university, became an engineer, and married an Australian woman of Irish extraction who bore him two children. It was a strong and secure family—in general, a happy family by all indications. But one day the engineer disappeared. They looked for him everywhere but were unable to find him and decided that he had died. Liu, however, was alive and well. He had simply felt homesick for China and had secretly returned to the plain and primitive village on the coast of the South China Sea where his ancestors had lived for centuries. They say he still lives there in a crowded hut without any of the modern conveniences, among the simple and mostly illiterate

fishermen there. He eats plain food and wears a sack-cloth robe. On holidays Liu lights incense on the home altar to his ancestors, and tears of grief trickle down the cheeks of the now decrepit old man.

There is no question that the Chinese love their native regions, and however far fate takes them, they always leave their hearts at home. Their native land lives in their memory, and when the hour of their death draws near, they ask to be buried in China, next to the graves of their ancestors.

The Chinese peasant has developed certain features: diligence, endurance, a simple code of ethics, a resignation to fate, and respect for authority. Sometimes, however, the peasant grew insubordinate when he was asked to endure more than he could bear, and he would then take up his pitchfork or axe and rebel. There were massive peasant wars, from the movements of the "Red Eyebrows" and "Yellow Turbans" in ancient times to the Taiping and Ihetuan rebellions just before our own era. The Chinese Communist Party took its cadres from the peasantry. Its main bases were located in agrarian regions for decades. Even today the peasant substratum is the largest segment of the CCP—40 percent of the party members (for the sake of comparison, workers represent around 17 percent of the members, and administrative personnel represent a slightly higher percentage).

The problems of the rural community and agriculture are still of primary significance in China today. People in the PRC say that the correction of the country's economic and social underdevelopment, the fate of the overwhelming majority of the population, the standard of living, and the political stability of the state will depend largely on the resolution of these problems. Agriculture is a source of national income, budget revenues, and export resources. Its products represent the lion's share of domestic trade.

Chinese agriculture also occupies a prominent place in world food production. Only two states are ahead of the PRC in terms of agricultural output—the United States and the Soviet Union—and China is the world leader in rice, sorghum, millet, and pork. The PRC is also the leader in the production of tea, soybeans, and chemical fertilizers. Its large contribution to the world food "bank" is also a result of the fact that the Chinese were among the first in human history to master the cultivation of rice 6,000 or 7,000 years ago and then passed on their experience and knowledge in this field to other nationalities. People in China learned to raise silkworms 4,000 years ago and were already supplying Central Asia and Europe with magnificent silks in the 1st century B.C.

China had the first tea plantations in human history. Vegetable gardening is an ancient tradition in China. Even today the vegetable bed in China looks like a work of art. China can also take pride in its 399 types of domesticated animals. It has enriched world animal husbandry greatly in the last 20 centuries. Chinese pork

tastes good, and China's hardy mules and donkeys are graceful runners. The Peking duck is famous throughout the world, and the Chinese peasants were already raising chickens with tender flesh in the 10th century B.C.

#### Achilles Heel

In spite of all its achievements, however, Chinese agriculture has many problems. The main ones are probably connected with the shortage of land for the huge and constantly growing population. One-fourth of the planet's population lives in China and has only 7 percent of the world's arable land at its disposal. The world average is 0.36 hectares of arable land per capita, but in China the figure is only 0.1 hectares. This is one of the lowest indicators in the world. For the sake of comparison, each mouth in Australia is fed by more than 3 hectares of farmland, the figure in Canada is 1.9 hectares, and the figure in the USSR and the United States is 0.86 hectares. Furthermore, all of the land suitable for cultivation in the PRC is already being used and there is no chance of augmenting the sown area. The country is even poorer in timber resources. Only 12.7 percent of its territory is forested, and more than half of the forests are almost unproductive. Sources of fresh water are also limited and unreliable. It is true that their absolute size is impressive, but China's per capita supply is less than one-fifth the size of the world average.

Agricultural problems are compounded by the small size of plots. Fathers divided the land among their sons, and with each generation the plots became tinier and less conducive to productive labor. There was no industry in the country, and the technical base of rural production therefore remained primitive.

In short, agriculture was always China's Achilles heel and kept it on a low level of development. Even today the PRC is one of the poorest countries, ranking 151st in the world in terms of per capita GNP. Labor productivity and the output of the main products per capita have been virtually the same for the last 2,000 years. According to data for the end of the 1970's, China produced only 15 percent of the world's grain, although it accounted for 28 percent of the planet's agrarian population. The amount of grain produced by a single peasant in China is one-tenth of the amount in developed countries. Expenditures of live labor per hectare of wheat fields amount to 150-190 man-days a year, whereas the figure in the United States is less than 1 man-day, and the yield of this crop in America is 1.5 times the Chinese figure.

Not one emperor in the past, not even the most outstanding, could establish the necessary conditions to keep the entire Chinese population well-fed. The agrarian laborer did not have enough to eat either. In summer the peasant spent 12 to 14 hours in the fields, and in winter he often worked even harder in seasonal trades. Nevertheless, one-third of the rural inhabitants did not consume even the minimum calories needed for

normal human activity. Tens of millions of rural inhabitants had to buy food for themselves and their families on credit.

According to official data, at least 100 million Chinese peasants are still suffering from an acute shortage of food and clothing even today.

Meat is still a luxury in some rural communities. The agricultural laborer has always concentrated on farming—proportional expenditures of labor on grain farming produce from 10 to 70 times as many calories as labor in animal husbandry. This is why the Chinese rural inhabitant is not accustomed to eating meat. Rice and vegetables are the basis of the diet wherever they exist. It is not surprising that the Chinese word "eat" literally means "eat rice" (chi fan). The severity of problems in acquiring food is attested to by the fact that the traditional greeting of the Chinese peasant is not "hello," but "have you eaten yet?" On the average, the Chinese peasant gets more than 90 percent of his calories from a limited assortment of vegetables.

There are many holes in the mountains, hills, and ravines on the outskirts of some Chinese cities. These are the entrances to the caves where peasants live. They keep their livestock there, and their household utensils. Of course, a cave is not the most comfortable place to live, but everything must have its good points. One Chinese newspaper remarked that the caves are not that bad: They are cool in summer and retain heat well in winter. After an earthquake in the district, the cave-dwellers are alive and unharmed.

From ancient times some peasants have lived in squalid mud huts with thatched roofs. They usually have dirt floors, are always damp, and are riddled with cracks. All of this creates a good breeding-ground for parasitic insects. The paper pasted across the windows does not let in much light. The floor is covered with a mixture of clay and chopped straw, and this produces a great deal of dust. Smoke and fumes from the cooking stove fill the hut, the walls and ceilings of rooms are covered with soot, and objects are coated with a layer of soot and ashes. Mice and even rats frequently run across the paper ceilings and sometimes fall through the paper into the hut.

Agrarian labor has always been manual. For centuries the peasant was completely satisfied with a wooden plow because it was an all-purpose, lightweight, and particularly inexpensive tool, but it seems to be an anachronism at the end of the 20th century. The plow was attached to one or two draft animals—horses, mules, oxen, or buffaloes. Sometimes the peasant had to pull the plow himself. Some farmers did not have the money to buy livestock, and others felt that this was an unnecessary luxury. Water was carried to the fields by hand, in buckets, just as it was in ancient Egypt. Other traditional implements were the heavy hoe, the bamboo rake, and the stone roller.

Manure has always been a popular fertilizer. There has always been a shortage of manure, and the peasant has used every opportunity to replenish his supply. For this purpose, outhouses are set up for travelers on the edges of fields, and special collectors gather animal excrement (and piles of anthropogenic origin) wherever they can—even on the streets of villages and towns. The collector rides a bicycle and spears the precious lumps with a pitchfork without even slowing down. Without turning around, he deftly flings his find over his shoulder into a special basket attached to the back of the bike.

Tradition also reigns on many rural roads. Some peasants take their products to the city on foot. They wear a yolk across their shoulder with vegetables, fruit, or poultry in the baskets at either end. The roads are filled with all kinds of carts and wagons. Most are pulled by draft animals but some are pulled by the peasants themselves—the younger ones. The vehicles are so loaded with goods that it seems that the laws of physics would preclude the retention of even half the load in the cart. Mechanical means of transport resemble circus vehicles. The peasants somehow manage to balance an enormous hay rick or 30 or so chairs on the luggage rack of a bicycle. Trucks look like mobile mountains—honking mountains of radishes, watermelons, or cabbages that rock back and forth, showing every sign of falling apart at any moment. Sometimes this does happen. The road is suddenly deluged with vegetables, traffic piles up and then comes to a halt, but not for long: People dash in from all directions to gather the wealth. The rule in China is that "whatever falls off the load is gone forever."

The low cultural level of the rural population is another problem. Many peasants are illiterate and cannot even write their own names. They know nothing outside their own village and regard even Chinese from other regions as aliens. There are not enough schools, including elementary schools. Furthermore, not all of the rural inhabitants want to send their children to school. First of all, they need each pair of working hands. Second, some parents feel that science is useless because it does not make anyone better at plowing. Newspapers, not to mention books, never reach many villages. The news is reported over a public loudspeaker, and it does not always work.

Feudal prejudices and customs are still alive. Reports in the Chinese press, for example, mention the killing of female infants in rural areas. The Chinese have traditionally preferred to raise sons—a son can work in the fields, take care of his parents in their declining years, and carry on the family name.

Old social institutions still exist in rural communities: clans (alliances of families related by blood), communal and religious societies, and secret associations. The Chinese press reports that "some rural inhabitants have only a vague understanding of the guiding role of the CCP, the relationship between the state and the collective, and the law, and they display religious prejudices and signs of the private-ownership mentality."

### Agrarian Reform and Ultra-Leftist Experiments

All of this is certainly not a complete description of the Chinese rural community. Some old and outdated practices still exist, but the grand changes in Chinese agriculture in the post-revolutionary years are also apparent. The road the Chinese peasantry has traveled since the revolution cannot be described as straight or easy. There was forward movement, there were victories and successes, but there were also interruptions, stops, regression, and defeats. Today the rural stride is more confident and sensible, but some difficulties still exist.

In chronological order, the first and most fundamental change in rural life occurred almost immediately after the revolution and the establishment of the People's Republic of China in 1949. The CCP took an entire series of major steps from 1950 to 1957 to promote the rapid development of agricultural production. Agrarian reform was followed by the establishment of cooperatives.

Economic growth rates, however, were still not high enough to satisfy the national and party leadership. China was still poor in comparison with most other socialist states and it had to ask for assistance in spite of its huge population and impressive natural resources.

People in China at that time said that the PRC was "biased" in favor of the USSR and that the Soviet Union was the "older brother" teaching the "younger Chinese brother." This was accompanied by a strong desire in Beijing to quickly correct the country's underdevelopment and reserve the proper place for the country in the international arena.

In 1958 the Chinese leadership announced the "Red Banners" policy, aimed at "accelerating the construction of socialism and the direct transition to communism." Mass political campaigns were supposed to promote the quick creation of "socialist national property" and to mobilize all labor and material resources for a "Great Leap Forward," signifying the "immediate institution of communism, bypassing socialism." The transformation of forms of ownership was a particularly turbulent process in rural areas. Small cooperatives were accused of "inhibiting the development of productive forces" and were described as "fetters" preventing the "Great Leap Forward" in the construction of a new society. By orders from above, the peasants were united in people's communes. They were supposed to play the role of the "primary unit of the socialist society and the proletarian regime" in rural areas, an "executive body and agency of economic management," and a "form of transition from the socialist to the communist society." There was an emphasis on the creation of large communes and the maximum collectivization of production. More than 760,000 production cooperatives were turned into 24,000 people's communes literally within a single month—September 1958. When the peasant became a member of the commune, he turned virtually all of his

possessions over to the leadership: agricultural implements, small livestock, poultry, and kitchen utensils.

It is easy to see that our Chinese comrades took the idea of using authoritarian methods to unite rural laborers from us (remember our collectivization). When the Chinese leadership copied the foreign experience which seemed completely justified at that time, however, they also decided to make their own creative contribution to the theory and practice of agrarian development. They wanted to do everything better and faster than in the USSR. The result was an abundance of ultra-leftist experiments and excesses. There was the popular assumption that poverty was a good thing, that it was the essence of socialism. Equal distribution was idealized. Payment according to labor and the existence of commodity-money relations were seen as the "basis for the restoration of capitalism." Many peasants were mobilized for primitive cast-iron and steel production. Timber was felled in massive quantities and was used as fuel for "blast-furnaces." Erroneous orders from above were combined with injurious practices on the local level.

This policy quickly produced results. By 1960 the output of agricultural products had declined to the 1952-53 level. The gross output of grain decreased from 185 million tons in 1957 to 160 million in 1960. Whereas the PRC had been a fairly large net exporter of grain in the 1950's, the country began importing grain in the early 1960's. Hunger was rampant. (Once again, incidentally, we can see an analogy with the situation in the USSR in the first half of the 1930's.)

Under these conditions, the Chinese leadership had to give up some of the discredited forms and methods of economic management. The people's communes were broken up into smaller units when the production brigades of the communes were granted economic autonomy. Private plots of land were returned to the peasants, and the principle of financial incentive was gradually reinstated. By 1965 agriculture had emerged from its state of crisis and had risen to the 1957 level.

In 1966, however, the "Cultural Revolution" was launched and dealt another severe blow to the rural community. Party and state organs in rural areas were raided, the system of agricultural management was destroyed, and all of the necessary supplies of equipment, tools, and mineral fertilizers from the cities were stopped. The ultra-leftist slogans praising poverty and wage-leveling became popular again. The situation reached the point at which peasants were forbidden, for example, to grow vegetables, because this was categorized as a "capitalistic" practice. Private plots were confiscated again, and gardens were trampled. The mentality of the four "so whats" took hold in the rural community: "So what if you do a lot of work or a little, so what if you do good work or bad, so what if you are able to do your job or not, so what if you are qualified for your position or not?" As the Chinese press later

remarked, this mentality engendered a complete lack of concern for labor and the public interest. In some regions the members of communes divided up all of the collective assets and grain, including seed grain. Harvesting and irrigation work stopped completely in some places. There were peasant rebellions.

In 1970, after the fever of the "Cultural Revolution" had subsided, extremism gradually gave way to a more sensible agrarian policy. Ultra-leftist ideas lived on, however, and they continued to have an adverse effect on agriculture. Labor productivity in the Chinese countryside did not rise at all in 20 years (1957-1977). There was a sizable labor surplus—more than a third of the total labor force. In the densely populated provinces of the country's eastern regions, peasants stood in line for jobs. China continued to import large quantities of food, but there was still a shortage. The main food products were still being strictly rationed, and the standard of living declined. One out of every six communes was inoperative and needed assistance, including grain, from the state.

#### Return to Realism

The Third Plenum of the 11th CCP Central Committee in December 1978 marked the beginning of truly revolutionary changes in Chinese agriculture, just as in the entire Chinese economy. When we analyze the decisions of the plenum from our present vantage point, we must admit that they played a historic role in the fate of socialist China. The CCP leaders categorically denounced the ultra-leftist experiments and announced a policy of the comprehensive development of productive forces, based on national realities, national economic requirements, and the needs of the population.

The new agrarian strategy took shape gradually. Through trial and error, Beijing employed various forms of production organization. All unproductive forms were discarded, and successful experiments were instituted on a deeper and broader scale. At first there was an emphasis on the decentralization of management in the people's communes and brigades and on the use of all possible forms of production responsibility: the calculation of labor units based on work norms, remuneration according to production volume, and bonuses for the overfulfillment of plans. The issuance of production assignments for different farmsteads and the division of fields for individual cultivation were prohibited. Everything was supposed to be done within the collective framework. Exceptions were permitted only in rare cases.

Subsequent developments suggested, however, that the last of these forms of production responsibility corresponded most to the interests of the peasants and promoted more vigorous activity. The division of land for individual cultivation was quickly and spontaneously practiced on the mass scale. This tendency began to be encouraged from above at the beginning of the 1980's. The production brigade would give a farmstead or

peasant family a contract for all of the work involved in the production of a specific quantity of products. The farmstead acquired the rights to land (for 3 to 5 years), agricultural implements, and other means of production. In some regions the laborer could buy the equipment, and in others he immediately became the owner. Whatever was produced in accordance with the contract assignment was sold to the brigade, another portion was sold to the state, and the surplus (more than 90 percent of the products) remained completely at the disposal of the farmstead, and the peasant could sell it in private markets. Purchase prices were simultaneously increased by 25 percent, and an extra surcharge of 25 percent was added to grain sold to the state in excess of the standard quota.

By the end of 1982 the family or farmstead contract was already being employed in part or in full by more than 70 percent of all production brigades. This quick transition to the new system was not the result of pressure from above. It impressed the rural inhabitants with its simplicity, accessibility, and convenience. The state also benefited, and quite quickly. The average annual rate of production growth rose 2.5 percent between 1979 and 1981, and the figure was 10 percent for some crops. The grain harvest increased by 14 million tons, labor productivity rose 10 percent, and the income of peasants doubled.

Inspired by these initial successes, the party and state leadership continued to institute rural reform on a deeper and broader scale.

#### Disintegration of Mozambique's National Resistance

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[Article by A. Polyakov: "'National Resistance': Beginning of the End?"; first paragraph is AZIYA I AFRIKA SEGODNYA introduction]

[Text] "The secret services of Mozambique are acting up in Europe! Their agents have kidnapped one of the leaders of the Mozambique National Resistance (MNR) in Portugal!" This sensational news hit the pages of rightwing Portuguese newspapers like a clap of thunder last spring. If the authors of these rash statements had foreseen that the investigation of the mystery which began on 17 April 1988 in Cascais, a resort town on the Atlantic coast 30 kilometers from Lisbon, would not benefit the MNR at all.... This was probably the first time people began lifting the veil of secrecy shrouding the interrelations of the leaders of a group whose terrorist actions are likely to be comparable in scale and brutality only to the genocide of Pol Pot.

The streets had been dark for a long time before the two well-dressed men entered Beira Mar, one of the many small cafes in Cascais. One, who looked Asian, was distinguished by his thick and neatly parted black hair, and the firm set of the other's mouth and his piercing

eyes behind thick glasses gave his face a distinctive expression. After ordering the traditional drink—a demitasse of black coffee—they started a lively conversation. When they had paid the bill and started to leave, a brown-haired young man with an athletic build who had been seated at the next table left with them. It was around 11 o'clock at night.

For the next 5 days the police ran their legs off looking for the Asian-looking man who had been at the restaurant that night—former MNR Secretary-General Evo Fernandes. Back in spring 1985 Joao Gomes, deputy to the Assembly of the Republic (parliament) from the Socialist Party, said: "Fernandes has been refused entry to Portugal. He will be arrested on sight." There were grounds for this: The 44-year-old MNR leader, who had been educated in Portugal and had retained Portuguese citizenship, was an informer for the PIDE—the secret police of the fascist Salazar-Caetano regime—before the revolution of 25 April 1974 and could have been arrested and tried for this. The detectives who were searching the capital and its environs, however, did not intend to take him into custody or deport him. For 2 years he and his wife Yvetta had been living in Cascais quite legally and had openly made contact with the "Portuguese wing" of the MNR. The alarm was sounded by Yvetta, who had called the police to report that her husband had disappeared.

The news was disseminated instantaneously by the LUZA news agency and gave rise to an avalanche of rumors. The most incredible, and obviously anti-Mozambican, stories were suggested and seriously analyzed. This was not surprising. Some Portuguese press organs had always sympathized with the MNR.

The missing man's wife said that Evo had been at the restaurant with "an agent of the Mozambican secret service," a man named Alexandre Chagas. He had allegedly asked her husband to meet him so that they could discuss the possibility of negotiations between the MNR and his government. It was rumored that Fernandes had already been taken to Mozambique secretly by plane on Portugal's TAP air line. This was soon followed by a denial: The Portuguese consul-general in Maputo had been on that flight and had not seen anyone resembling Fernandes on board. Then some people suggested that the ex-leader of the MNR had been taken to Spain by car and had then been flown to Mozambique through Algeria. Others felt that Fernandes had simply decided to stay in hiding for a while because of all the threats on his life.

On the evening of 22 April the body of a man was found in the bushes along the highway 10 kilometers from Fernandes' home in Cascais. The dead man was lying face down, with his shirt tied around his head, and there were five bullet wounds in his body. He was easily identifiable as the object of the intense search.

The first attempt to explain the underlying motives for the crime was made by Paulo Oliveira—a man who was

once a prominent MNR official and had represented this group in Lisbon for just over a year but had then gone to Maputo and surrendered to the Mozambican authorities in March 1988. He said that Fernandes had been killed because of a factional struggle among the leaders of the organization. This, however, was only speculation, despite Oliveira's indisputable knowledge of MNR ethics, because he had left Portugal a month before the murder.

The situation was cleared up when 24-year-old Chanjunja Chivaca Joao came over to the government's side at the end of November 1988. He had joined the group in Lisbon when he went there to study and was already heading the mobilizing division of the European MNR wing a few years later. He owed his advancement to no one other than Fernandes. The MNR leadership made every effort to minimize the value of Joao's testimony by declaring that he was "always just a sympathizer and never occupied any official position." The information he divulged, however, was corroborated by other sources.

According to the reports of Oliveira and Joao, the MNR had split into two factions long before, and they were fighting for complete control of the group. One, to which the late Fernandes had belonged, was connected with Pretoria and Lisbon, and the other wanted to deliver the MNR from its vassal-like dependence on South Africa and to reorient it toward the United States.

An understanding of the interplay of interests and blocs within the MNR requires some knowledge of the history of the group. It was disclosed by the founder and head of the Central Intelligence Organization (CIO) of Rhodesia, Ken Flower, in his memoirs, which were published soon after his death in September 1987.

The intelligence chief of the Ian Smith regime wrote that he had suggested the creation of "insurgent" forces controlled by Rhodesia, South Africa, and Portugal back in 1971. According to Flower's plan, groups of terrorists recruited from among the black Mozambicans and trained in Rhodesia were to be set up in opposition to the partisans of the Mozambique Liberation Front (FRELIMO) and Zimbabwe African National Union (ZANU).

After Mozambique declared its independence in 1975, the CIO changed its tactics and began forming an anti-government "popular movement" there. The first training camp was set up on a tobacco plantation leased to the CIO in eastern Rhodesia. In 1978 drill instructors from the Special Airborne Forces (SAF) supervised the construction of the Casa Banana ("Banana House") camp in the Gorongosa Highlands in Mozambique. The men from the SAF not only supplied the "opposition forces" with weapons but also committed terrorist acts on behalf of the MNR.

South Africa's secret services began assisting the MNR more actively. It is quite understandable, therefore, that when the ZANU party, headed by Robert Mugabe, took

over the government in Rhodesia in spring 1980, the main MNR rear services and coordination center moved to Falaborba, a rural community in South Africa's Transvaal province. The patrons of the terrorists were the 7th infantry regiment of the South African Defense Forces and the 5th reconnaissance regiment of the special forces. The MNR radio station, the Voice of Free Africa, which had been broadcasting from Rhodesia since 1976, began transmitting its programs from northern Transvaal in June 1980.

Pretoria did not abandon its proteges to the whims of fate even after the conclusion of the so-called Nkomati treaty "on non-aggression and friendship" with Mozambique in 1984. The situation has become more and more paradoxical, especially in recent months. For instance, the offices of a South African trade representative were opened in Maputo on the one hand, while fighters from the MNR continued their terrorist actions with the encouragement of the racist special services on the other. According to the testimony of 19-year-old Ysabel Jorge, who had commanded one of the "women's subunits" of the MNR and had then surrendered to the authorities in Manica province in December 1988, new recruits on the base were still being trained by 17 South African instructors right up to the end of November. Her subunit's duties included the delivery of South African airlift cargo to the base.

Some aspects of the conflict seem completely absurd. The largest hydroelectric power station in Africa, the Cabora Bassa station, which was built on the Zambezi River by an international consortium before Mozambique won its independence, has been inoperable for several years because of MNR acts of sabotage. By the terms of a tripartite agreement (with Portugal) signed in June 1988, South Africa provides rear support for Mozambican troops guarding power transmission lines. A South African ship, the Drakensberg, has already delivered vehicles, tents, ammunition, and other non-combat equipment for the Mozambican army to the port of Beira twice, but MNR gangs have paid no attention to Pretoria's goodwill gestures and have blown up around 900 power poles during this period. What is going on here? Could all of this be a result of the "monstrous hypocrisy" of South Africa, which would seem to be acting against its own interest in this case?

According to Paulo Oliveira, the "national resistance" is protected by "some groups in the Portuguese armed forces," particularly the information division of the general staff (DINFO). The movement has received and still receives financial assistance from such businessmen as Manuel Bugliosa (Evo Fernandes once worked at one of his enterprises) and the "uncrowned king of Mozambique," known as Jorge Jardim in colonial days. According to Chivaca Joao, however, Ascencio Gomes Freitas, a Portuguese man who lived in Mozambique for a long time and who now coordinates all MNR activity in the former mother country, works closely with the South African special services. With equipment from them, the representatives of the organization in Lisbon

stay in direct contact with the South African military. Joao confirmed the rumor that Charles van Niekerk, one of the heads of South African army intelligence, had a meeting with local MNR emissaries in Lisbon in February 1988.

Judging by all indications, it was precisely the dissatisfaction with the "resistance's" excessive dependence on South Africa that caused some of its leaders to engage in ostentatious and sometimes defiant displays of "autonomy." They feel that the movement's reputation as a puppet organization is keeping it from winning international recognition and they have been trying to win the politically more respectable patronage of the United States since the beginning of the 1980's. The "peaceful" struggle within the MNR did not last long. Secretary-General Orlando Cristina of the organization died under mysterious circumstances on the base in South Africa in 1983. His death was used as an excuse to get rid of the Bomba brothers—Adriano, the chief of the MNR information service, and Bonaventura, the "national political commissar" Bonaventura—who had displeased their South African masters. In November 1987 a "car accident" in Malawi took the lives of two other members with the same views—Joao da Silva Ataide and Alfredo da Costa. Then the supporters of the pro-American line decided to get rid of Evo Fernandes, who also looked to Pretoria for support.

Whose support in Washington does the "American wing" of the MNR hope to win? In March 1988 Portugal's DIARIO printed a photograph of CIA agents Robert Reinhardt and Myron Klein, who had made contact with members of the "resistance." They had meetings with former White House Communications Director Patrick Buchanan and with Charles Cox, a man "close to the administration." After many officials had to leave office because of the "Iran-contra" scandal, however, it seemed that the terrorists had no overt supporters left in the American leadership. Here, for example, is what Assistant U.S. Secretary of State for African Affairs Chester Crocker had to say: "Saying that the MNR is a Mozambican nationalist movement...takes too many liberties with the facts. If we give the MNR any kind of recognition, we will alienate all of independent Africa."

This is a reasonable fear, but Washington's caution is also due to the MNR's lack of a broad ethnic base. According to University of Minnesota Professor Allen Isaacman, the author of several books on Mozambique, 70 percent of the movement's leaders and most of the members belong to the Ndau ethnic group, who live in the central part of the country and represent no more than 2 percent of the total population. The organization's attempts to conclude agreements with the chiefs of northern tribes were unsuccessful. And after all, the ethnic composition can still decide the fate of political movements and parties in Africa.

A report published in 1988 and prepared by U.S. government consultant Robert Gersoni, based on documented evidence and presenting a sinister account of the murders, violence, brutality, and hunger for which the MNR is responsible, dealt a severe blow to the plans of the pro-American leaders of the "resistance." The report says that the members of these gangs killed around 100,000 civilians, but Gersoni's personal opinion is that this estimate is too low.

There are some influential people in the United States, however, who endorse the "Mozambique National Resistance." The most active include Senator Jesse Helms, who has taken every opportunity to encourage the gradual recognition of the MNR by the U.S. administration. In particular, he stubbornly opposed the appointment of Melissa Wells, known for her liberal views, as ambassador to Maputo and used the "filibuster" tactic to delay the approval of the nomination for several months. The senator asked Melissa 247 questions in all, and she was bound by law to answer all of them. Helms later used the same trick during the discussion of the Soviet-American INF Treaty. He lost in both cases, but he drew blood both times. The MNR is supported by the reactionary Heritage Foundation, Eagle Unchained, and businessman James Planchard. They provide the funding for the so-called Mozambique Research Center, headed by Thomas Schaaf.

In an effort to find out why the MNR appeals to conservatives in various countries, I made a long and futile search for anything similar in its program. Finally, I had some luck. At the end of 1986 the ultra-rightwing WASHINGTON TIMES printed the "MNR Manifesto." As soon as the opposition takes power, it says, "the public sector of the economy will be revised and will later serve as the basis and stimulus for the organization of a private sector." In the sphere of politics the MNR insists on "the elimination of the system of communist dictatorship" and on the creation of the kind of society in which "an aggressive minority will not impose its will on the majority." If the term "aggressive minority" were not too mild, it would be the best definition for the MNR itself. As for national and foreign private property, its existence is permitted by the present constitution in Mozambique.

The MNR's lack of a serious program is no coincidence. Paulo Oliveira reported that he had once heard Colonel Groebbler of the South African Armed Forces say: "Our goal is not to put the MNR in power, but to compound the chaos in Mozambique." The previously mentioned Rhodesian intelligence chief, Ken Flower, made a similar remark in an interview: "Our plans did not include the overthrow of Samora Machel. The MNR was necessary to us as a permanent irritant to FRELIMO." And would it even be possible for the political and economic construction of a state to be supervised by those who are well-versed in destruction?

The slight improvement of the economic situation in Mozambique clearly annoyed the MNR. At the end of

1987 the government of the republic approved an economic recovery plan assigning priority to the development of private enterprise. This more flexible policy is beginning to bear fruit. For the first time in the last 5 years the output of the main products has increased, the market is much livelier, and new stores and shops are being opened.

Mozambique is receiving more international assistance, and cooperation is being organized within the framework of the Southern African Development Coordination Committee (SADCC), uniting nine states in the region. Concerted effort, despite MNR acts of sabotage, led to the resumption of the operations of the railroad in the Beira corridor and other important industrial and transport facilities. Mozambique's armed forces have taken more vigorous action against anti-government groups. "The settlement in Namibia will cool the passions of the most zealous militarist groups in South Africa and introduce a new dynamic into the process of the liberation of all southern Africa," Luis Cabaso, secretary of the FRELIMO Party Central Committee for foreign relations, said in December 1988. Although the MNR is still staging raids near big cities, the situation in general has improved, he stressed. This allowed the Tanzanian soldiers who had been helping their Mozambican comrades-in-arms fight the gangs in Zambezia province since January 1987 to return to their homeland.

Many in the MNR are realizing that they are losing ground. Attempts are being made to revive the organization's "diplomatic activity" and to put the blame for the savage treatment of civilians on the Mozambican and Zimbabwean troops. In the words of Chivaca Joao, a conference was held in the FRG on 15 October 1988 under the chairmanship of MNR leader Afonso Dlacama to discuss ways of repairing the MNR's reputation, "politicizing" the group, and winning international recognition for Dlacama himself. All such efforts to date have failed. It is no secret that Dlacama, who was driven out of the FRELIMO army for theft, was recruited by the CIO in the middle of the 1970's and collected a monthly fee from it in the amount of...65 dollars.

In December the MNR committed a brazenly propagandistic act. Manuel Frank, who had replaced Paulo Oliveira as the organization's representative in Lisbon, threatened to "punish the agents of Cavaco Silva's (the current prime minister of Portugal—A.P.) government who go to Mozambique to help FRELIMO." This demarche, which was supposed to attest to the MNR's "independence," was a reaction to the Portuguese Government's shipment of non-military equipment to Mozambique. The threat did not evoke any response whatsoever from the authorities. The MNR's activities are still completely unrestricted in Portugal.

The outburst of terrorism in southern Mozambique at the end of 1988 had similar propaganda purposes. In Joao's opinion, it was an attempt by the MNR leaders to prove that their cause is not hopeless. According to his estimates, there could be up to 40,000 fighters in the

movement's ranks. Serious analysts believe that the real figure is less than half as high.

Torn apart by internal squabbling, the organization is beginning to literally disintegrate. In May 1988 former MNR Commander Jim Piri told an interviewer from the Portuguese weekly *INDEPENDENTE* that he planned to form his own group. In December *FRANCE PRESSE* reported that he was acting on this decision. He was joined by most of the fighters who had been active in Zambezia province. Yvetta Fernandes is trying to put together her own faction with the MNR members who have settled in Lisbon. In August 1988 a group of the movement's veterans issued a statement in the Portuguese capital. Describing Dlacama as a "criminal fugitive" and an "agent of the South African special services" who had "turned the MNR into a gang of thugs and rapists," the veterans proposed his removal from the leadership and the start of negotiations with the Mozambican government.

The popular regime agreed to these contacts in 1984, but they were broken off through the fault of the MNR. Now the situation has changed radically. "Why should we negotiate with puppets when their goals are so obvious?"

President Joaquim Chissano of Mozambique asked rhetorically. He has also said repeatedly, however, that the government of the republic approves of the idea of the integration of MNR members and supporters into the Mozambican society. It guarantees a pardon to all those who surrender voluntarily, and it even guarantees them the right to nominate their own candidates in elections at all levels on a platform different from the FRELIMO Party platform. More than 3,000 MNR members took advantage of the amnesty announced in December 1987, including the previously mentioned Paulo Oliveira, Chanjunja Chivaca Joao, and Ysabel Jorge. A particularly high number of MNR commanders and rank-and-file members are laying down their arms in the north of the country, where it is difficult to deliver supplies from South Africa to the gangs.

We cannot predict how long the MNR terrorists will continue to sow death and destruction. It is already obvious, however, that the process of its disintegration, one sign of which was the assassination of Evo Fernandes in Lisbon, is growing stronger and is constantly reducing the organization's chances of influencing events in Mozambique.

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### Overview of Joint Venture Problems, Solutions

18250187 Moscow *FINANSY SSSR in Russian*  
No 6, June 89 pp 28- 33

[Article by N.B. Kozlov, candidate of economic sciences and chief of subdivision for currency and economic cooperation of the USSR Ministry of Finance, and A.I. Kuznetsov, candidate of economic sciences and docent at Moscow Institute of Finance]

[Text] The experience of the industrially developed capitalist countries indicates that one of the most important prerequisites for the successful incorporation of scientific and technical achievements is a highly internationalized economy. The "open" economy is more receptive to scientific and technical progress primarily for two reasons: the additional advantages and savings derived from international cooperation and the exchange of technology and ideas; the more intense competition for markets.

One of the most promising forms of cooperation by Soviet and foreign partners is the establishment of joint enterprises. This kind of enterprise puts business relations on a qualitatively new level, distinguished by a high degree of mutual commitment, regular long-term contacts, mutual enrichment with administrative experience, technical ideas, and technology, and the concentration of capital.

The first years of this kind of cooperation have produced encouraging results: By 1 March 1989 there were 277 registered joint enterprises in the USSR with combined charter capital exceeding a billion rubles, around 40 percent of which consisted of foreign investments. The Soviet Union quickly rose to third place among the socialist countries of Europe in terms of the number of such enterprises, surpassed only by Yugoslavia and Poland. The successful development of the new form of cooperation can be judged by the dynamics of the establishment of joint enterprises: Whereas 23 were registered in 1987, and the figure in 1988 was 168, 85 were registered in just the first 2 months of 1989. This was accompanied by the reduction of the amount of charter capital for each new enterprise: The average amount was 6.7 million rubles in 1987, 3.9 million in 1988, and under 3 million in 1989. This was due to the higher number of joint enterprises offering services rather than performing production functions. It is also significant that firms and organizations in socialist countries represent only 12 percent of the foreign participants in these joint ventures. It is apparently no coincidence that the greatest interest has been displayed by firms and organizations in Hungary, Bulgaria, and Poland. It is there that reforms have recently been instituted on the broadest scale to expand the economic rights of enterprises.

The obvious success of the joint ventures in our country is connected directly with the constant improvement of the corresponding legal statutes. Legislation regulating joint ventures is now in the formative stage. Its future

development will depend on the flexibility and initiative of the Soviet agencies concerned.

In our opinion, two fundamental matters need to be clarified. On the one hand, laws should defend Soviet economic priorities and serve as an instrument for the inclusion of joint enterprises in the attainment of the main national economic objectives. These are the fuller satisfaction of the country's need for modern competitive goods of high quality, the use of foreign equipment and technology, managerial experience, and supplementary material and financial resources in the national economy, the development of the export base, and the reduction of unreasonable imports. On the other hand, they must take the foreign partner's interests into account. Because the movement of foreign capital depends on the laws of profit, financial incentive is the only method of attracting this capital. In particular, it should be borne in mind that most of the participants in joint ventures today are small and mid-sized capitalist firms which cannot afford investments without a relatively quick return.

Future work in the normative regulation of the establishment and operation of the joint enterprise should be geared to a gradual transition to primarily economic means of influence (through taxes, credit, and cost accounting), the reduction of the sphere of administrative intervention, and the creation of a normative mechanism based on the combined positive experience of other countries—both socialist and capitalist. Existing procedures for the registration of joint enterprises, taxation, and some aspects of currency self-sufficiency warrant more thorough investigation.

Legal statutes governing joint ventures essentially underwent three stages of development. The first stage lasted from 13 January to 17 September 1987, when the decrees (Nos 48 and 49) of the USSR Council of Ministers on the procedures for the establishment and operation of joint enterprises within the territory of the Soviet Union were in force. The second and third stages were marked respectively by the adoption of the decrees of 17 September 1987 and 2 December 1988, which supplemented and amended the first two documents considerably.

The last of these decrees substantially simplified the procedure for the establishment of a joint enterprise. It always left Paragraph 9 of the 13 January 1987 decree in force, however, stipulating that joint enterprises within the territory of the Soviet Union will be registered with the USSR Ministry of Finance after the founding documents go into force and that they will not acquire the status of a legal person until after this.

The present registration procedure could hardly be called optimal. Above all, the functions and responsibilities of the USSR Ministry of Finance as the registering agency are not specified. It is the common opinion that the ministry should analyze the technical and economic substantiation for the establishment and operation of a

joint enterprise during the registration process, but this does not correspond to its field of expertise or to the place it should occupy in the new economic mechanism.

A complete analysis of the technical and economic substantiation would require participation by specialists in different fields—experts on marketing and modern technology, scientists capable of judging the correspondence of the operational plan to the requirements of technical progress, experts on foreign markets and capital construction, and others. The USSR Ministry of Finance does not have experts of this kind, but even if it were possible to form a commission of specialists within the ministry, the expediency of this analysis would be debatable. First of all, allowing the ministry to make the final decision on the expediency of establishing a joint enterprise would be inconsistent with the efforts to democratize foreign economic contacts and to develop autonomy within the framework of the economic accountability of enterprises and associations. In essence, this would be a return to the system of joint operations that has been abandoned. Second, the participation of the USSR Ministry of Finance in the technical and economic substantiation process would presuppose special regulations for each joint enterprise and would also assign the ministry some responsibility for the economic results of enterprise operations.

It is the job of the USSR Ministry of Finance to formulate the most general rules of the functioning of the economic mechanism on the basis of economic accountability and self-financing. The practices of the period of stagnation with its authoritarian methods of administration should be renounced. It is much more important to give the ministry a chance to concentrate on planning and improving economic means of influencing the economy, which will combine to make up a self-regulating economic structure not requiring constant patronage and geared to the attainment of strategic national economic objectives. It is clear that this kind of mechanism would be a better guarantee of state resource conservation.

In its present form, the registration procedure has some obvious flaws. The USSR Ministry of Finance is expected to verify the correspondence of founding documents to Soviet legal standards, but a universal approach to the assessment of these documents is made impossible by the absence of a single set of methods for their compilation. After all, it is frequently impossible to compare even the documents of joint enterprises in the same field. Sometimes the most important information is absent from the documents. All of this complicates the application of any kind of general criteria during their examination. There is still no valid or commonly accepted criterion for the denial of joint venture applications. We can assume, for example, that the ministry will refuse to register an enterprise with charter capital of only 1 ruble, but the registrar cannot substantiate his position by citing a law or an established set of procedures.

Under these conditions, expert evaluation seems more significant, although it cannot fail to be subjective by its very nature. Furthermore, because of the incomplete nature of some legislative provisions regarding joint ventures, the expert has to make his own decisions on questionable matters. In these cases, registration or the denial of registration applications acquire the status of legal precedents. Although these precedents are not used in our judicial system, the significance and consequences of a decision made by the USSR Ministry of Finance with regard to the registration of a joint enterprise cannot be underestimated, particularly in view of the great importance attached to precedents in international practice.

The decision on the registration of a joint enterprise seems particularly important when one of the participants is a foreign firm from a capitalist country with which the Soviet Union has signed an investment protection agreement (these agreements have been concluded with Finland, Belgium, and Luxembourg). It stipulates the granting of most-favored-nation status to firms in these countries. This means that these firms have the right to demand conditions no worse than those of any other joint venture in the Soviet Union. There is no question that the group of countries connected with the USSR by these agreements will grow in the future.

It seems that the most simple solution would be a regulated procedure for the registration of the joint venture in the USSR Ministry of Finance, but this would revive the situation in which departmental acts elucidating and supplementing the law would effectively replace it. Furthermore, this kind of regulation would have a negative effect on the efforts to expand joint ventures and would be inconsistent with the efforts to simplify the organization of foreign economic contacts.

In our opinion, the solution lies in the gradual transformation of this registration into a formal act, equivalent to simply recording the fact of the establishment of a new enterprise without any special analysis of the submitted documents to verify their correspondence to legislation, not to mention specific technical and economic parameters. This would heighten the responsibility, first of all, of the agencies making the decision on the establishment of a joint enterprise; second, of the participants themselves, because they would lay the bases for their operations independently; third, of the agencies drafting the corresponding legal standards. This procedure presupposes the existence of precise and detailed legal rules. The Ministry of Finance could concentrate on these rules in this case.

The viability and effectiveness of new enterprises should be verified by the mechanism of economic accountability itself. The successful operation of a joint enterprise and the complete fulfillment of obligations to suppliers, customers, the state, and the founders will prove that it was established on a healthy basis. The need to verify the correspondence of founding documents to Soviet law might arise only when some kind of conflict

arises in economic operations. Then judicial bodies—for example, the courts—would be the best recourse. If this were the case, the USSR Ministry of Finance could be relieved of this responsibility. It could be assigned, for example, to the USSR Chamber of Commerce and Industry, which already has some experience in the registration of foreign trademarks.

In the USSR, just as in other countries striving to attract foreign capital, currency and financial conditions conducive to joint ventures must be established. The method of taxation will be an important deciding factor. The rate of taxation is 30 percent for the profits of joint ventures within our territory, and 10 percent for those in the Far Eastern Economic Zone. This is much lower than the rate for Soviet enterprises (50-60 percent). The rate is preferential in comparison with the rates in the majority of industrially developed capitalist countries, where they range from 18 to 56 percent, but where the addition of local taxes virtually precludes a rate below 40 percent.

The statement about the improvement of the taxation of joint ventures in the decree of the USSR Council of Ministers of 2 December 1988 testifies that the Soviet Union has begun the vigorous pursuit of a tax policy aimed at the continued expansion of foreign economic ties. The decisions made to date, however, have not exhausted all of the possibilities for the improvement of tax legislation. This applies above all to tax privileges. The USSR Ministry of Finance is empowered to allow a lower tax rate or tax exemptions for certain taxpayers. Laws stipulate several cases in which this power should be exercised, primarily in specific branches and regions, but there are still no precise instructions regarding the size of tax credits or the criteria of eligibility. This effectively presupposes the perpetuation of the selective or arbitrary granting of tax privileges, usually based on an individual expert analysis of a particular project.

The absence of a single set of precise criteria of eligibility for tax privileges effectively undermines their significance as built-in economic regulators. It also increases the workload of the Ministry of Finance staff. The unavoidable subjectivism will heighten the possibility of erroneous (or imperfect) decisions.

The expansion of the range of these privileges in accordance with criteria based on the goals the Soviet side is pursuing in its development of joint ventures seems promising. It would be expedient, for example, to extend the zone of preferential taxation to the Central Asian republics with a view to the need to make fuller use of their natural and labor resources. This could have a strong impact in regions adjacent to the state border: Border trade, a mixed infrastructure, and similar customs will establish a sound basis for the inclusion of the firms and organizations of neighboring countries in joint ventures.

The decree does not make the granting of tax privileges conditional upon the duration of size of foreign investments or the export volume of the joint enterprise

(including the volume in freely convertible currency). The attraction of additional resources into the national economy of the USSR and the development of the country's export base, however, are the strategic objectives of the joint ventures. Privileges of this kind are used on a broad scale in other socialist countries attempting to attract foreign capital for the enhancement of national economic efficiency. In Fujian Province (PRC), for example, enterprises with foreign capital invested in production operations for 10 years or more are completely exempt from taxes for the first 2 years after they begin operating at a profit, whereas other enterprises must pay taxes as soon as they have been registered. Joint ventures geared to the export market (i.e., enterprises in which export products exceed 70 percent of the production volume) can apply for a 50-percent reduction in taxes in this province. In Poland the rate of taxes on profits is inversely proportional to the percentage of exports in total production volume.

The expansion of common tax privileges extended to all joint ventures without restriction seems justifiable. This is common in world practice. This would entail, first of all, allowing enterprises without a reserve fund to cover their losses with the profits of past or future years, which would then be exempt from taxation. Second, they would be allowed to draw up combined balance sheets with other joint enterprises when the same firms participate in them. Then the losses of one enterprise could be covered by the profits of another. Third, the portion of the profits to be reinvested—i.e., to be used for the establishment of new joint enterprises within the USSR—would be exempt from taxation. These measures would secure a favorable investment climate.

For the same reasons, we feel it is important to clarify the principles governing the calculation of the amount of profit subject to taxation and the profits of the joint ventures themselves. The present procedure for the calculation of production costs in the overhead expenses of this kind of enterprise does not include so-called pre-planning expenditures (geological exploratory operations, design, specialist training, etc.). These expenditures—especially in the case of massive projects connected with the processing of crude resources—can be quite sizable and could be included among the production costs of joint ventures—i.e., they could be regarded as overhead expenses.

The foreign experience in giving companies an exemption (or a lower tax rate) for the portion of company profits used for non-commercial, socially useful purposes is of great interest. These usually include contributions to various social funds, academic institutions, and museums, scholarships for gifted or needy students, etc. Now that philanthropic activity is being carried out on a broader scale in the USSR, it would be wise to consider the same kind of privileges in our legislation. The same approach could be applied to the taxation of the portion of the profits of joint ventures spent on residential construction, public health, athletic facilities, and other social undertakings. Of course, these tax

privileges could not be extended to all possible varieties of "socially useful" expenditures of profits. In order to protect budget revenues on the one hand and to secure the ability to use these privileges as instruments of state economic policy on the other, the procedure for the use of these privileges would have to be regulated in the most precise manner if a decision should be made to extend these privileges.

The possibility of instituting a turnover tax occupies a prominent place in the search for ways of improving the financial operations of joint enterprises. They do not pay this tax at the present time. It is obvious that the joint enterprises selling their products at the domestic retail prices of the Soviet market and not paying a turnover tax will accumulate excessive wealth and will have unjustifiable advantages over Soviet manufacturers of the same products, which might have to deposit as much as 80 percent of their receipts in the state treasury in the form of a turnover tax.

The extension of the turnover tax to joint ventures would be an extremely complicated matter because of the very nature of the tax and the existing methods of its calculation. There is no single list of tax rates. They are calculated separately for each manufacturer and each product or group of products in a manner ensuring that the manufacturer will retain enough profit to secure a normal profit margin (usually from 15 to 17 percent, and never more than 30 percent). If this method should be applied to the products of a joint enterprise, the turnover tax will not have any kind of stimulating effect on enterprise operations to encourage the improvement and development of production and the fuller satisfaction of market demand but will, on the contrary, hamper commercial initiative and could even be used as a restrictive measure in many cases.

It does seem necessary, however, to appropriate unearned profits from joint enterprises until existing price disparities are eliminated by the economic reform. To a certain extent, this problem could be solved with the use of a universal rate of taxation on the main groups of commodities for the next few years. The calculations should be based on the turnover tax rates set for Soviet manufacturers of similar goods with comparable technical equipment.

The guarantee of currency self-sufficiency will be an essential element of the functioning of joint enterprises within our territory. No one would question the need for this at the present time: It will keep these enterprises from becoming the currency dependents of the state.

It is frequently suggested that the principle of currency self-sufficiency helps to raise the technical level and enhance the quality of the products of joint ventures because their ability to compete in the foreign market is an objective criterion.<sup>1</sup> It is impossible to agree with this unconditionally. Competitiveness does not depend only on the quality of the item, but also, and to a considerable extent, on its adaptability to the requirements of the

specific market, the commercial conditions of shipment, the quality and accessibility of maintenance services, etc. World experience suggests that specially organized export production units have the best chance of succeeding. Besides this, the manufacture of certain products for export does not guarantee that the same products will be sold within the country. When exports are a compulsory means of "earning" foreign currency, this generally entails additional expenditures and a comparatively low profit margin and, consequently, a relative decline in quality.

Statistics for the last 2 years indicate that it is generally enough for a joint enterprise to export around 20 percent of its products to secure currency self-sufficiency. This sounds like a completely attainable indicator, but in fact it is frequently difficult to achieve. This is due to difficulties in the sale of products in the world market because of fierce competition, the need for large expenditures of foreign currency by these enterprises to secure highly effective production, the difficulties connected with supplying two markets (domestic and world) with products, the need to satisfy demand in the domestic market, etc.

Soviet legislation has gradually relaxed the principle of currency self-sufficiency for joint ventures. Whereas they were originally expected to cover their expenditures of foreign currency by selling export goods, in the second stage they were allowed to sell products to Soviet enterprises for currency. A decision was also made on the possibility of establishing so-called "anti-import" production units, the currency expenditures of which would be financed by centralized sources.

The very concept of "import-replacement production," however, has never been defined in specific terms. The examination of the technical and economic substantiation of the founders of the joint enterprise with regard to the import-replacing nature of their operations is an extremely complicated process. Enterprise and ministry requests for money from centralized funds to purchase equipment abroad frequently stress that the use of this equipment will reduce imports. The actual reduction, however, is either insufficient or non-existent. We can assume that joint ventures will receive the funds previously earmarked for purchases of the necessary equipment. This means they will be more dependent on funds which might not be allocated each and every year. At this time there is virtually no mechanism to secure the operations of import-replacing joint ventures. On the other hand, import-replacement in the broad sense of the term has already been secured by the right of these enterprises to sell products to Soviet enterprises and organizations for the currency at their disposal.

New decisions expanding the framework of the principle of currency self-sufficiency were recently made. The first was the decision to organize currency auctions by the USSR Foreign Economic Bank for the free exchange of the foreign currency of enterprises and organizations for Soviet rubles at a specific rate of exchange. The second

concerns the possibility of organizing something like a joint enterprise pool, in which the currency receipts and expenditures would be balanced for an entire group of enterprises rather than for each enterprise individually.

The institution of ruble convertibility would represent a fundamental solution to the problem of currency self-sufficiency. Our government is considering this matter now. The principle of currency self-sufficiency is a bridge leading from the earlier authoritarian system of managing foreign economic ties to the new economic system of management. The specific steps to expand its sphere of influence should be closely coordinated with the general concept of ruble convertibility.

The accumulated problems connected with the improvement of joint ventures cannot be solved as a separate task in isolation from the improvement of the entire economic mechanism in the USSR. As economic methods of management are used on a broader scale in the country and as commodity and money relations are reinforced, joint ventures will become an organic part of the economic system. Of course, they must not stay outside the sphere of state control, especially now that price disparities and the chronic shortage of production and consumer goods have made various types of arbitrary transactions possible and have made middleman operations extraordinarily lucrative, especially those connected with the delivery of foreign goods to the Soviet market. The system for the regulation of joint ventures, however, should be based on the consistent application of financial and credit levers and stimuli.

#### Footnotes

1. KOMMUNIST, 1988, No 12, p 44.

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#### **Economic Reform, Problems of Perestroika in Socialist Countries**

18250188 Moscow *EKONOMICHESKIYE NAUKI* in Russian No 6, Jun 89 pp 20-27

[Interview with Ninel Vladimirovna Bautina, doctor of economic sciences and department head at the CEMA International Institute of Economics of World Socialist System; first paragraph is *EKONOMICHESKIYE NAUKI* introduction]

[Text] Letters to the editor and the results of conferences with our readers indicate that they are dissatisfied with the journal's coverage of the processes of perestroika in socialist countries in the sphere of their economic cooperation. In this connection, we asked Ninel Vladimirovna Bautina, doctor of economic sciences and department head at the CEMA International Institute of the Economics of the World Socialist System, to comment on several related topics.

[Interviewer] Our readers have a keen interest in the economic reforms in CEMA countries and ask questions

about the distinctive features of the perestroika of economic mechanisms in different socialist states. What would you say about this if you had to choose the most salient features?

[Bautina] In any case, I would begin by saying that the present period is a time of the qualitative renewal of socialism, a creative search for new models of socialist economic management, economic cooperation, and participation in world economic relations. And after all, no radical perestroika would be possible without certain difficulties. They are reflected, for example, in the attempts of some socialist countries (including Hungary) to participate more energetically in world economic relations by intensifying exports although their technology has undergone few changes and their access to new equipment and resources is limited. This leads unavoidably to "export overheating"—i.e., the effort to export products regardless of the cost, to sell on virtually any terms—as long as the receipts are in foreign currency. Another tendency is also apparent: the emphasis on the export of competitive goods to Western markets rather than the CEMA markets.

Negative developments and processes in economic cooperation itself became apparent in the last decade, and the factors impeding it grew stronger. This is probably the main reason for our difficulties. The atmosphere in this sphere turned out to be much more conservative than in the national economies. Economic mechanisms within the countries changed, but there was almost no change in the CEMA framework. Significant differences arose and made advancement difficult.

Of course, this was connected to a considerable extent with the situation in our country. The USSR occupies a special place in this cooperation, and the stagnant processes in its economy provoked similar developments outside the country. The directive system of planning and the chronic shortages in the distribution network, including the "rationing" of the means of production, affected the entire system of economic cooperation.

These complicated circumstances proved that much still has to be accomplished and that any expectation of an easy and guaranteed victory would be unrealistic.

Now I will address your question directly. People usually say that economic reforms have been instituted in all of the socialist countries. This is a broad assumption. Economic reforms have been instituted in Bulgaria, Hungary, Poland, and the Soviet Union. Besides this, when we discuss reforms in socialist countries, we must not forget China, which is not part of CEMA but is a great socialist nation. The importance of its experience would be difficult to overestimate.

The reforms differ in duration, intensity, and scale. The reform of the longest duration is the reform of the economic mechanism in Hungary, where this process began in 1968. Czechoslovakia is now taking steps toward economic reform.

In my opinion, there is a need for qualitative changes in the economic system in every socialist country. The potential of extensive factors and of earlier methods of management has been exhausted. The need to make the transition to the intensive type of reproduction will unavoidably entail the mastery of new forms of economic management. This is the first thing we must remember when we speak of the current economic reforms in the socialist countries. The second is their diversity and their distinctive features. This requires more thorough discussion.

We have always been justified in stressing our community when we define the nature of the socialist system, but experience has shown us that it is equally important to realize that each country is unique. What makes it unique? In addition to its economic structure, its place in the community of socialist countries and in the world economy, the state of its relations with neighboring countries, its production and management traditions, and its national distinctions, there is the sociopsychological behavior of its people, and this cannot be overlooked. If, for example, we look at the European socialist countries from this standpoint, we will see that initiative and diligence are highly appreciated there. On the other hand, if we examine them from the standpoint of interpersonal relationships, we see the traditions of production discipline and order. The GDR is particularly famous for these. The economic significance of these "super-structural" factors is obvious.

And could we overlook the old traditions of various earlier sociopolitical institutions in the European socialist countries? In some cases they date back to the period of resistance, the struggle against fascism. They include, for instance, the patriotic popular fronts. Some countries have a multi-party system. The communist or workers' party plays the leading role, but other parties are also involved in making governmental and statewide decisions. We have a snobbish habit of avoiding the serious analysis of the experience of the multi-party system and the activities of various social organizations in the socialist countries, and this frequently leads to an arrogant lack of awareness. For a long time, for example, local councils in Hungary, the GDR, and the CSSR have been responsible for securing normal living conditions (the construction of housing and roads, regional amelioration, consumer services, etc.) in their territory. The enterprises within their territory are also under their jurisdiction in many respects.

The tradition of establishing creative organizations in the economic, scientific, and cultural spheres also warrants discussion. For a long time, for example, the Hungarian Economists Association has been conducting nationwide economic debates. This is not simply a club where people "gather to talk and then go home and forget." The association is a real social force. Poland's distinctive social structure is another example. The second phase of the economic reform was actively discussed by all social organizations, including the clubs of the Catholic intelligentsia.

Here is another important point. All of the reforms began with a decision to solve problems in the agrarian sector of the economy. It was precisely in agriculture that new cooperative forms of work, the family contract, leasing, and different types of individual labor were first employed for the purpose of enhancing effectiveness and providing workers with stronger incentives. Furthermore, in all of these countries these forms were regarded as something auxiliary or ancillary in relation to the basic socialist forms of production. The interaction of large-scale collectivized production with the family contract and individual activity represented different varieties of integration. Experience has shown that the success of the reform cannot be measured by the number of new forms employed, but by the degree to which they promote the augmentation of material and technical resources, mobilize incentive, reveal reserves, and put them to work.

[Interviewer] You have already begun discussing what might be called a crucial point in CEMA's development. Negative processes have been growing stronger for several years. What are the specific signs of this?

[Bautina] For decades, economic documents and scientific publications focused on the successes of the cooperation of CEMA countries. Nothing was said about the acute conflicts and problems that grew more intense and sometimes turned into "insurmountable barriers." Dissatisfaction with the results is being expressed openly today, against the background of current changes. Problems in cooperation, for example, were the subject of a frank and discerning discussion at the 44th session of CEMA. They are now a matter of central concern to politicians, economic managers, and scientists. The expression of different opinions and the suggestion of different "recipes" are natural, but it is important not to lose sight of the goal of the debates—a constructive search for a solution. The ascertainment of the facts is necessary, of course, but it is clearly not enough.

The turning point in the evolution of the economic systems of most CEMA countries was dictated by their internal socioeconomic difficulties. These included the shortages in the economy, the imbalances in its structure, inflationary processes, and the increasing indebtedness to the West. The situation in the system of cooperation is no better: Some of the problems here are the negligible percentage of high-technology products in trade, the inefficient structure of this trade, the inadequate market, and the absence of normal economic conditions for the development of relations on the level of enterprises and associations.

Besides this, there is a far more serious problem: The community of CEMA countries has essentially been left out of the progressive worldwide processes in science, technology, and production. What should we do? Should we announce the dissolution of CEMA, run around in a panic, and wait to see what "God has ordained," or wait for something even less realistic—"help from the West"? Opinions might differ, but we must hang on to our

common sense. After all, the achievements of the socialist community have been indisputable, for instance, in establishing industrial national economic complexes in the previously backward countries of southeastern Europe, the "rural Europe" of the past. Of course, it is impossible to live on a "steady diet" of achievements alone. And the main thing is that the stagnant economic mechanism which minimized the potential of cooperation must not be retained indefinitely. Above all, we have to look into the unutilized possibilities for the effective coordination of economic, investment, scientific, and technical policies and the unutilized potential of a common line of behavior in the markets of third countries and the coordination of foreign economic activity as a whole.

[Interviewer] What are the main features of the existing mechanism of economic cooperation, and why is it ineffective?

[Bautina] On the level of theory, we have known for a long time that the mechanism of economic cooperation is a derivative of national economic mechanisms. Therefore, the basic parameters of the current mechanism, which took shape 30 years ago, correspond to the centralized system of directive distribution in the countries. In essence, they represent centralized methods of establishing mutual economic ties. In other words, the mechanism of economic cooperation was established essentially to work on the macroeconomic level.

The specific instruments of economic cooperation, however, were not dependent on national systems, and even these had an essentially autonomous framework of foreign economic ties. It was decided, for example, at the 9th CEMA Session in 1957 that contract prices in trade between CEMA countries would be based on average prices in world commodity markets in the past 5 years. This pricing system, however, was not employed in any of the socialist countries. Each of them set prices independently. The result was that an economic instrument as effective as prices actually "worked" only in the autonomous framework, and the price disparities became obvious to everyone within 5 or 6 years. When specialized and cooperative production within the CEMA framework was given serious consideration, these disparities turned out to be a factor which, to put it mildly, did not contribute to the convergence of economic interests.

At the beginning of the 1960's economists in the socialist countries began to conduct pricing studies in the CEMA Economic Commission. The work was highly productive. They found, for example, one method of comparing production costs with the aid of the "clear overhead" indicator. These discoveries were never put to use, however, because of the faulty point of departure in which the organization had its own price base but lacked its own common (collective) market and production network.

Another area of study entailed a search for ways of improving the procedures for the calculation of contract prices based on world market prices. Because contract prices were based on the average world market prices in the preceding 5 years, this meant that they were frozen from the start. A contributing factor was the idea of "purging world market prices of the harmful effects of speculation and changing market conditions." This "purging" was accomplished by the choice of a commercial market and by other extra-economic methods. All of this eventually turned contract prices into the non-existent prices of a non-existent market. The completely democratic principle of common prices for goods traded by the countries actually led to different prices (at least in connection with the element of transportation).

We should also take a look at the equally strong economic instrument of the currency exchange rate and currency coefficients. They were set in a bilateral manner, and this is why each pair of countries had its own exchange rate. In other words, there were an entire multitude of incomparable rates. The rates were based on the gold standard, although the real purchasing power of money within the country diverged from this standard. At that time the means of production were not included in national economic turnover. For this reason, purchasing power had to be calculated on at least two levels: consumer goods and means of production. This practice led to a situation in which so-called tourist rates of exchange (for non-commercial payments), based on the purchasing power of money for a specific list of consumer goods, were set in addition to official rates of exchange. This increased the number of currency coefficients even more. In view of the different levels of production costs for the same products in different countries, the different levels of wholesale prices of the means of production, and their different correlations, in our country, for example, we had to institute numerous currency coefficients in the exchange of goods for production purposes.

This system is incredibly complex and has a multitude of diverging and incomparable parameters. Besides this, it took shape independently of the purchasing power of money and was not linked with prices in the countries of the economic community.

Credit is another instrument. The very name of CEMA reflects the principle of mutual assistance, and this is obviously still quite important, but as the material, technical, and scientific potential suitable for the socialist system takes shape, the mutual benefits of relations and economic transactions acquire increasing significance. It was not until 1964 and 1971 respectively that the International Bank for Economic Cooperation (IBEC) and the International Investment Bank (IIB) were established.

The IBEC was established to resolve some conflicts in bilateral payment relations. There was an understandable need to choose a single monetary standard. It was the monetary unit linked with the parity of the Soviet

ruble—the convertible ruble. The latter was supposed to offer a solution to existing conflicts and lay the basis for multilateral clearing operations—i.e., currency-free commercial settlements. It did not serve these purposes, however, and is still performing the functions of a unit of payment.

I must repeat that in our economic cooperation we reproduced all of the shortcomings of the directive system of planned distribution with misguided persistence. The coordination of national economic plans did not affect such economic instruments as prices, currency, or credit and concerned only commodities or physical matter. The coordinated national economic plans served as the basis for 5-year trade agreements, but the problem of prices was ignored in these as well, and was only addressed when the annual trade protocol was signed. We reproduced all of the absurd features of planning within the countries in the CEMA framework as a whole. Plans are effective only when they stipulate the economic conditions for their accomplishment. We seem to have forgotten this elementary rule. The coordination of plans, just as planning itself, became a matter of authoritarian directives.

In this situation, it was clearly ridiculous to anticipate the mutual satisfaction of interests. I could cite many examples of how decisions connected with the coordination of national economic plans led to economic errors. This is one of the weak points of our current procedure of coordination.

Another is our solely verbal acknowledgement of specialization and cooperation as basic elements in the coordination of national economic plans. After all, if these are the basic elements, then coordination should concern not only the movement of goods from one country to another but also the main thing—scientific and technical cooperation. In fact, however, everything is separate: projects in scientific and technical cooperation, the work on production specialization and cooperation agreements, and the fulfillment of mutual trade agreements. This separation of the elements of the mechanism of economic cooperation is not conducive to integration.

The movement toward the integrity of economic mechanisms during the course of radical reforms is compounding their conflicts with the mechanism of economic cooperation by the CEMA countries. A decision was made in 1987 at the 43d (special) CEMA session to secure the transition to economic cooperation of higher quality by reorganizing its mechanism. The first step in this direction was supposed to be the removal of obstacles to economic interaction primarily on the enterprise level. The problem, however, was that partners were suspicious of promises and assurances and of joint programs, and cooperation is naturally possible only on the basis of complete trust and mutual respect. The restructuring of economic cooperation will depend largely on this aspect of relations. For this reason, although we must not be too slow, excessive haste could also lead to errors and have negative consequences.

[Interviewer] What will the restructuring of the economic mechanism of interaction by the socialist countries entail in the future, and what do you see as the main features of its new quality?

[Bautina] On the most general level, the plan is the following. First of all, it will be important to secure the coordination of the mechanism of economic cooperation with the main parameters of national economic mechanisms. Second, it will be necessary to gear the mechanism of economic cooperation and all of its elements to the stabilization of the economies in the countries of the community, the support of national markets and, what is most important, the concentration of efforts in the sphere of science and technology. Third, the days when one country could tell another what to do in its economy are over. The complex socioeconomic problems of the present time can be solved only through economic cooperation, as well as participation in worldwide division of labor and partnerships with Western firms (and certainly with a view to the potential of socialist countries not belonging to CEMA—China, for example). A fourth stage will entail the coordination of all of the components of the mechanism of economic cooperation itself. This will also require an entire group of serious economic investigations, but there is already some indication of the knots which will have to be untied in order to determine the parameters of other components and unite them.

Above all, currency relations and rates of exchange represent one such knot. The USSR has signed intergovernmental agreements on the partial convertibility of national currencies with Bulgaria, Mongolia, Poland, and the CSSR. A similar agreement was concluded by Bulgaria and the CSSR. This limited convertibility is designed to serve direct contacts between partner enterprises in these countries. Measures are being taken to develop the monetary functions of the collective currency (the convertible ruble). One example was the first wholesale trade fair in Moscow in 1988, in which partners from CEMA countries participated. There is no question that this was an important event, but we will be unable to untie the knot of currency problems if undertakings of this kind continue to be nothing more than isolated ceremonial occasions. We must augment our resources and give foreign partners access to the wholesale trade in the means of production on a mutual basis. Only this can secure the convertibility of currency (national and collective), and this is of vital importance in the development of direct contacts and direct cooperation on the level of enterprises, associations, and cooperatives.

Our intentions in the development of direct contacts and direct scientific and technical cooperation consist in giving socialist integration a "second wind." Finally, we must extend the integration process to the production of goods and services—i.e., we must set it upright. This will require the development of a specific strategy, a precise

understanding of the ways in which world experience can be used creatively, and the attainment of our own specific objectives.

The restructuring of the mechanism of economic cooperation will be an extremely complicated matter and will have a direct effect on the national interests of the countries of the community and require care and caution. This lengthy and contradictory process is expected to last until the year 2000. During this process, an economic environment will take shape, and conditions will be established for the unimpeded movement of goods, services, and production factors between countries.

We could hardly predict our advancement toward the qualitatively new model of cooperation and its mechanism as a march to the accompaniment of the bravura sounds of a spiritual orchestra. We should consider, for instance, the recent case in which customs barriers in tourism were essentially made more stringent. There is no question that this administrative measure could have a temporary impact, but it certainly does not represent a fundamental solution to such problems as the inadequacy of national markets and the unrealistic currency exchange rates for non-commercial (tourist) payments. Besides this, this incident attests to the complex and contradictory nature of our mutual relations. We must not, however, allow certain problems to turn into a vicious cycle and must conduct a persistent search for constructive solutions. Hesitation, preoccupation, and "cure-alls" are the enemies of progress. Here is one example. Cooperation on the level of "primary links" is now carried out in two forms: the international association and the joint venture. Countries have normative documents to regulate their activity, but the reality of cooperation is much richer, and it cannot be confined to these forms alone, especially since these are forms of bilateral cooperation. The main stage in the establishment of these and other new forms consists in the correct choice of a project, its intelligent economic substantiation, and the disclosure of its expediency and mutual advantages with a view to the guarantee of conditions for innovation. Direct contacts on a bilateral basis should be regarded as a step toward multilateral cooperation, not excluding the possibility of participation by Western firms. We must broaden our view instead of confining it automatically within the narrow limits of a "dual system."

Here is another example. Cooperation is being carried out on many levels, but it is a fact that Bulgaria and Hungary have a two-level system of management and the USSR and Poland have a three-level system (including ministries). Tendencies in the development of the administrative system should probably consist in substantial changes in the functions of this "middle" level, if not its elimination. In my opinion, in economic cooperation it is important to realize that there is the fundamental level of interaction by the immediate producers and the level of contacts between governments or between states. It would be unreasonable to expect

cooperation on the level of enterprises and associations as such to determine the strategic goals of interaction and secure the breakthrough to the advance frontiers of contemporary scientific and technical progress. The constructive approach to the restructuring of the mechanism of economic cooperation consists in ensuring that it will serve on both the macrolevel and the microlevel effectively. The coordination of national economic plans should be carried out on many levels—in other words, the enterprise should be involved in all stages of this process. No one objects to this in principle. Everyone is in favor of it, but how can the idea become a reality? After all, each country has its own problems in balancing the national economy, in payment and foreign trade relations, etc.

I will give you my point of view. During the coordination of plans, the general cost volumes (or quotas) can be determined for the coordination of enterprise operations. This could be just a temporary measure. It would be more effective than setting quotas for groups of commodities, although it would probably not be enough in itself. While the enterprises are accumulating experience in foreign economic contacts, however, this approach would be possible. The determination of the volumes of non-contingency exchanges also seems possible, but this way of solving the problem of enterprise participation in the coordination of plans will not, in my opinion, make any fundamental changes in the old approach to the model of cooperation.

A constructive and genuinely new approach would seem to be connected with international state orders. This would naturally necessitate the observance of several conditions: State orders would be distributed on a competitive basis, and partners from CEMA countries would be allowed to compete; the coordination of plans would be conducted as the coordination of the projects included in the state orders. This approach would untie several tight knots. First of all, it would take cooperation out of the "periphery" of the economy. The residual principle which has found a home in this sphere would become extinct. The real integration of economic processes in interested countries would be secured. Second, the inclusion of competitive technology and products in state orders, reflecting the objectives of the comprehensive program of scientific and technical progress, would lead to structurally intersupplementary advances in the economies of the CEMA countries. Third, this would be a constructive solution to the problem of participation by enterprises and associations in economic cooperation and also, and above all, in the strategic fields of this cooperation. Fourth, the awarding of state contracts on the basis of competition with foreign partners would obligate central agencies to determine the goals and objectives of the state contract and would require the establishment of market conditions (prices, currency, credit, and taxes) for their attainment. Of course, the internationalization of state orders will be possible only on the condition of mutual free access to national wholesale trade (or the market) and the consequent gradual formation of a unified socialist market.

We cannot expect the efforts to restructure the coordination of plans to succeed unless we can secure the convertibility of currencies and the comparability of national pricing systems and price levels. Therefore, the restructuring of the mechanism of economic cooperation will affect a broad range of interrelations. Of course, this is only a rough estimate of the work which will have to be done in the near future to renew the mechanism of economic cooperation.

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### Lessons of Asian Experience with Small Private Businesses

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[Article by V.N. Ulyakhin under the rubric "Small Business and Economic Development": "Contract Business in the Countries of Asia"]

[Text] *Operational economic practice of the developing countries in the 1980s testifies to the fact that the creation of small enterprises in industry and the spheres of services and trade aids in the solution of the most difficult socio-economic problems. Small business, not requiring major investments for its development, is making a growing contribution to national production, relieving the cities of mass unemployment and improving popular welfare. The reliance on large-scale production with the simultaneous restraint and systematic destruction of small business in some states in the Orient in the recent past, on the other hand, has led to no few misfortunes, both economic and socio-political. The experience in the development of small business that has been accumulated by Asian countries and its inclusion in the national-economic system and mechanism of foreign-economic ties is of definite interest to the USSR as well, insofar as it demonstrates possible ways of developing industrial cooperation, individual labor activity and state regulation of the "little economy."*

#### I.

The development of capitalism "from below," as a rule via the irregular growth of the institution of small-scale capitalism representing hundreds of thousands of small mechanized and highly specialized shops and small firms, increased at an unprecedented pace in the countries of Asia in the 1980s in conjunction with the strengthening positions of large-scale business.

In the majority of the Asian countries, including those that have advanced far along the path of industrial progress, the predominant type of enterprise is small or very small establishments at which are produced, however, a significant share of the output of national industry.

The number of enterprises that employ fewer than 20 people increased an average of 15-20 percent a year from

1985 through 1987 in the industrial exporting countries (Hong Kong, Singapore, South Korea, Malaysia and Thailand), while the number of firms with 100 or more hired employees grew by just 3-4 percent a year over the same period. As for the largest corporations and the affiliates of the MNCs [multinational corporations], their numbers have effectively not changed at all, and in some countries (Singapore, Taiwan, Thailand) even declined somewhat as a result of the outflow of direct foreign investment.

Roughly just a third of the employed population in the major countries of South and Southeast Asia (India, Indonesia, Pakistan)<sup>1</sup> are associated with developed corporate (private and state) production. Employment in the small-scale capitalist and trade sector has increased by almost 2-2.5 times there over the last 7-8 years, while the number of small-scale entrepreneurs has increased by 65-80 percent. More than half of the new small enterprises were moreover registered in the modern sphere of the urban economy, including general machine building (the production of parts and components), metalworking, electrical equipment and electronics, maintenance and repairs and the chemical, printing and other sectors.

Some 8/10 of all industrial facilities of a capitalist type fall to the share of enterprises with 10-20 workers in the medium-sized countries of the Orient (Egypt, Morocco, Turkey, Philippines, Sri Lanka), and their quantitative growth accelerated by roughly 1.5 times in the 1980s as compared to the 1970s. Establishments with 20 or fewer hired workers absorb an average of 2/3-3/4 of all those employed; this ratio can be interpolated to effectively all of the key sectors of the national economy.

Rough calculations based on average values make it possible to conclude that by the end of the 1980s, the proportionate share of small capitalist (medium and small) businesses in Asia comprised 60-70 percent in number of employees (including hired workers in production, trade and services), 25-35 percent in fixed capital and 45-55 percent in output sold (including consumer goods).

The trend toward intensive growth in small business is quite steady, since its socio-economic role is defined by such long-term factors as the availability of highly specialized capitalist production as stimulated by scientific and technical revolution, processes of urbanization and formation of progressive social segments and groups, the policies of the state affecting the relations of large capital with small under conditions of a re-orientation of the majority of the developing countries from the preferential expansion of capital-intensive sectors toward balanced and proportional development. (No small role therein, by the way, is relegated to reducing the inter- and intra-sector separation of large-scale modern production from small-scale mechanized and traditional types of production.)

The countries of the Orient, running up against the need for industrialization and the priority development of labor-conserving export-oriented sectors that justify themselves over the long run, have nonetheless been forced to seek out that variant that would envisage the unification of growing amounts of current and capitalized labor (at primarily low pay for the former) on a long-term plane, i.e. based on a combination of labor-intensive and capital-intensive types of production, and ultimately reckoned for the balanced growth of the small- and large-scale capitalist sectors.

The assurance of a more integrated intersector structure of the economy, an acceleration of the growth of export-oriented sectors, a weakening of the dependence of a number of types of production on imports, an expansion of the capacity of local markets, increases in employment and the like are assumed through stimulation of the technological interaction of corporate (private and state) and small-scale (especially modern, mechanized types of it) production.

Big business usually specializes in the output of capital-intensive products produced with the aid of capital goods with large unit capacities or a complete set of equipment. Machine shops manufacture small-series output or components of finished products for large-scale production (tooling, assemblies and tools among others), i.e. they are satellite suppliers of the large and medium enterprises. Technological chains and production patterns that are interconnected aggregates of large, medium and small producers, many of which perform intermediate operations, arise as a result. The structure of the output produced on the basis of the utilization of progressive forms of specialization (by part, assembly, module or something else) within the framework of a mechanized satellite sector is thus having more and more influence on the level of concentration of capital under these conditions.

The number of small establishments is thus growing as a result of diversification, i.e. effectively the same process of concentration of production and capital, but proceeding basically through a deepening division of labor between big and small business. Such a concentration is usually expressed in the countries of Asia in a strictly hierarchical system of subordination of small-scale capital to large-scale and, as a rule, encompasses not only production, but trade and credit as well. Various producers can, for example, group themselves around one major trade firm which acts as the financial and investment center for a trade and industrial association (Koch-Holding AS in Turkey, Ajamji in Pakistan or Sri Ram in India, among others).

A multitude of contractor intermediaries are usually operating on the basis of the broader interconnections between the large-scale and small-scale capitalist suppliers. They obtain raw materials and intermediate products from corporations and wholesale firms, issue them on their own responsibility to the small subcontractors, receive finished items from the latter and deliver them to

the major companies. Contract buyers frequently perform some finishing work or sorting and assembly of items so as to organize the wholesale marketing of the products of small subcontractors, which products frequently do not conform to industrial standards. The raw materials and intermediate and finished products often pass through several wholesale and retail channels (regional, local, primary, secondary etc.), as well as through the hands of a multitude of intermediaries, each of whom performs his own function, in the course of contract fulfillment.

The role of organizer of satellite production taken on by the contract intermediary, as a rule, differs depending on the nature of the small-scale capitalist business and the sales market. The first step of the contractor-agent is usually gathering batches of items. Assembling a batch sometimes means just buying many items, although sometimes this requires selecting a certain mix, sorting, technical assembly in the strict sense of the word or finish work for the purpose of ensuring greater homogeneity, imparting the best external and internal features on which the successful turnover of the goods in the market depends. A mass commodity is thereby created and its sales to major customers organized.

Contract assembly and finishing shops that arise chiefly due to a shortage of working capital among the smaller subcontractors and whose technical sophistication is often no higher than a cottage industry play a material role, frequently replacing traditional intermediate chains of three, five or more links.

The watershed between "independent" contract business in the narrow sense of the word (independent producers operating chiefly on orders from private or state customers) and a subcontractor system of large industry in the broad sense (associated producers and associations with specialized production functions) occurs intrinsically through various combinations of industrial, financial and intermediary-trade capital.

Small firms and establishments engaged in the manufacture of components for finished products (assemblies, tooling, spare parts) are usually part of major companies or monopolistic trade and industrial associations (South Korea, Singapore, Hong Kong). An ordinary territorial principle of organization for small-scale capital with a large degree of operational autonomy (India, Indonesia, Pakistan, Sri Lanka) is typical of intersector auxiliary types of production (repair, tools). A system of vertical production cooperation (corporation—its satellite affiliates) is operative, as a rule, in the former case, while in the latter case, horizontal contract and subcontract relations are developed among private, state, mixed or cooperative enterprises.

Small subcontractors in the food, textile, clothing, leather, footwear and woodworking industries and other traditional sectors are as a rule most solidly affiliated

with certain wholesale customers, traders, contract intermediaries or companies. At the same time, a considerable percentage<sup>3</sup> of the owners of highly mechanized shops in promising sectors (general machine building, metalworking, electrical equipment, electronics, precision instrument building, optics, pharmaceuticals, printing etc.), acting as suppliers for some corporation, can simultaneously establish contract ties with other large, medium or small firms.

The expansion of contract ties of corporations with lower-level entrepreneurs, accompanied by a rise in the relative flexibility of the small-scale sector, imparts a certain specific nature to the process of capitalist development in the Orient which (as everywhere) is ultimately oriented toward the maximization of aggregate profits for big business. The traditionally cabalistic type of ties of higher- and lower-level businesses, however, here effectively give way almost everywhere to capitalist efficiencies, i.e. the objective business dependence and mutual vested interest of the one and the other, where it is difficult to say who depends on whom to a greater or lesser extent. The latter circumstance predetermines to a considerable extent the choice of the corresponding spheres and forms of collaboration and the competitive struggle of the upper and lower segments of the bourgeoisie.

A considerable number of the independent owners of small firms are ruined or survive "at the edge" overall in many of the sectors of subdivision II, especially "old" and "ailing" ones. The curve of their development over short intervals usually passes through several phases between extreme jolts depending on competitive market conditions, where incomes suddenly rise and where the chances of ruin increase just as unexpectedly. Very appreciable fluctuations in the magnitude of hiring and sharp ups and downs in labor productivity and profit levels can accordingly occur at various times. Just two out of five small-scale capitalist businessmen in South Asia are able to consolidate their activity and avoid bankruptcy over their first three years in the most complex production structure. An average of 60-65 percent of small capitalists "perish" over the first five years in Thailand, Singapore and the Philippines. Only 25-30 percent of the owners of small machine shops registered for the first time remain every 10-15 years in South Korea.

This happens because the essential raw materials become more expensive or disappear altogether, market demand diminishes, or a strong competitor appears against whom the small businessman is unable to fight, and his "business" withers away and dies. In the face of all these conditions, the result is all the more considerable, the more strongly objective causes are operative; the smaller the shop, the higher the probability of bankruptcy, as a rule. Cooperative ties, as a rule, favor stability and increase the viability of small enterprises, judging by the growing proportion of surviving satellite establishments. The ruin of a small independent firm frequently just predetermines the success of a satellite supplier, while

the elimination of some jobs as the result of the bankruptcy of failed businessmen is compensated for by the appearance of job openings at the new subcontractors. The number of newly fledged small capitalists is thus growing steadily from year to year and, most importantly, the periods of their activity are growing longer.

## II.

Subcontractor relations are to a certain extent forcing a new evaluation of the technical and economic capabilities and production potential of small-scale enterprises. If one portion of such enterprises is technically backward and unprofitable today, the flexibility and business activeness of another portion communicates an especial dynamism to socio-economic development, facilitates a rise in the competitiveness of national private enterprise and to a certain extent eases the business maneuvering of local large-scale and foreign capital in the form of the MNCs that are actively integrated into their small-business structure.

As economic practice of recent years shows, the development of lower-level capitalist structures in the Asian countries does not contradict the general laws of the concentration of capital. It on the contrary markedly facilitates the realization of the potential of large-scale capitalist production in the era of scientific and technical revolution.

Small enterprises are able to react more flexibly than large ones to changes in domestic demand both for consumer items and for industrial goods. Regional and local requirements can be satisfied in more timely fashion by small and highly mechanized shops, as well as establishments in the services and trade spheres.

Production in the large corporate sector can only be specialized (and that is one of the conditions for raising production efficiency) when priority (export-oriented, import-substitution, capital-intensive or scientifically sophisticated) sectors are delineated within it. The need for a broad assortment of consumer goods and industrial items essential to the growing city and to major industry is preserved at the same time. The specialization of large-scale production, which occurs very rapidly in the state sector, inevitably creates gaps in the selection of goods. The filling in of those gaps is one of the main economic functions of small business in the contemporary era.

Local large-scale production needs uninterrupted and sufficiently efficient and cheap auxiliary services, while many assemblies, components and details do not require high-precision machining and can be produced much more cheaply by subcontractor shops. Satellite relations make it possible for big business to reduce production costs, shifting some of them to the small-scale sector, to economize on variable costs, assimilate new products in short time periods, and to free up resources and concentrate them in the most important modern spheres, for

example in export production, NIOKR [scientific-research and experimental-design operations], marketing and the like.

Finally, small-scale production facilitates the more complete utilization of raw materials and semi-manufactures, whose utilization is not an organic part of the production process at large enterprises. The recycling of byproducts is frequently basic technology for the small supplier, and that circumstance takes on no small significance with the broad sweep of small capitalist business and limited raw-material resources. The development of the small-business sector also facilitates reductions in non-productive losses and transport expenses. Satisfying the requirements of the domestic market thereby occurs with lower total production expenditures.

The removal of a number of types of production to machine shops is also expedient for big business in cases where the expansion of fixed capital or new investments in equipment and accommodations proves to be unprofitable by virtue of the cyclicity or seasonality of contract operations. Small satellite enterprises, as a rule, do not require considerable expenditures for creating large infrastructure subdivisions, and especially large storage accommodations, special engineering service lines, cleaning structures and transport facilities. On the one hand, the small production volumes make it possible to accomplish the marketing of goods and the supply of raw materials to the extent of product readiness in flexible fashion, and on the other hand, the losses associated with the difficulty of managing the gigantic industrial complexes that arise, for example, in the newly industrialized nations increase with growth in the scope of capitalist production.

Taking this circumstance into account, small enterprises can be considered a unique proving ground for large corporations to work through basic process models borrowed from the West (Singapore, Taiwan, Hong Kong, South Korea). Therefore, under the conditions of scientific and technical revolution, where mass investments in the sphere of NIOKR are required (for the purpose of bringing Western technology to the state of being "assimilated," for example), while intrinsic resources are lacking, as a rule, large firms and trade and industrial groups are actively involving the small-scale sector for that purpose, organizing associations (agglomerates) of specialized small-scale establishments that are often essentially test and experimental shops performing industrial testing of experimental-test developments along with material and technical support.

The development of satellite ties is being noted today across the whole technological spectrum, from the output of ultramodern export goods (South Korea, Singapore, Taiwan) and items requiring prolonged design and technological development (India, Indonesia, Pakistan) to consumer items meeting the specific national and cultural features of the domestic market (Malaysia, Sri Lanka, Philippines).

A comparative analysis of the structure of small-scale production within the framework of the non-corporate (qualifying plus informal) sector from the point of view of the dedicated purpose of industrial production (produced independently and according to contracts) with its subdivision into consumer, intermediate (semi-manufactures) and investment goods is instructive in this regard (see table).<sup>4</sup>

**Structure of Output of Small Enterprises by Dedicated Purpose  
(a—subcontractor production; b—independent production) (%)\***

Group of countries	Production sectors	Consumer goods for short-term use	Semi-manufactures and components	Investment goods and durables
Industrial exporters (Hong Kong, Singapore, South Korea, Malaysia)	a	34-38	40-44	20-24
	b	74-78	16-20	4-8
Large countries (India, Indonesia, Pakistan)	a	38-42	29-33	27-31
	b	65-69	22-26	7-11
Medium countries (Egypt, Morocco, Turkey, Philippines, Sri Lanka)	a	49-53	31-35	14-18
	b	71-75	20-24	3-7

\*—Sectors for the production of consumer goods: food, tobacco, textile, footwear, printing and furniture among others. Sectors for the production of investment goods and durables: metallurgy, metalworking, machine building, electrical equipment and electronics. Average weighted indicators for 1980-1987 in current prices.

Calculated from: Small Industry Bulletin for Asia and the Pacific. N.Y., 1980-1988.

As can be seen from the table, the satellite sector in the upper and lower country groups surpasses independent small- and medium-scale business by 1.5-2.2 times in the share of production of intermediate goods. As for the production (and/or assembly) of investment goods and durables, the proportionate share of non-satellite business lags appreciably (3 times) behind the medium- and large-scale countries, and in the first country group the gap even increases to four-fold.

The delineation of the sector production of intrinsically capital goods—machinery and equipment—is of particular interest. This can be done by turning to the inter-sector balance sheets. Calculations show that capital goods comprise 65-70 percent of the output of machine building in the large corporate sector and 29-33 percent in satellite small-capital production, producing basically constituent items, tooling assemblies and parts, in the industrial-export countries. The corresponding average indicators for the two other country groups are 41-45 percent and 24-28 percent, and 48-52 percent and 18-22 percent.

If we compare the development of lower-level business in Asia in the 1970s and 1980s, it is easy to notice the following basic difference between the two decades: in the 1970s, under conditions of intensive urbanization, small "independent" establishments grew primarily and strikingly quickly in sectors satisfying the demands of the urban consumer market, first and foremost for consumer goods. It was, on the other hand, the satellite (integrated) small capital of those sectors that was chiefly associated with production demand of the large private-corporate industry and the state sector that developed the most in the 1980s.

A significant rise in the proportionate share of industrial output produced according to contracts in the small-business sector occurred against a background of unceasing growth in the output of consumer items for short- and long-term use (from 2/5 to 3/4 of the total volume of industrial output). The sectors of the light and food industries, oriented toward satisfying growing internal demand, continue to retain key significance in the production sphere of small business as a result. No few major new enterprises appeared in these sectors in the 1980s, including some delivering their products for export, but the small-capital sector, with which is affiliated an extensive mass of small cottage and semi-cottage establishments and shops, retains a decisive role nonetheless.

Lower expenditures for fixed capital and an economy of variable costs make it possible for many types of small production to become integrated into the technological processes of the large corporations comparatively easily. An appreciable rise in labor productivity occurs herein, which often cannot be achieved by the mass capital investment associated with an expansion of existing

production capacity or the creation of new capacity. According to expert estimates, for example, the time periods for the construction and assimilation of a highly mechanized shop in the countries of South and South-east Asia is 10-15 times less than the industry average, while the spending on construction and installation work comprises just 5-10 percent of the overall total investment in the small-scale sector, or a minimum of 5 times less than for large-scale industry.

If we take as a criterion of income the amount of nominal net output, then according to that indicator traditional small-scale production in Asia often lags behind small-scale satellite production to the same extent that the corporate sector outstrips the small-capitalist one. The nominal net output per employee usually increases along with the scale of the enterprises. This general law can be discerned most clearly in metal-working and the food, tobacco, paper and cellulose and chemical industries. In some types of production, however, this indicator, testifying to the level of labor productivity that has been reached, remains constant and even decreases with growth in the size of the establishment, which is typical, for example, for the furniture, footwear, textile, clothing, woodworking, leather, printing and even electrical-equipment and electronics industries. This testifies to the fact that small and very small enterprises can in many sectors compete effectively with larger ones, frequently ceding nothing to them in labor productivity. Selective research and calculations for a number of sectors such as food, footwear, textiles, clothing and furniture shows that if all losses suffered by the large companies are deducted from their aggregate incomes—which are, of course, incomparably greater than the income of small and medium enterprises—the average annual left over in many cases proves to be wholly comparable with the aggregate net income of the lower-level enterprises.

### III.

The effective functioning of large-scale production in the majority of the countries of Asia now depends to a decisive extent on the availability of a broad network of diversified small firms relieving it of unprofitable types of activity. The effectiveness of small-scale capital in turn is usually sought not in counterpoise to large-scale capital, but rather interconnected with it. The production capabilities of the owners of small dynamic enterprises and the level of their technical sophistication are markedly supplementing the production potential of large industry. This factor is acquiring decisive significance under the conditions of the competitive struggle that is growing stronger in the domestic and foreign markets.

It is not surprising that an increase of many times in the number of types of integrated satellite production, including whole subsectors and even sectors with definite specializations, has occurred in the countries of Asia over the last 15-20 years. The number of integrated sectors increased from 20 to 85 in the industry of South

Korea from 1970 through 1987, for example, while the subsectors within those complexes went from 42 to 193. Integrated specialization grew by roughly 3.3 times in India and by 285 percent in Pakistan over that period.

The process of formation of satellite associations, as shown by the experience of the most dynamic countries of the Orient, usually passes through three stages with a combination of the innovative factors characteristic of each of them.

In the first stage (the 1960s-1970s), when highly technological output is not yet mass output, depends materially on external production ties and is concentrated in the most developed countries, the first attempts are undertaken to reduce expenses via rational efficiencies in the production process and its transfer to small subcontractor enterprises with lower manpower costs.

This concerns first and foremost the output of specialized products for intersector purposes (tooling, spare parts, tools) essential for the satisfaction of the production needs of corporate business. Its limited volumes in the majority of the countries of Asia in the 1960s and 1970s corresponded roughly to the capacity of the existing small enterprises that were able, in a very short time and with the least expenditures, to reconfigure their production for the new output as compared to large enterprises. The placement of orders (private and state) at specialized small firms proved to be more efficient in the majority of cases than organizing its output by medium-sized or large companies, usually associated with the creation of temporary types of production outside its field for the latter.

The formation of production agglomerations based on intra-corporate or intra-firm division of labor (technological specialization) can in a number of instances even not be accompanied by a fundamental break in the traditional production ties that have taken shape in small business. Research conducted in the Philippines, Thailand and Malaysia, for example, has shown that in the majority of industrial sectors only about a fourth of the production associations had the optimal size (500-700 suppliers), while growth in the majority of corporations was accompanied by the inclusion of an inordinately large amount of small establishments (up to 3,000-5,000) in their composition, often with extremely low productivity and ordinary equipment.

The growing design and technological universality of products from the satellite sector leads to the fact that in the second stage (end of the 1970s and first half of the 1980s), qualitatively new satellite groups based on the association of highly mechanized small suppliers affiliated with various types of production arise. Such subcontractors, retaining their production and technological distinctions, take part in a unified reproduction process with the medium and large customer enterprises.

The production of contemporary textile and transport equipment by the South Korean conglomerates of Teu and Hyundai and the Indian groups of Singhanian and

Telco (a machine-building affiliate of Tata) can serve as an example of this sort of integration. Whereas in the 1970s it was just 1/5-1/4 comprised of analogous or identical parts (chiefly bearings and gears) supplied by narrowly specialized small subcontractors, by the middle of the 1980s the share of multi-functional integrated suppliers for new products had grown to 3/5-3/4.

The multi-functional satellite conglomerate developed most dynamically in the production of parts and assemblies intended for sectors in subdivision II. Their share of the sector output of such countries as India, Pakistan, South Korea and Taiwan increased from an average of 15-20 percent in 1977-79 to 35-40 percent in 1983-85. The parts and assemblies produced by the small subcontractors therein were gradually transformed into basic design elements for new types of machinery and equipment. Practically all standard sizes of parts, tooling and assemblies produced by small South Korean and Indian firms in the 1970s were thus strictly tied to specific items. But the broad diversification of equipment that they were used in led to the fact that by the middle of the 1980s the products had been transformed into a whole subsector with an extensive commodity nomenclature. The technological commonality of the constituent items produced by subcontractors is thus becoming a self-sufficing factor in the selection of structural elements for new equipment as a result.

The development of a dual sort of interconnection between large and small capital is observed: horizontally based on the technological division of labor, basically within the bounds of contemporary import-substitution sectors, and vertically among sectors and types of production, integrated chiefly in the output of certain types of export products (functional specialization). The greater the significance assigned to the consumer features of goods in the import-substitution sphere, the broader the scope of the technological division of labor (India, Pakistan, Indonesia, Philippines). The more frequent and persistent the demands of the market manifest themselves in export-oriented sectors, the more apparent the development of functional specialization (South Korea, Singapore, Taiwan).

A regrouping of productive forces associated both with the fragmentation of new satellite agglomerations and with the sector integration of subcontractors encompassing all phases of the reproductive-technological cycle, including research, development, experimental production, series output, operation and maintenance, thus occurs in a multi-institutional economy under the influence of scientific and technical revolution.

In the third stage (the second half of the 1980s), a fundamentally new direction of the development of contract business in Asia arises facilitating a rise in the degree of balance of capitalist structures—the creation of specialized small-scale types of production for the manufacture of high-quality products, chiefly small series, with the aim of developing export sectors, accelerating the processing of raw materials and the manufacture of

semi-manufactures, the elimination of the cumbersome "subsistence economy" at large enterprises and the like. The structural concentration of large-scale production begins to be accompanied by a certain decentralization within the bounds of the new sectors associated with the farming out of assembly operations at the enterprises of suppliers. The standard assortment of output produced by the modern sectors expands at the same time.

Broad cooperative ties, for example, are arranged between small firms that are part of the South Korean corporations of Samson, Sanyen and Goldstar (11,000-13,000 subcontractors), the Hong Kong conglomerates of Sprague Electric and Fiklo (7,000-8,000) and the Taiwanese companies of Tatung and Sempo (5,000-6,000). From  $\frac{2}{3}$  to  $\frac{4}{5}$  of the volume of assembly operations in 16-32 bit computers, video recorders, radio cassette tape recorders and video-disk players, as well as almost half of those in video and magnetic tape, are accomplished thanks to functional specialization within the satellite sector. The East Asian companies are augmenting the deliveries of computers and video equipment to local markets at a record pace (annual sales increases of 40-55 percent) thanks to the low cost of the supplier-assemblers.<sup>5</sup>

The development of new industrial spheres through a certain intersector and sector decentralization leads to a further deepening of the specialization of the large and small enterprises, in the same way as growth in small business occurs against a background of the strengthening positions of the large companies and is in essence a component of that process.

A rise in the rates of industrialization and the rapid renewal of the assortment of goods of large corporations, the deepening specialization of factory production and its association with the latest types of scientific and technical revolution are objectively causing qualitative as well as quantitative growth in small suppliers in the countries of Asia. More and more capital-intensive and complex types of production are being shifted to the small-scale sector to the extent that scientific and technical revolution makes enhanced demands for the acceleration of capitalization and timely technical retooling. The small subcontractor is forced to adapt to various, sometimes unforeseeable, production and competitive factors, and for that it is necessary to increase spending on capitalized labor as well as current labor. It is becoming more and more difficult, and in some sectors effectively impossible, to economize production funds and optimize production just through cheap non-factory labor. The sway of capitalized labor over current is becoming the chief factor of technological progress for the satellite suppliers along with the transition to the reproduction of fixed capital on a national basis.

The removal of assembly operations to the satellite sector is being accompanied more and more by the displacement of labor-consuming intermediate technology, the incorporation of multi-operational equipment and the combination of a multitude of functions

(machining, set-up, inspection, assembly etc.) by the small-scale capitalist owner (or his hired workers) within the framework of a single field. The new small-scale producers are quickly transformed (naturally not all of them, but a significant portion) into quite modern small specialized enterprises with a complete production cycle requiring skilled manpower, a widespread system of cooperative ties and even access to world markets.

The modernization of the technical base of small business, on the one hand, expands the spectrum of production operations that are already within the capabilities of the lower-level businessman and which were earlier monopolized by large industry. On the other hand, broad contract ties ease the renewal of the products put out by private and state corporations and appreciably facilitate the augmentation of production volumes. Thus, the more economically developed the country and the deeper the social division of labor, the more quickly, as a rule, contract relations develop and the more powerfully the interdependence of large and small capital and the upper- and lower-level business groups is manifested.

\* \* \*

A universal process is thus typical of various countries and regions of the Orient: a concentration and centralization of capital and a strengthening of the economic and financial might of corporate business are occurring against a background of quantitative growth and acceleration of the capitalization of small business. A trend toward a synthesis of various institutions of entrepreneurial forms into a unified functional whole is becoming more and more distinct in the social organization of multi-institutional production, which makes it possible to compensate to a considerable extent for the cyclical dynamics of the business volumes and proportions typical of the incorporation of new technologies in the period of the "third wave" of scientific and technical revolution. This is evidently just the initial stage of the development of a universal tendency toward a unified functional division of labor where all operational economic structures (both large- and small-scale) are modified in a more or less common direction.

The phenomenon of the "diffuse industrialization" of the East Asian countries (South Korea, Taiwan, Hong Kong, Singapore) is especially typical on this plane, where the first wave of technological-innovation acceptance and the second wave of industrialization began in the 1970s with the rapid growth of small satellite enterprises, first in the traditional export sectors—textile, clothing, leather and footwear, woodworking, furniture, metalworking—and then in export machine building and electronics.

A distinguishing feature of "diffuse industrialization" is the maximum possible utilization, stimulated by the state, of existing structural interconnections of small and large industry, where the function of external influence on innovative processes is to a great extent shared between the arsenal of state regulation—accomplished

first and foremost through the monitoring of the principal macro-parameters (accumulation, consumption, redistribution of national income and the like)—and the relatively free domestic market in the form of a decentralized system of coordination of economic activity, regulating millions of subjective production decisions by business agents through the complex mechanism of the juxtaposition of costs and benefits.

The economic structure in the regions of "diffuse industrialization" by the end of the 1980s, thanks to this policy, proved to be much more diversified than in all other states of Asia, which along with the predominance of small and medium business was a material precondition for a sharp activation of economic growth of the newly industrialized countries.

The intersector integration encouraged by the state on the basis of the interaction of major companies and systems of specialized small-scale enterprises flexibly cohesive among each other provides a new organizational model of the enterprise. The most diverse combinations of industrial production and services and trade, financial and industrial capital occur on the scale of such an agglomeration, including goods turnover and NIOKR, as well as the selection of those processes and phases that bring the maximum impact in each given case. An enterprise of this type supplements the vertically integrated and specialized private company or state corporation, and even comes to replace them to a certain extent.

The availability of a large number of diverse-scale business entities at various levels of organizational forms and relations of ownership facilitates greater flexibility and freedom of movement of business parameters with the simultaneous intensification of interaction among sectors along with decreases in the gaps in domestic economic ties, and especially reductions in the lag of the formation of the market structure behind the production

structure. Under these conditions much depends on the choice by the state of this or that version for regulation, monitoring and encouraging or, on the contrary, restraining the separate subdivisions of small business. A discussion of this will follow in a later issue.

#### Footnotes

1. The grouping is given in accordance with the typology proposed by V.L. Sheynis and A.Ya. Elyanov (see: "Razvivayushchiesya strany: protivorechiya ekonomicheskogo rosta" [The Developing Countries: Contradictions of Economic Growth]. Moscow, 1986, pp 56-76.

2. Calculated according to: Small Industry Bulletin for Asia and the Pacific. N.Y., 1984-1988.

3. From 20-25 percent in the large nations of Asia to 35-40 percent in the newly industrialized countries.

4. True, existing industrial statistics and selective research over 1980-1987 make the execution of such a division extremely approximate insofar as, first of all, no opportunities are given for separating the investment goods produced by subcontractors from consumer durables; and, second, a considerable portion of the value of the output of small-scale production is not taken into account at all (such is the informal sphere) or is taken into account in the value of the products of other industrial branches or sectors of the economy. These data nonetheless visibly testify to the role of small business in the formation of multi-sector industrial complexes in Asia.

5. South Korean and Taiwanese 32-bit personal computers cost an average of 1.5 times less than Japanese, while video recorders cost barely half.

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### Stephen Cohen Interviewed on Current Research, Bukharin

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[Interview with Stephen Cohen, Princeton University professor, by LITERATURNAYA GAZETA correspondent Yelena Yakovich; date and place of interview not given]

[Text] We are continuing the publication of answers to the LITERATURNAYA GAZETA Questionnaire. In the two previous issues, the literary journalistic department gave the floor to USSR Supreme Soviet deputies whose names the first congress made famous throughout the union.

Today, we are printing our correspondent's conversation with Stephen Cohen, an historian, Sovietologist and Princeton University professor. As is known, the Progress Publishing House published his book "Bukharin. Politicheskaya Biografiya 1888-1938" [Bukharin. A Political Biography 1888-1938] last year. While working on a new book, Stephen Cohen spent several months in Moscow. His hotel room was literally filled with "thick" and "thin" journals and a pile of newspapers. What is an individual, who has been interested in our country for 30 years and who has made it the subject of his professional studies, reading today?

[Cohen] Generally speaking, I have a great deal of problems with your press today. I cannot subscribe to all of it and I must decide what is most important to me. Initially, I thought: I simply must have this newspaper or journal.... Then some changed rather drastically: this one became more interesting, that one faded.... I began to think: Oh, I made a mistake. I began to "rush about" for subscriptions.... This means that much in your periodicals is still changing, especially the newspapers. Today, I receive air mail subscriptions to LITERATURNAYA GAZETA, SOVETSKAYA KULTURA, PRAVDA, IZVESTIYA, SOVETSKAYA ROSSIYA, KOMSOMOLSKAYA PRAVDA, MOSKOVSKIYE NOVOSTI, NEDELYA, GOVORIT I POKAZYVAYET MOSKVA in New York and Princeton approximately a week after you publish them. Of the journals, only the annual subscription price of 100 dollars for KOMMUNIST and OGONEK is too expensive. However, this does not mean that I do not read others. I have an assistant. Every month she makes a Xerox copy in the library of the table of contents of all Moscow and Leningrad journals—NOVYY MIR, ZNAMYA, NASH SOVREMENNİK, MOLODAYA GWARDIYA, MOSKVA, NEVA, YUNOST, VOPROSY ISTORII, SOTSIOLOGICHESKIYE ISSLEDOVANIYA, and, for example, URAL, SEVER and others. I select what interests me and I get a Xerox copy of these articles. However, that is in America. Here, in Moscow, I read everything that I can get. In the hotel, there are now only the latest "entries"—the most diverse and, probably, fortuitous: GUDOK and VODNYI TRANSPORT.... The newspaper MOSKOVSKIY KOMSOMOLET has recently become very interesting but I can only read it in Moscow

and I asked Bukharin's grandson, Kolya Larin, to collect all issues. The situation is almost a "nightmarish" one. Important historical documents, articles and information are everywhere. In the past, in order to be a good Sovietologist, it was necessary to become a real detective. Everything was concealed, but today—it is rather open everywhere. The problem then was to find; today—to collect.

[Yakovich] Are you now interested only in articles or artistic literature also?

[Cohen] Now, under glasnost, I almost do not have time to read your literature. However, I have read quite a bit of it in the past. My work required it. Look: We published the book, "Pereosmyslivaya sovetskiy opyt" [Rethinking the Soviet Experience] in 1985; the Progress Publishing House plans on publishing it at the beginning of next year. There are many literary sources—novels, stories and poems—in the notes to the fourth chapter "The Stalinist Question After Stalin". Here are some random ones: "Lyudi, gody, zhizn" [People, Years, Life] by Erenburg and "Otblesk Kostra" [Reflections of a Bonfire] by Trifonov. Tvardovskiy, Korneychuk, Simonov, Akhmatova, Kopelev, Kaverin, and Panova are also here—one cannot name all of them.... Much political information and many political signs and currents were only in literature at the time. Generally speaking, this is an interesting question: What information could a Sovietologist pick up from Soviet literature? For example, I have thought for a long time that a multiparty situation existed in your country under the conditions of a one-party system. This is evident now under glasnost. However, I thought this 15 years ago because I carefully read your journals up to and including reviews and surveys. It was evident that NOVYY MIR expressed one view at the time and, let us assume, MOLODAYA GWARDIYA—another. Even after Tvardovskiy—although a little more faintly.

The main subject for me is your differences. Even at home, in America, there are many journals whose position I do not like. However, I read them. In general, I like to learn about positions that are opposed to my point of view. I read ZNAMYA, OGONEK, MOSKOVSKIYE NOVOSTI, and also NASH SOVREMENNİK and MOLODAYA GWARDIYA because as a Sovietologist I must understand the political currents which exist here. I will not talk about my personal likings although, I think, they are evident. These are your problems and I do not want to interfere in your political life.

[Yakovich] How do you think the role of literature in society is now changing?

[Cohen] This is not my specialty and therefore I will permit myself only to express an impression: The literary process is now in a transitional stage. At the very beginning of restructuring and glasnost, literature played a very important political role. Just as the theater: The most sensational and outspoken things—Shatrov's "The Dictatorship of Conscience" and "The Brest World,"

Buravskiy's "Speak....," and Misharin's "Silver Wedding"—appeared here. At the beginning of restructuring, the theater acted as a parliament. However, a genuine parliament is now appearing. Let us see if the Supreme Soviet can become one. A great deal depends on this. Of course, you have a long and great tradition of literature participating in public life. I doubt whether this will completely stop: The tradition is too strong. However, I know that the opinion exists that it is time for literature to become less political and more literary. This will occur only when you have a genuine political life, real pluralism in points of view, open discussions, and open differences. However, as soon as an attempt is made to cut off glasnost, even in comparison with today, literature will then be politicized almost automatically.

However, Yevgeniy Yevtushenko—he and I are old friends—thinks that I have an enormous shortcoming: I have a poor knowledge of Russian literature. I am confident that he is correct.

[Yakovich] What, you have not at all read that literature which we call "restored" today?

[Cohen] Of course, I have read it—probably before you—Grossman, Dombrovskiy, and "Doktor Zhivago"—a long time ago when they appeared in our country. When glasnost began, I read Rybakov, Dudintsev and Pristavkin with interest.... I will point out an interesting thing to you: I compiled this collection in 1982. It is called "Konets molchaniya" [The End of Silence]. Basically, it consists of "samizdat" material from the mid-Sixties to the beginning of the Eighties—Tvardovskiy's "Po pravu pamyati" [By Right of Memory], Berggolts, Akhmatova, Kaverin, Yelena Vladimirova whose "Kolyma" poems have become well known today, Chichibabin, Vosnesenskiy, Yevtushenko, Roy Medvedev, Len Karpinskiy, and, of course, Sakharov. Now, under glasnost, 80 percent of this book has been published here.

[Yakovich] Why did you title it "Konets molchaniya"?

[Cohen] For me, "samizdat" literature was a revolt against censorship. It meant that writers wanted to end the silence on history and Stalin: They wanted glasnost. If I had invented this word and foresaw what meaning it would soon acquire, I would have called the book "Glasnost".

[Yakovich] In the foreword to the Russian edition of "Bukharin....," you quote Slutskiy: "The old footsteps of 30 years of power, greatness, and misfortune." Yes, and in the book "Pereosmyslivaya sovetkiy opyt" this line was an epigraph to the chapter entitled "The Stalinist Question After Stalin." We have the following expression—"for the soul." Do you also read poetry "for your specialty" or "for your soul?"

[Cohen] I am guilty. I do not read poems for my soul. I would like, of course, to say that I am such a subtle and delicate individual but I am not.

[Yakovich] What other poets have become "sources of information" for you?

[Cohen] Well, there are many—Tvardovskiy, Yevtushenko, Vosnesenskiy, Chichibabin.... However, I must say that I have read much less poetry than prose. The chapter, "The Stalinist Question After Stalin", subsequently became a separate article—one of my favorite ones. It was written 10 years ago although the book was published just before Gorbachev; I wrote in it that the question of Stalin and Stalinism as a state policy would arise as a very urgent topic in the Soviet Union. How did I foresee this? Again, because I read your literature very carefully. This subject was implied in many novels even under Brezhnev. At the time, I was interested in the struggle between the "Stalinists" and the "anti-Stalinists." At the time, it was a hidden one—an "underground" one as we say. That is why I searched for novels not only by "anti-Stalinists" but also by "Stalinists" and "neo-Stalinists." For example, Anatoliy Ivanov's novel "Vechnyy zov" [Eternal Summons] became for me an important source in trying to understand Stalin from this point of view.

Nevertheless, if you talk about biases, then I like Yuriy Trifonov and his "Dom na naberezhnoy" [House on the Quay] and "Starik" [Old Man] very much. I think that Yevtushenko's "Stalin's Heirs" are historic poems—a manifesto of the generation. In my opinion, it is very important to re-read them today. They have not lost their topicality at all. Of course, I cannot judge about the quality of the poems. We often argue in America: Vosnesenskiy—is he a good and splendid poet or not? Brodskiy? I do not know. Once again! This is not my specialty. Okudzhava's "Francoise Villon"—this is "for the soul": "Give a little to everyone and do not forget about me." I recently discovered for myself the prose of Nikolay Shmelev whom I have known for a long time as an economist. I would especially single out his "Pashkov dom" [The House of Pashkov]. I am a rather gloomy individual; probably, that is why I like Dostoyevskiy. When I read "Prestupleniye i nakazaniye" [Crime and Punishment], I felt myself at home.

[Yakovich] Did Russian literature, which they call great, and our classic writers play a role in your turning toward Russia and the Soviet Union?

[Cohen] I would not say so. I grew up in a genuine "province" in the state of Kentucky. Keep in mind that this was many years ago. In general, we read little—basically American literature. Incidentally, I think that Scott Fitzgerald's "Velikiy Getsbi" [The Great Gatsby] is the greatest American novel although practically no one agrees with me—I first read it as a child but I continuously return to it .... Later, I studied in a very good university in the state of Indiana and we, of course, read Tolstoy, Dostoyevskiy, Gogol, and Chekhov in a world literature course. However, I cannot say that this had any special influence on me at the time. If you are interested, I will tell you what actually served to start my interest in Russia. I was a student in England in 1959.

Once, I was down to my last 300 dollars—exactly. I remember this precisely. I saw an advertisement: “For 300 dollars you can travel to the Soviet Union for a month!” Immediately, I impulsively purchased a ticket. I visited Moscow, Leningrad, Kiev, Rostov-na-Donu, and Stalingrad—as it was then called—with a group of English retirees. What happened? Although I was a silly American lad, I saw a country undergoing a great awakening. A total of six years had passed since Stalin’s death. It was three years after the 20th Congress but I did not understand this at the time. I noticed an enormous interest not only in myself but also in America. I saw people who had begun to think. After this, I returned to Indiana and began to study Soviet affairs. Thus, I am a child of the 20th Congress in two senses. The 22d Congress occurred in 1961 when I was a graduate student. In my opinion, it was a very important event because Khrushchev attacked Stalin publicly. This means that the effect of Khrushchev on American Sovietology was especially very great at that moment. The dogma that the Soviet system simply could not change because it was a Stalinist system and that substantial changes were impossible was current among the majority of American Sovietologists. This became the counter-theme of my book “Pereosmyslivaya sovetskiy opyt”—I always knew that there would be radical changes. I knew this long before restructuring because I had seen your awakening country with my own eyes.

[Yakovich] What is the range of readers of your “Bukharin....” in America? You see, this is an indicator of attention not only toward us but also toward our country....

[Cohen] My book about Bukharin was published in 1973. The first edition—hard cover, as we say—was 6,000 copies. This would seem not much. However, who wants to read a biography of Bukharin? He is not one of us; it is not our history. Moreover, America is a rather provincial country. We are not very interested in international affairs and foreign culture. The majority of Americans have not traveled abroad and do not know foreign languages. We are a comparatively provincial people. This is neither good nor bad. It is simply a fact. If you ask the average American to name even one writer who lives in the Soviet Union, 95 percent could not do it. Well, perhaps, Solzhenitsyn. However, he has a sensational history, and moreover, he lives in the state of Vermont. Well, Sakharov—but he is not a writer. However, should you ask that same individual about France, I also doubt that he would mention a French writer. Therefore, who is interested in Bukharin’s biography? Only a small layer of our intelligentsia. What does a “cultured individual” mean to you? Sometimes—that he is a decent individual; sometimes that he is an educated person; or both. I rarely hear the expression in America: “He is a cultured individual.” I am not even sure that an American intelligentsia exists. I use this word so that you will understand that we would sooner say “intellectuals.”

However, “Bukharin...” had a different life—so to speak—among university students in the soft-cover edition. Although we published this book 16 years ago, it is still in the stores—this is rather unusual. This is because several teachers use it for their courses. So that you can compare: In America, there were three editions with a total number of copies of no more than 30,000; your Progress immediately published 150,000. The publication of my book about Bukharin in the USSR is a new life for it. I enjoy this very much. I was a lad when I wrote it. Here, among readers the interest in it is so intense, and I would even say, candid that it is difficult for me to imagine what has happened. For example, I have appeared twice on television and even people quite unknown to me recognize me on the street, approach me and talk to me about the book....

[Yakovich] What do you say about the political portrait genre which is being reborn today?

[Cohen] As the individual, who wrote Bukharin’s biography, I am interested in this genre in general although I do not think that I am a professional biographer; I do not plan on writing another biography. I have a completely different subject now—it is your political history from Khrushchev to Gorbachev. However, of course, portraits interest me. Before glasnost, you had a political history... without people—this was a very curious phenomenon. Lenin, Stalin, Dzerzhinskiy, Sverdlov, Rudzutak, Ordzhonikidze—that was approximately everyone. A great leader and a small team. There were no other genuine “founding fathers” as we say. We had George Washington, Thomas Jefferson,... but where was Bukharin, Trotskiy, Kamenev, and the others? Historians, journalists and writers—especially writers—are now trying to restore these people to history.

[Yakovich] How do you explain the fact that it is now writers in particular?

[Cohen] Well, this is a very sharp controversy among you and I do not want to interfere. I understand the situation. I have had occasion to hear the view that historians are conservative and do not want restructuring in their profession. However, documents are needed by genuine historians. Many documents. That is why one cannot say that all of them are guilty of still not having written a new history. Here is an example: In your press, there is now much—I would not say, information—but estimates and calculations on how many people perished under Stalin. I know that many of your historians—the most progressive ones—are against this: They think that such things should not be published without documents and accurate figures. As historians, they are correct. For writers and publicists, the realization of the fact that this disaster and enormous tragedy occurred is sufficient; however, it is the work of scholars to define exactly how many people perished as a result of hunger, collectivization, terror, and war. Not a single serious historian wants to write about this without sufficient documentation. They are now preparing a new—not a new textbook—but an essay on the history of your party from 1917 to

the present. If I have understood correctly, a small team has been put together from the best historians and they have been granted access to the archives. Time, however, is required for this. That is why publicists and writers are writing historical articles and books that are most interesting to the readers.

[Yakovich] Is this a temporary phenomenon in your opinion?

[Cohen] It would be best if it were temporary. Sometimes writers see and understand some things and the way events develop as historians cannot—this happens. Nevertheless, historians should write a real history. You have many genuine scholars.

[Yakovich] What amazes you, makes you happy and grieves you in our literary process today?

[Cohen] Nothing surprises me: Almost everything that has become public existed secretly for many years. I have researched this carefully: Literary currents and political ideas from the far right to the far left and pluralism of views did not arise today. It is no accident that the last chapter in my book, which was also written more than 10 years ago, is called "The Friends and Foes of Change: Soviet Reformism and Conservatism." I am happy for you, Bukharin's family, my friends, writers, journalists, and editors over the fact that you, for example, can work normally. However, this is not my country nor my motherland. For us, America,—and this is a political subject—I personally think that restructuring and new thinking are a splendid opportunity to end the "cold war" if ..., if, if, if,...if America wants to use this opportunity. America, however, still wants to think about it. This is bad. I would say that Gorbachev has already taken several steps. It is now our turn. I have already written an article about this and I will write more of them.

What grieves me? If I should ask what is you find unpleasant in America, it would not be a question. I do not have either the right or the wisdom to teach Russians what they should do. If I want to give a lecture then I must go home and give the lecture to Americans. I plan to do this. Here, I am a guest.

[Yakovich] In an interview for the journal KOMMUNIST, you said that the discussions, which are taking place in our press, on our streets and in our auditoriums, are the most interesting of those which you have had occasion to observe.

[Cohen] Yes, this is a result of the silence that has accumulated for a long time. In comparison with a "thaw", there is a very strong aspect of continuation and not repetition. What is occurring in your country today is, of course, the result of your history. Each people and each country should find its own path, and foreign lessons have little significance generally speaking. We have ours and you have yours.

My wife and I (she is deputy editor of the journal NATION) have just completed a new book entitled "Golosa Glasnosti" [The Voice of Glasnost]—discussions with Gorbachev's reformers. It will be published at the end of September in America. The book opens with an article entitled "Soviet Reforms; 14 interviews follow. Aleksandra Nikolayevich Yakovlev is there and also Yegor Yakovlev, Shmelev, Karpinskiy, Zaslavskaya, Bovin, Burlatskiy, Yevtushenko, Ulyanov, and Georgiy Lukich Smirnov, the director of the institute for Marxism and Leninism—a very interesting individual who has assembled a rather radical team.

[Yakovich] This is similar to the collection entitled "Inogo ne dano" [Another Is Not Given]?

[Cohen] That was an outstanding collection—a genuine event in the country's public life. It consisted only of dialogues and conversations between American Sovietologist and your restructuring supporters. I hope that the voices of glasnost will not fall silent.

### Prospects for Improved Soviet-Turkish Economic Ties

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Morning Edition, p 5

[Article by V. Zakharko, IZVESTIYA special correspondent Ankara—Moscow: "Shifting the Accounting From Millions to Billions of Dollars"]

[Text] The development of Soviet-Turkish economic ties is accelerating.

"Whereas it used to take several weeks to obtain a Soviet visa, these days I have no problem with it whatsoever—I now have a multiple-entry visa for your country in my passport. If there were three or four flights to Moscow each day, I could be crossing the Turkish-Soviet border that many times," Sharik Tara was telling me in Istanbul.

Tara heads "Enka," a large construction firm employing 20,000 workers and specialists. Almost half of these are assigned abroad on a permanent basis, building houses, hotels, and enterprises in Iraq, Libya, Jordan, Saudi Arabia, and Bahrain. Enka first started working on projects in the USSR the end of last year. It set about reconstructing the Passazh department store in the center of Moscow and, in Babushkinskiy Rayon, closer to the outskirts of the city, began erecting a 17-story hospital for war and labor veterans with 1000-bed capacity.

I remember when the sign went up at the Passazh site showing the Enka emblem, you could hear Muscovites talking skeptically about the builders—to the effect that if we do not have enough construction people of our own, did we actually recruit those people from abroad? Do the Turks know construction? But such a judgment is the result of our ignorance. Anybody who has had occasion to be in Turkey can not help but be struck by the fact that a great deal of construction is going on everywhere in the country, especially in recent years. The quality is good and it is being done rapidly. The architecture is neither boring nor depressing. Evidence of what Enka is capable of can be seen in the outstanding construction of its recreational complex in the picturesque outskirts of Istanbul—including a stadium, swimming pools, outdoor and indoor tennis courts, amphitheater, cafe, restaurants—as well as in the firm's financial success and the social program it has established for its employees.

"There are 800 of our employees and engineers in Moscow today. In a few months there will be 1200," Tara continues. "We are planning new joint projects with Soviet organizations. You know, just a couple of years ago we would not be dreaming about such forms of cooperation between our two countries."

The transition to better Soviet-Turkish relations dates back to the beginning of the 1960's and has led to strengthened trade and economic ties. Soviet technological assistance in Turkey has resulted in the construction of a number of industrial enterprises which play a

significant role in the Turkish economy. Electrical power deliveries have been ongoing since 1979 and, beginning in 1987—deliveries of natural gas using a pipeline which extends across Bulgaria. Our exports to Turkey include a variety of machinery and equipment. In exchange, all these years we received mainly agricultural and industrial products, manufactured goods. The contracts concluded with Enka signal not only a new form of cooperation, but symbolize the beginning of a qualitatively new phase in Soviet-Turkish trade and economic relations.

And the figures show what this new phase is bringing. Although trade volume between our countries has been constantly increasing over the past two decades, the rate of growth has been small nonetheless. In 1987 the volume of trade comprised \$340 million (U.S.). But the amount increased by almost \$60 million the very next year, and this year our embassy in Ankara and the Turkish Embassy in Moscow believe the trade volume may reach \$1 billion or more. The sharp increase has been facilitated to a significant degree by credit extended to us by Turkey in the amount of \$300 million, which has been used to place orders for delivery of consumer goods to the USSR.

"I am convinced that our volume of trade will reach \$2 billion in the very near future and that we will see a stable trend towards increased growth," Turkish ambassador to the USSR E.P. Volkan Vural stated recently in a meeting with Soviet journalists.

Making this prediction at his Moscow residence, the ambassador explained it based on the fact that Turkey views the future of our relations optimistically and is interested in the accelerated development of multilateral ties. This will be greatly facilitated by the new USSR foreign policy and domestic reforms being carried out which are imparting an open nature to the Soviet economy.

Ambassador Vural stated that Turkey is increasing its natural gas purchases and intends, with Soviet participation, to effect modernization of its railroads, expand mineral fertilizer and shipbuilding production capacity, and import modern technology, machinery, and equipment. Negotiations are currently underway for extending new large credits to the Soviet Union and for constructing dozens of light-industry enterprises in various regions of our country, including leather processing facilities and enterprises for the production of shoes and other goods in great demand. Turkish firms are prepared to increase their exports to Soviet markets of many varieties of foodstuffs, manufactured goods, and medicines. Broad opportunities are arising for the development of cross-border trade and the establishment of joint enterprises capable of delivering products to third-country markets.

"What is your personal experience in dealing with the Soviets as trade partners? Has it been difficult?" I asked Sharik Tara.

"There have been difficulties of course," he replied. "But these will become less and less as Soviet specialists accumulate experience in dealing commercially with foreign firms. It is extremely important to have a good grasp of what is being done where in the world, where and how much one or another product or services costs, and what the quality is. I am not saying this for the sake of advertising, but just to establish the fact that many business dealings conducted by Soviet enterprises, organizations, and cooperatives could turn out to be far more profitable if they were conducted not just with anyone, but with Turkish firms in particular. But let me repeat—all available information must be studied and analyzed before the final decision is made on selecting a partner. Turkish businessmen are studying the Soviet market and the opportunities it presents more and more attentively today. I am certain the same kind of increased attention on your part with respect to Turkey's production, trade, and financial potential would lead to mutually beneficial cooperation on a grand scale, a scale on the order of many, many billions of dollars. And we can save on transportation expenses—after all, we are neighbors."

Our land boundary alone with Turkey extends 618 kilometers. It has taken a great deal of time for both sides to become convinced that it is necessary, and in the vital national interest of each of our peoples, to pursue a joint policy, one which would progress from geographic proximity to a political and moral good-neighborliness, to a friendship which is, of course, not to the detriment of relations with long-time friends. On both sides of the border we are realizing that we can keep old friends in mind and at the same time not miss an opportunity to acquire new ones, wherever that is possible.

It should also be noted that the above-mentioned press conference in Moscow was the first meeting between the Turkish ambassador and the Soviet press over the entire long history of diplomatic relations between our two countries, a fact Ambassador Vural stressed at the outset. And I am a witness to the occasion of the doors of our embassy in Ankara being opened to local journalists.

### **Prospects for West European Military Integration**

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in Russian No 3, May-Jun 89, pp 79-92*

[Discussion by Doctor of Historical Sciences V. Baranovskiy, department head at the Institute of World Economics and International Relations of the USSR Academy of Sciences, and Doctor of Historical Sciences V. Stupishin, chief adviser to the Administration of Evaluation and Planning of the USSR Ministry of Foreign Affairs: "What Interferes With the Creation of the 'All-European House?'" ]

[Text] The idea of creating an "all-European house" has shown up in history in various forms. Let us at least remember the motto "United States of Europe" denounced by V.I. Lenin. In the period of revolutionary romanticism, bloody battles of the class struggle, hopes for a worldwide proletarian revolution, the very thought

of that kind of integration was blasphemous and treasonable. Now, recognizing the threat that hangs over all mankind and the necessity to stand up to this threat at the same time, realizing the enormous growth in the ties that mutually bind the united world, we turn back on class divisions and seek new approaches in the way we see accustomed realities. In our country there is a palpable emergence of a powerful tendency to renew political conscience which includes the dethroning of stereotypes (the face of the enemy) and a new approach to such concepts as strategic-military parity and foundations of security.

How is the political process developing in the West, particularly in the countries of Western Europe? Clearly, among the first stones in the foundation of the all-European house, a significant role must be played by integration inside each camp. What place in this process is occupied by the military-political integration of Western European countries?

Doctor of Historical Sciences V. Baranovskiy, department head at the Institute of World Economics and International Relations of the USSR Academy of Sciences, and Doctor of Historical Sciences V. Stupishin, chief adviser to the Administration for Evaluation and Planning of the USSR Ministry of Foreign Affairs, discuss these matters.

Stupishin: Speaking of the European house, the question arises inescapably about the integrational processes developing in it and the possibility of a confluence of them into a single stream. It is known that these processes do not flow according to the rules if one speaks of the inclusion of different governments into one of the integrated groupings. They develop unevenly also in relation to one another, strongly differing in the levels of integration of different aspects of life.

This unevenness, without doubt, creates definite difficulties for the building of a more durable, unitary European system of intergovernmental relations than that which functions in the form of the all-European process. But means for the removal of these difficulties are already being researched. An important contributing element to the foundation of the common house is the establishment of official relations between CEMA and the European Community and also between member-governments of CEMA and the European Community.

Another category of difficulties lies in the area of mutual relations and actions between objective and subjective factors which condition the development of integrative tendencies. According to the diplomatic dictionary, "integrational processes have an objective foundation, possessing the conditions for the development of productive capabilities, the attainment of the scientific-technical revolution of contemporary society, and reflect the tendency toward intensification of international division of labor, and to the internationalization of economic life..."<sup>1</sup> which lies at the foundation of integration "objective tendency toward the internationalization of public life." Your book, Vladimir Georgievich,

"European Community in the System of International Relations" also carries this thought.<sup>2</sup>

Baranovskiy: Yes, I feel that the appearance in Western Europe of the same phenomenon of international economic integration is conditioned, first of all, by the development of productive capacity, which outgrows the narrow framework of national economies and therefore requires a wider "field of action."

Stupishin: Indeed, the development of productive capacity and the scientific-technical revolution are objective conditions encouraging integration, first of all, economic. But even in this case one needs the political will which comes from an understanding of the relationship of integrational actions to national interests of states. Also needed are the coincidence of political wills, the desire of governments to let them coincide, patience, knowledge, diplomatic skill, and other qualities, as well as the actions of subjects involved in the corresponding international relations. Subjects! In other words, integration itself, even economic, in spite of all the objective conditions which bring it forth, is an especially subjective process, even though, I repeat, conditioned by objective factors.

The higher integration rises above the base, attracting to the unifying actions the superstructural components, the more significant become the subjective factors, the chief of which is the mechanism of making governmental decisions about the next moves in the integration game.

Being a result of free-will actions, economic integration, in its turn, becomes an objective condition, which permits approaching political integration, which must go through a series of steps of cooperation on an intergovernmental base, before a system of integrating governments can be replaced by supranationality-nationality, the crowning wreath of which could become a confederation, and then, possibly, a full federation.

The presence of an objective economic foundation and the imperatives of survival in the system of an international community are mighty stimuli for political integration, but they by themselves do not make it inevitable that the movement will be exclusively in this direction.

This is even more true of military integration. True, economic, scientific-technical, and political integration are vital foundations without which only military cooperation is possible. The melding of military-political, military-industrial, and purely military structures is impossible without the above-mentioned steps of integration. But it is not a necessary consequence of integration processes in civilian spheres. Here, more than anywhere, practically all depends on the free-will decision of each government and the combined political decisions of those participants in the process who are ready and want to integrate their armed forces and all that is tied to them into a single, supranational-national complex.

Baranovskiy: It is indisputable that integrationist tendencies in the military-political area have a different

nature in principle than those in the economic area. The most important prerequisite is that efforts to assure military security undertaken by a group of governments simultaneously be perceived in the same, or almost the same, way as those of the world surrounding them. First of all this involves an identical evaluation of the character of the "outside threat" which a military-political activity forms to counteract, aimed outwards.

It is important to keep in mind that this perception does not necessarily reflect adequately the realities of international existence. The distortions contained in it may result from unreliable information or subjective errors in its interpretation, or as a consequence of unwillingness or inability on the part of the ruling circles to see the world as it is, their attempts to "create" this world "in their own image and after their likeness" that would correspond to their stereotyped imaginings and preferences.

Stupishin: I should add that until recently, even under conditions of the "cold war" and the regular anti-Soviet campaigns in Western Europe, when apprehension over the "Soviet threat" would rise to an appreciable level, Western Europe was content to integrate only a part of its forces and only in the NATO system and did not augment its functioning integrational processes with a military component.

When we speak of Western Europe as a center of power, we have in mind the European Community as its most organized part, which has all the necessary characteristics of an integrating group of governments. The attempted creation of the "European Army" in 1952-1954 does not count, because it fell through at the same time. Apparently a genuine, not propagandistic evaluation of the threat did not require stimulating Western European integration in a military direction. If they did without a "European Army" for more than 30 years, "there was no objective need for it."

Baranovskiy: Nevertheless the military-political cooperation of Western European countries during the postwar period was directed against the USSR and governments allied with it from the very beginning. It was built on imaginings about the necessity to counteract the "threat from the East." According to proposed and realized plans, everything in this context came down to one: to strengthen the West's own military potential, to turn it into a functional means of fighting the socialist world.

Obviously, one must not oversimplify the interpretation of this situation as it applies to today. The thesis about the "Soviet military threat" is largely no longer convincing. And its understanding by the broad masses of population has undergone fundamental changes compared, say, to the 1950's. Public opinion polls testify that the majority of Western Europeans are not worried by the possibility of a military attack by the USSR on Western Europe. Policies of the USSR and other countries of the socialist commonwealth are instrumental in washing away the "image of the enemy" and testify convincingly to their sincere desire for peace.

Stupishin: However, results of these polls are partly contradictory. The "Soviet threat" is still taken seriously by public opinion.

Baranovskiy: Indeed, as long as military disarmament has not become a fact of European life, the threat of an outbreak of war on the continent remains, and with it a fertile soil for mutual apprehensions. The matter here is not just an evil-intentioned desire to see the opposite side in dark colors, but also the objective situation of a military confrontation between governments of two systems which has come about on the European continent. A confrontation which has attained an exceptionally high pitch and takes the form in an enormous concentration of armed forces and armaments on relatively restricted territory. Such a concentration holds in itself a constant threat of two enormous military machines impinging directly on each other. And this can happen in the most unpredictable fashion.

Stupishin: And in spite of this we are dealing at this time with a visible strengthening and coalescence of military integration tendencies inside the European Community.

Why? Here again the need arises to study and compare the objective and subjective factors which bear on the development of trends toward military integration. This must be studied attentively and concretely as applied to Western Europe.

Twelve members of the European Community gave themselves the task of creating a genuine single market by 1992. This market is called on to raise economic integration to a new level, significantly reduce production costs, accelerate economic growth, reduce inflation, and create millions of new jobs. Corresponding practical measures are already being taken.

It is proposed that by way of further strengthening and improvement, the next step will be to make the European currency system created in 1979, and its unit of account, the ECU, a full-fledged international currency.

Technological programs, both within the framework of the European Community and by attracting nonmember governments, are functioning successfully (for instance, "EUREKA").

The European Community included political cooperation among its member-countries by virtue of the European Unity Act, which became effective 1 July 1987. Until then this cooperation was realized outside the framework of this system, which was established by the Rome treaty of 1957. The said act widened the authority of the community to include economic and political aspects of security. This is not yet military integration, but a clear step in that direction.

This way the European Community demonstrates its steadfast tendency to consolidate into something that, in its structure, approaches a governmental form. The United States of Europe is still far away, but the purpose of creating it is already factually established, notably by

such serious statesmen as French President F. Mitterand.<sup>3</sup> The leaders of the West German CDU think about it. And it is France and the FRG who are forming a durable political-economic team which plays a moving role in the "construction of Europe."

Integrational processes in Western Europe proceed under conditions of constant internal contradictions and must suffer all sorts of interference from American and Japanese centers of power, as well as from those of the Third World with which the European Community is tied by a whole network of agreements, especially economic ones. But it is also interesting that the crises that arise during the "construction of Europe" as a consequence of these contradictions are dominated by a tendency to more or less successfully solve them. This leads to a greater stability in the insertion of national politics. This allows the community to solve its problems and talk to the outside world with a single voice.

A kind of "objectivization" of the integration process is proceeding, becoming irreplaceable and irreversible. Seen that way, the military integration tendency is a political approach to endowing the EC governments with means of consolidating their integrated grouping into one of the world centers of power.

Baranovskiy: I would like to stress the fact that during the entire postwar period the process of military-political integration in Western Europe moved unevenly—there were ups and downs, sharp turns, and dead end developments.

At first, cooperation in this field by a small group of Western European countries (the Brussels Pact) developed alongside the organization of military-political ties within a broader Atlantic framework (NATO). In the first half of the 1950's, a European army in accordance with the treaty creating the European Defense Community (EDC) almost arose. This treaty, however, did not enter into force, and as a result the coordinating instrument for military-political cooperation in the Western European system was put on the back burner. The sole truly functional long-term structure remains the North Atlantic bloc. The Western European Union (WEU) which appeared at the time, occupies, in relation to it, a subordinate position and shows substantively no independence.

In the beginning of the 1960's unsuccessful attempts were made to include military-political questions in the areas of activity of the European Community (EC). For several years different variants of the so-called "Fouchet plan" have been discussed. During the entire decade, the nuclear problem, especially from the point of view of the "subordination" to it of the Western European members, were subject of sharp debate within NATO. The experience of negotiation about "multilateral nuclear forces" brought out the extremely complex problems which arise in this area of military-political cooperation.

A new organizational form giving definite expression to military-political interests involved in Western European NATO plans is the Eurogroup. In the 1970's subjects pertaining to the organization of Western European military-political cooperation were discussed in the WEU and the EC, but without results. But within the framework of the EC a mechanism for foreign policy coordination is forming. Coordination in the production of weapons is being developed for the organization of which the independent European programming group, Eurogroup, is being created.

Stupishin: Speaking of activation of the process of military integration in Western Europe, I would pick out the following dates: Politicians not only started talking about it seriously, but began acting. Everything started in 1982 with the reviving of the military articles of the French-West German Elysee agreement of 1963—articles left in abeyance from the time of the signature of the document by de Gaulle and Adenauer and now serving as the legal foundation of the military-political axis Paris-Bonn. It already has a defense and security council and an integrated military unit—a brigade—of 4,200 men.

Military axes Paris-London, Paris-Rome, Paris-Madrid are being actively put together. A trilateral grouping for military control over the Western Mediterranean is forming. Here, too, France plays first fiddle, being the organizer of this triangle, of which the other two sides are Italy and Spain. Francocentrism raised some concerns among the partners, who took measures of their own. Already the axes Bonn-London, Rome-Bonn, etc. are being created.

On French and FRG initiative actively supported by the remaining five members of the Western European Union, since 1984 this military-political organization is being revived. It formalized its new orientation in the Declaration of Rome of 27 October 1984 and the "Platform of European Interests in the Field of Security" adopted in the Hague on 27 October 1987. In November 1988 Spain and Portugal joined France, the FRG, Great Britain, Italy, Belgium, the Netherlands, and Luxembourg as members of the WEU. Several other members of the community are knocking on the doors of the WEU, which states its purpose as being the conversion of the community into a European union (and from there it is not far to the United States of Europe). The trend toward military integration, in gradual confluence with the Western European Union does not yet represent anything but a rather weak stream, but is gathering strength in an analogous process within the framework of the EC.

Stupishin: [as published] I would not exaggerate the actual, attained results of military-political integration in Western Europe, or the scale of its recent growth. But at the same time one should note a remarkable feature distinguishing the present state of affairs in the field of Western European military-political cooperation with that "rise in Europeanism" which took place in the late

1940's-early 1950's. Then the most important part in the organization of the said process was the United States, which pushed Western Europeans to where, having announced readiness to participate in wide-scale military preparations, at the same time had no doubts of its ability to exercise full control over them. After 3-4 decades the picture is completely changed. The initiative to widen military-political cooperation comes mainly from Western European countries themselves, which are conscious of the specifics of their security interests compared to those of the Americans, have doubts about the reliability of the nuclear guarantees of the United States, and are conscious of their increased economic, political, and—yes—military possibilities.

Stupishin: [as published] I would put it as follows: The leaders of Western European governments base this process on the probability of the weakening of American obligations to defend Western Europe from the Soviet military threat. The fear of this "threat" still exists among the broadest layers of population. It is used as the basic if not the sole justification for attempts to make nuclear restraint permanent. It is done so effectively that in 1987, 88 percent of all Frenchmen expressed themselves in favor of a "common European defense" and 71 percent for the creation in the nearest future of a single army for all countries of the European Community<sup>4</sup>.

However, in reality the key to the matter is not the threat from the East. The key to the matter is the creation of a Western European center of power which, developing from the community into the United States of Europe, collects into its arsenal all the weapons it can get, including, naturally, their own military-political means.

The verdict is not yet in. The military integration game, which is played by NATO rules inside NATO, goes after its nearest objective. It is to raise the weight of European capitals in their dialogue with Washington within the NATO framework by way of strengthening the said supports of the bloc for the time being in the form the WEU, and later, possibly, in other forms. Stress is on increasing weight, not the attainment of self-reliance. Incidentally, the term "autonomous European defense" has disappeared from the dictionary of politicians and political scientists: They speak of joint defense within the NATO framework, not about autonomy from NATO.

Baranovskiy: Let us remember, that the relationship to this process itself, its public perception, have been subject to distinct changes. In the second half of the 1950's the idea of creating in Western Europe some kind of more or less independent system of defense seemed buried forever. Thereafter Gaullism followed, whose military policies counterposed independent national defense not only to Atlanticism, but also to any European scheme containing the least traces of supranationalism. But today again an interest in various unifying plans in the area of military security can be observed. They were and are being proposed by many

prominent politicians: V. Giscard d'Estaing and F. Mitterand, H. Kohl and J. Chirac, H. Schmidt and L. Fabius, H-D Genscher and H. Kissinger, D. Owen and L. Tindemans. Public opinion surveys in Western Europe also indicate a more favorable view toward military-political integration in the region.

It is developing in various organizational forms and on various levels with uneven intensity. However, the presence of NATO appears at all levels (except for the one based on full unification of all military organizations and about which one can now talk only on a hypothetical level). And that—you are right—indicates that the process itself is developing by preference in the Atlantic frame, especially that part of it which is nearer to operational direction of armed forces, their organization and operations. But the higher the level of military-political cooperation, the weightier the various organizational forms are made to appear, with exclusively Western European personnel.

It does not follow from this that they must be counterposed to NATO entities. Usually the talk is of parallel structures, and sometimes even of a division of labor of a unique sort between them. But at the same time the relative weight of this West-European-owned component is gradually rising.

Stupishin: From the point of view of practical politics there is another question: Which side will this increased weight favor? It will be good if it is on the side of negotiations to lower the level of military confrontation. But one cannot exclude the simultaneous pressure from London and Paris on the United States, stubbornly holding on to their positions on nuclear restraint. The relatively quiet reaction of Western European politicians to the Moscow meeting at the highest level in 1988 perhaps was quiet because this time there was no question about concluding new agreements moving us toward a nuclear-free world.

Baranovskiy: We must not forget, however, that on the way to Western European integration there were and still are considerable obstacles. Mutual rivalries and contradictions between Western European countries stand in the way. The cautious attitude on the American side, and in some cases open opposition, also stands in the way when military-political integration, in the opinion of Washington, threatens to undermine the status of the United States as leader of the "free world." The orthodox Atlanticists are also not ready to yield. They are the ones who see an attempt to harm NATO in every proposition on Western European cooperation, which, in their view, would inevitably harm the "defense of Europe".

Aside from that, the potential weakening of the role of national governments' institutions as they relate to military-political integration holds up its development in depth and partly encourages organization by agreement on the lowest common denominator and adoption of resolutions weak on recommendations. Finally, considerations tied to the financial side of the matter play a

significant role: Many consider that Western European countries do not have the resources to sharply increase military expenditures which will be required to give defense a more "independent, autonomous" character.

Stupishin: But what does that mean to all of Europe, not only Western? What brings to all of Europe the military integration of one of its parts? Will not the development of this process lead to making permanent the division of Europe into military blocs and to the freezing of the all-European processes? If so, and most likely it is so, what kind of "common house" is it if our neighbors in it threaten us with a fist?

Baranovskiy: In Western European countries concern over possible negative effects of the consequences of military-political integration for the international situation was expressed a number of times. Sober judgments on this subject were expressed by representatives of various political forces, including communists.

Keeping in mind all of the above conditions, what can the further development of Western European military-political integration be? Proposals and recommendations on this subject by governmental and political figures, military specialists, and political scientists are now plentiful. They can be grouped into several scenarios.

One of them is founded on the NATO bloc, as before, having the primary role in providing Western European nations with military security. According to this approach, relations between the United States and its allies inside NATO require no changes in principle. Activation of military-political cooperation among Western European countries may, in the more distant future, raise their relative weight in the alliance and even reduce their dependence on the United States, but forcing this process would be not only purposeless, but even dangerous. Therefore any steps to organize ties among countries of Western Europe in areas bearing on defense—cooperation in military-technological production, consultation on questions of the conceptual plan, or debate on approaches to limiting armaments or disarmament—must take place under the aegis of NATO and be closely tied to American politics.

Alternative to this scenario are proposals according to which military-political integration in the region must be oriented toward the formation of a fully autonomous independent system of defense of Europe. Ultimately this will involve dispensing with U.S. nuclear guarantees and the presence of American troops on the continent. The possibility of cooperation with the United States on questions of security remains, but determining the principal lines of action and taking the most important decisions in this field will be up to the Western European countries themselves. Many questions in this scenario remain open or are differently interpreted: Should one move toward the creation of a supra-national system of a federative type within which defense policy will be worked out and realized in a centralized manner, or rely on principles of intergovernmental cooperation? Should

joint defense be founded on general purpose forces, or should a nuclear component be included in them? Should one create a "European nuclear force" or should one restrict oneself to covering other Western European nations with a combined French and British nuclear guarantee? But the essence of this approach comes down to the following: convert Western Europe into a powerful, influential, independently acting military-political center, which can assure its own defense and which will be reckoned with by other actors of the international community.

Compromise variants of military-political cooperation in Western Europe are appearing, according to which it must neither counterpose itself to the United States and NATO, nor dissolve in a system of Atlantic mutual ties. The development of mutual relations between two poles of NATO—the North American and West European—is emphasized principally by way of strengthening the position of the latter. This way foresees a "Europeanization" of the North Atlantic alliance. Institutions outside NATO, such as WEU or EC, should start on an equal footing with it. This approach, as can be imagined, currently prevails in the Western European military-political development, even though here, too, a number of mutually exclusive proposals, serious contradictions, and disharmony arise.

What unites all these scenarios? They all have a similar vision of the inescapability of continuing the confrontation in Europe between two different sociopolitical systems, the essentiality of counterposing the Soviet Union and other countries of the Warsaw Pact by way of organizing an effective system of assuring military security by increasing military efforts and joint actions of Western European nations in this field. In other words, there is no doubt of the foundation which underlies Western European military-political cooperation. There is argument only about how to better organize it, but in what international political environment it develops, or what mutual actions it will require are questions beyond the limits of discussion.

Stupishin: But the military component is not essential to the Western European integrated system. Military integration as such is not yet a reality, but a likelihood. There are apparent tendencies, but we are far from the creation of a multilateral integrated grouping, a national Western European military-political union. And the process itself, I repeat, never was and does not appear to be an objective necessity, even though it is developing under objective conditions which are being created by nonmilitary integration. Mutual action of subjective forces in the form of governments has not yet given military-integrationist tendencies an inescapable and irreversible character.

In other words there is hope that the military-integrationist process, entering into contradiction with a new order, could lose its meaning and never go to the point of creating unremovable obstacles to the building of an all-European house.

Baranovskiy: Of course, military force since the beginning has not lost its significance and it would be naive to call on Western Europeans to refuse to rely on it, having made it look as if military aspects of assurance of security are of no great significance. Their role, whether we want it or not, is still great. However, the realities of our times require new approaches in principle to the assurance of security.

First of all, political components of security still exist, and their significance grows constantly. In any case, a realistic and well-thought-through policy can attain far more in the area of assuring security than an orientation strictly toward military preparations. Furthermore, the latter can even harm security if they lead to the formation of a hostile outside environment that is taken by other international parties as a threat, encouraging them to unite their efforts and undertake some kind of measures in return. Military thinking must be controlled by political thinking. This thought, which goes back to the deliberations of Clausewitz, Macchiavelli, and even Plato, about the relation of war to politics, is today right as never before because of the unprecedented growth of the destructive power of modern weapons and catastrophic consequences of their use.

Second, a simply one-sided assurance of security is being held in steadily sinking esteem. Some go back to the past when one could count on it being "only for oneself," not worrying about how this will affect the security of other countries. The policy of protecting one's security at the cost of others is becoming increasingly hopeless. In that sense military-political integration projects are nothing more than a revival of old-fashioned thinking in the sense that they aim at creating greater security for the position of a group of countries while fully ignoring the interests of other countries.

Some of the tendencies in the military-political area which are developing in Western Europe cannot but raise disquiet in political circles of the USSR. The same applies to the expanding cooperation between Western European countries in this field. Will it lead to the absolute increase in the NATO military potential, aimed primarily at the countries of the Warsaw Pact? Will this result in an indirect—or even direct—acquisition of nuclear arms by the FRG? Will this result in a Western European variant of "star wars?" The USSR and its allies are anything but indifferent to the answers to these questions.

We are dealing with security interests, and countries of the socialist community have the same right to be concerned about them as participants in the military-political cooperation in Western Europe. But what will happen if one and the other will, as before, base their policies on a presumption of aggressiveness of the other side, will see each other primarily as their potential enemies? The result of that is known in advance: strained political relations, increasing scale of military confrontation.

An alternative might be an approach to the creation of such a system of assuring security of European countries which, first of all, would include all countries of the continent instead of counterposing its Eastern and Western parts and, second, would orient itself not on increasing defense efforts by either individual or groups of countries jointly, but toward reduction of the military threat. This is the only way that can reduce mutual concerns and fears, remove from the agenda the question of a surprise attack, and of the need to prepare for turning it back, remove the inequalities in the various components of the military balance, find mutually acceptable solutions to problems which are tied to asymmetry of military potential.

Stupishin: But to create such a system requires satisfying a whole series of conditions: first of all, sufficiently influential public-political powers in Western Europe itself capable of seeing the complete inadequacy of militarization for all-world, all-Europe vital requirements and interests. Much depends on the extent to which the ideas of new political thinking will imbue governmental figures on whom the development of international tendencies depends. Of special significance, will, of course, be the further development of the all-European process in which the decisive role will be played by discussions on reduction of armed forces and conventional armaments in Europe from the Atlantic to the Urals, new confidence-building measures, devotion to military doctrines of a purely defensive character, concretization and application in practice of ideas of passive defense and a common-sense adequacy of defensive means, working out of guaranties of a non-coercive, non-nuclear, demilitarized world, reinforcing on European soil the principles of an all-encompassing system of international security, penetration of ideas of the primacy of rights, and comity in relations among European governments.

Baranovskiy: The governments of the USSR and the other Warsaw Pact countries stand decisively for assurance of security on an all-European scale and call for a mutual review of interests. Included in this would be numerous concrete proposals: about the simultaneous demobilization of military units of NATO and the Warsaw Pact, about saving Europe from nuclear arms

and creating a "corridor of safety" between the two military organizations, about a radical lowering of conventional arms and armed forces, about assembling military doctrines so as to give them a purely defensive character, and the like. An actual step in this direction was the unilateral reduction of Soviet armed forces by 500,000 troops and 10,000 tanks announced by M. Gorbachev at the 43d session of the UN General Assembly.

A decisive termination of confrontation is vital in order to remove the arena for any efforts to increase military potential, including by means of military-political integration. With the achievement of deep cuts in arms and armed forces, liquidation of the nuclear threat, strengthening the spirit of mutual understanding on the continent, the foundations for competition in the military area will be removed. This will take place not only in Western Europe, but also within the framework of relations between the Soviet Union and Western European countries. This does not involve the denial of the legal rights of governments of Western Europe to be concerned about the military aspects of their security, but of the necessity of new thinking about it; not a desire to extend the influence of the USSR over the whole continent, but its readiness to contribute to the protection of all-European interests. The future of Europe must become not the consolidation of closed subregional military-political entities, but a system of mutual ties among all countries of the continent that is capable of assuring peace and stability.

#### Footnotes

1. Moscow, NAUKA, Vol 1, 1984, p 402, *Diplomaticheskiy slovar*
2. Moscow, NAUKA, 1986, p 4, V.G. Baranovskiy, *Evropeyskoe Soobshchestvo v Sisteme Mezhdunarodnykh Otnosheniy*
3. See, for instance, "Le Monde" 8 May 1988
4. See "L'Express," 17 April 1988; "Le Monde," 25 June 1987; "Le Monde," 30 October 1987

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**'Aggressive Panturkism' Blamed in Bulgaria .**

18070733 Moscow LITERATURNAYA GAZETA in Russian No 31, 2 Aug 89 p 14

[Article by Sergey Merinov, LITERATURNAYA GAZETA special correspondent: "Six Centuries and Two Months"]

[Text] Kapitan Andreyevo-Khaskovo-Sofia—During the last two months, 200,000 Bulgarian Muslims have left for Turkey. If one sets aside the six-century history of the problem, the account of what has occurred can begin in May of this year.

As usual, there were words in the beginning. Bulgaria's National Assembly declared that changes were being introduced in the republic's laws in the spirit of the Final Document of the Vienna meeting of the countries participating in the Conference on Security and Cooperation in Europe, and that each citizen of Bulgaria would be able to receive a passport valid for travel abroad beginning on 1 September of this year with the right to go to any country in the world.

Although there were no stipulations regarding this or that population group in the new laws, rumors floated that everyone would receive a passport except Muslim Bulgarians. One could not avoid the inflammatory broadcasts from the Voice of Turkey. Extremists provoked disorders in Varna and Razgrad oblasts. Seven people died.

During the evening of 29 May, Todor Zhivkov appeared on Bulgarian radio and television with a statement. Having analyzed the situation and having given an appraisal of the anti-Bulgarian campaign that was unfolding in Turkey, he appealed to the Turkish authorities in the name of the Bulgarian Muslims and as the chairman of the State Council: "Open your borders for all Bulgarian Muslims who wish to go to Turkey temporarily or stay there to live."

The Turkish government opened its borders; the Bulgarian government began issuing passports for travel abroad without waiting for 1 September.

We were watching the news on Turkish television 200 meters from the border with Turkey at the Kapitan-Andreyevo check point on the eve of the important Kurban Bayram religious holiday. They showed a herd of sheep who were spending their last hours before they became a holiday dinner. They talked about police measures to prevent drunken accidents on the roads during the holiday period. Beautiful Turkish women (a charming winner in one of the beauty contests taking place in Moscow was recalled) advertised fine and different goods. The Turkish authorities were giving holiday prizes.

Then, a report from the Bulgarian border: "135,000 Bulgarian Turks have already arrived in Turkey. They are traveling by cars and special trains. The Bulgarian government is expelling them without permitting them to even say goodbye to their relatives." With these words

of the announcer, everyone, who had assembled near the television, turned toward me in a friendly fashion: "Well, now you understand what their propaganda is all about?"

A human drama was being played out nearby under a hot southern sun. Hundreds of people were leaving the country where they were born, grew up and raised children—where generations of their ancestors were born, raised children and died.

During June, it was quite a bad scene here. The border could not cope with the stream of vehicles. People waited their turn for a week or more. Everything was filled with furniture, suitcases, and packages—much worse than at Sheremetyevo-2. The conveyer now works efficiently—in any event—on the Bulgarian side. All traffic lanes without exception are operating and the Turkish border personnel have been ordered to allow cars to cross the border and unload there. For the present, people must lug all their property in hand-carts, unload them on this side, undergo an examination, and again load up.

An assembly point, a settling tank, has been set up several kilometers from the border: The vehicles are drawn up in a column and the newcomers take up their places at the end—the end of the column cannot be seen from the head. Using a megaphone, a border guard announces every four hours: "150 vehicles!" Those, who have departed at our position, have stayed here for almost 24 hours—this is the rate now. A medical station and toilet have been set up, children are brought milk, and a hawker-type trade takes place.

My Bulgarian journalist colleagues and I go up to one of the vehicles. We have just begun to talk when a whole crowd gathered. I do not think it was because of idle curiosity. It is difficult to sit privately for hours in a vehicle with one's difficult thoughts. You do not talk with your wife, father or children—what can one now talk about? It only remains to sit and wait for the signal and think: What are you leaving, what lies ahead? It is easier in a crowd. Everyone makes noise, reminisces, and irritates the soul with old resentments. They are proving to themselves and each other that they have acted correctly, that it is necessary to leave now, that the government can reconsider and close the border, that there are relatives and friends in Turkey, that they will help them, that they will not perish with their qualifications and ability to work, and that the stories of returnees about the bitter life beyond the cord are only propaganda tricks. Finally, in any event, it is possible to return....

Later my colleagues told me that, while I was talking, two silent listeners stood behind my back with knives for some reason. Is there another argument for those that are departing? And for those who are doubtful?

People are disposed differently. One—a strapping young lad with good Russian (he had worked in the Soviet Union for two years)—was implacably aggressive! "I do not believe this country. I believe no one except myself—yes, and not always myself. I have a passport in my

pocket and today I will be in Turkey. That is why I say that I think: We will break the back of Bulgaria. We will destroy it. The economy is so bad that when we have all left, it will simply collapse. Remember my words. None of your Vietnamese will save it."

Another man—from Dzhebel where the best tobacco in Bulgaria is grown and from where the Muslim came—thinks that they are especially active in leaving. He said when the signal sounded and everyone rushed to their vehicles: "You know, if the government now closes the border, many of us would breathe with relief. Bulgaria did nothing bad to me."

Near the medical station was a rather young woman with an infant in her arms and her mother. The child was crying constantly—something was wrong with his stomach. It was necessary to take him to the doctor's and travel approximately 20 kilometers to the hospital. However, she was afraid to leave the line. The border guards suggested that they move their vehicle to the head of the column in order to get to Turkish doctors more rapidly. "No, we have seven vehicles and we want to travel together." The border guards were helpless: You do not persuade the merciless line when there are seven vehicles. They take the child away. He was crying.

Relatives are carrying an emaciated elderly woman from the doors of the medical station. Several days ago, they brought her from the hospital after a lung operation. Things have now gone bad for her and she needs hospitalization. However—the line. All that the medical station doctor can do is to take the signature of the relatives. They seat the woman in their vehicle and go to their place in the line.

And motherly love, without speaking about everyday considerations, the feeling of self preservation, the being accustomed to one's own native home—it is now subordinate to the Line.

That same day, 15 people, three families, returned from Turkey through the Kapitan-Andreyev check point. They had spent two-three weeks there. Angel M., a 37-year-old, had left Varna (and returned) with his mother, wife and children. Another young man had run away to Turkey from his parents: "They had ordered me about for 20 years; they even forced me to cast aside my motherland!"—and he was able to take a wife and child.

Angel says: "I did not plan to remain there. I wanted to have a look and to see my friend who has lived in Istanbul since 1968. He has work but he receives twofold less than the living wage. He will not have a lamb for Kurban Bayram—he cannot even buy a chicken for himself. My boss did not believe that I would return. However, I gave the key to my house to my friend and said: 'Wait, I will be back in 20 days. The children were pining away: We want to go home; the watermelons and apricots have ripened. It was time for my son to take the exam for machine operator but there, his peers cleaned boots on the streets. However, it was not easy to return. Many would like to return but it is necessary to tear

oneself away literally. You see, I turned grey during those days; previously, there was no hint of grey. This is the way the trip turned out."

Angel turned grey on this trip and spent quite a bit of money which, nevertheless, did not depress him at all. He was not miserable over paying for a good lesson—the more so since he, like many other Bulgarian Muslims, is not poor at all. Rather, it is the reverse. They have money and quite a bit. This became evident when they began to withdraw money from the savings banks in large amounts—10,000, 20,000, 30,000 leva. Some families had up to 100,000 and even 200,000 in their accounts. They are people who work and who are employed in branches that give large incomes and wages—and they do not squander their money. According to official data, 400 million leva were withdrawn from savings banks by the beginning of July. The figure has probably reached a billion now. This avalanche falls with terrible force on a consumer market that is not very strong or filled with goods. Furniture, automobiles, clothing, cosmetics, "everything for the house" is being bought up. They hire trucks to deliver their things to the border and speculators ask absurd prices. Vehicles, which are now very necessary for the hard work during the harvest, drive south and are parked for days in assembly points.

"Ungrateful children." This is how they often speak about those leaving Bulgaria. I have had occasion to hear these words in the oblast center, the city of Khaskovo, and in the Mineralnyye Bani Commune where half of the villages are Muslim. According to our yardstick, incidentally, the villages are a feast for the eyes: asphalt, kindergartens, and large two-story buildings. All of this can become deserted during one sad day as if after a neutron bomb. Much of the prosperity I saw was created after 1984, that is, in parallel with the national rebirth—as they called it—process, which was intensified at that time and which included a change toward a Bulgarian tone in first names and geographic and other names with Turkish roots.

Who are they, these Bulgarian Muslims, and why are we talking about a "national rebirth" process? Here is some brief information based on material from the book "Stranitsy bolgarskoy istorii. Ocherk ob islamizatsii bolgar i natsionalno-voisroditelnom protsesse" [Pages of Bulgarian History. An Essay on the Islamization of the Bulgarians and the National Rebirth Process] which was published in Sofia. At the end of the 14th century, Bulgaria fell under the control of the Ottoman Turks along with other Balkan lands. Cut off, driven from their home of many years, sold into slavery, and with part of the local population resettled in Asia Minor, the Ottoman conquerors began to pursue methodically a policy of assimilation in regards to those who remained. By fire and sword, by economic coercion and by the granting of privileges to those Christians who adopted Islam, they tore and alienated them from their Bulgarian

nationality and exterminated their national self-consciousness. Part of those who embraced Islam preserved their native language while having changed their faith; others were forced not only to change their religion but also to adopt the language of their conquerors to some degree. Foreign travelers, consuls and scholars who visited the Balkan peninsula during the 15-19th centuries have left much evidence about the policy of assimilation, which the Ottoman Empire conducted, and about the local lineage of the major portion of the Muslim population on these lands. (Ami Buye), a French scholar, wrote during the middle of the last century: "The Muslims in European Turkey are almost always Slavs or Albanians who inhabited these lands and were Christian long ago just as their fellow country-men. Midkhat-pasha, ruler of the Danube Vilayet and later a Grand Vizier in the Ottoman Empire, said about the Muslims on the Bulgarian lands that they are the "descendants of those very Bulgarians who turned to Islam during the era of conquest and subsequent years ... Part of them only speak the Bulgarian language." G. S. Rakovskiy, a prominent figure in the national rebirth, says: "Nowhere in the narratives is one reminded of a significant migration of Turkish families from Asia to today's Turkish Europe." T. Kovalskiy, a Polish specialist on Turkey, gathered material for his scientific works during the Thirties of the 20th century in north-eastern Bulgaria. He concluded that the local Muslim population differs substantially from the Anatolian Turks "based on its anthropological type and language." Unfortunately, the history and culture of this portion of the Bulgarian people has not received sufficient treatment and understanding. During recent decades, these problems have begun to trouble ever wider circles of the public.

The possibilities, lawfulness and necessity of the measures, which have been undertaken were justified not only in a scientific and historical respect (as, to some extent, the de-assimilation of the descendants of those Bulgarians who were assimilated, cut off and Islamized during the period of the Ottoman rule) but also in a political respect: This should have served to strengthen the national, social, and political unity of society, especially in the face of aggressive Panturkism. When Turkish leaders declare that all Bulgarian Muslims are Turks and when, in view of the tragedy on Cyprus where the "Turkish Republic of Northern Cyprus" has been established without prior arrangements, this cannot fail to evoke among the Bulgarian leadership well-founded alarm and a desire to save their country from the "Cyprus version."

Generally speaking, there were sufficient reasons. Perhaps something was lacking—consistency, gradualness, delicacy, tact. Unfortunately, as they told me, the political arrangements in places became overgrown with unnecessary creative work such as fines for speaking Turkish and restrictions on religious rituals and holidays. Bulgarian scholarly literature admits that the "process of national rebirth among the descendants of those Bulgarians whose grandfathers and great-grandfathers

were subjected to assimilation, developed unevenly. There were quite a few contradictions and difficulties on its path." The national authorities gave a very great deal to the Bulgarian Muslims. "Capital investments" in them were higher than in the development of the rest of the population. For years, they enjoyed substantial social advantages. On the other hand, in view of those very "irregularities, contradictions and difficulties" the Bulgarian Muslims in the majority of cases are keeping themselves apart. Mixed marriages are rare. There are disconnections and alienation. Many prejudices, stereotypes and false ideas, which delay the process of valuable and real integration, have not been eliminated in society. The Bulgarian Muslims were vulnerable to anti-Bulgarian propaganda. The many years of social, work and friendly relations were weaker than the ancestral ones. No matter whom I asked about the reasons for his departure, the answer was one and the same: "Everyone is going" or "my parents are going" or "the children are going"—"and I am going with them." Petko Totev, a publicist, urged me to keep in mind that the history of the Balkans (and, respectively, Bulgaria) is a collection of "asymmetries and irrationalities." I have continuously sensed some irrationality in what is happening—when people leave without discussing it and without trying to explain to themselves—why? They go even when they do not want to go. A stubborn, silent, irrational movement.

To the honor of the Khaskovo Oblast leadership and party, local and economic workers, they have been able in a very complicated situation to maintain self-control, primarily insure public order, not allow outbreaks of violence, and mobilize themselves and others to overcome the problems that arise daily. The obkom's sumptuous building and other "large houses" in Khaskovo are now empty: Office comfort has been forgotten—evidently for a long time. All responsible workers are engaged in serious and really crucial work with the people in enterprises, villages and fields. Khaskovo Oblast provides Bulgaria with 95 percent of its cotton, 32 percent of its tobacco and 14 percent of its wheat. Zinc and tin are mined there; ferrous metallurgy, machine building, electronics and light industry exist there. Everywhere, there is a shortage of workers' hands; everywhere, there are losses.

There were 500 people in the Svila Clothing Factory; 275 of them have quit work and another 30 will leave in the next few days. Then, not a single Muslim man or woman will remain. Nedyalka Lacheva, the enterprise director, says: "Two automatic machines are idle and quality is being lowered. We have sent the administration to the shops, we have brought in instructors and pupils from the textile technical secondary school. However, these are extraordinary and temporary measures; the main problems are not being solved. We need to gather an additional 100 people. Of the 46 people in the administration, 16 remain; they will completely manage if the center reduces the bookkeeping. The situation with the people is very vexing. I have been here for 17 years already. I know everyone. We trusted everyone absolutely. Our workers receive 300-500 leva; some—more

than the director. Many have gone 'on vacation' for profitable agricultural work. I have spoken with each worker and with each individual: How have we offended you? The answer is the same: We are satisfied with everything but we are leaving."

It is the same picture in a large factory in the Rila Association: It has lost 40 percent of its workers. A total of 600 people have left and another 100 have remained; however, even they are planning to leave. The plan is being adjusted but insignificantly. There will be losses. The priority is to fulfill the agreements for deliveries to the USSR, FRG and other countries. Negotiations are taking place with Vietnam and the Korean People's Democratic Republic: the entire preparatory process here; embroidery—there.

Will the dismal prophecy of my fleeting acquaintance at the border come true; will the economy withstand such a blow? The Khaskovo comrades are confident that it will withstand it. Yes, the majority of the present measures have a mobilizing and emergency nature. However, parallel to this is the search for serious reserves in organizing production and management—every cloud has a silver lining. In the oblast, they think, for example, that it is possible to reduce the production of tobacco—the crop is very labor-intensive—in favor of attar of roses. This is even more profitable. They are examining what is being built, what is really needed and what it is possible to do without. The process of optimization, one must hope, will occur at a good tempo. The reevaluation of priorities and structural changes have also begun at the national level. Thus, only a third of the 14,000-15,000 construction projects, which were not connected with the production of goods for the population or which were being erected according to obsolete designs, remain. Minor works are being closed and personnel are being sent to branches having better prospects.

Of course, administrative measures are also being taken against those who violate a contract, quit their job and leave unreaped crops. However, what do fines mean for people who have money and no desire to work? They told me in Mineralnyye Bani about Muslims who bring 50,000 leva to the administration: "Here is money for you, only do not bother us; we are sick." Comments and appeals to the peasants' consciences are not always found: You do not respect the state and so you do not respect the land—why should it suffer?

... "Ungrateful children." Lost ones, resentful ones, disoriented ones. Irrationality. Drama.

Ivan Ganev, Bulgaria's deputy minister of foreign affairs received me in his office.

"Permit me to ask you two traditional Russian questions: Who is guilty and what should be done?"

"We do not consider ourselves guilty. History is guilty and the country, which holds on to old pretensions that date from the Ottoman Empire, is guilty. The major guilt lies with the present Turkish leadership's Panturkism which became the official policy after the military coup

and especially after the successful operation on Cyprus. You see, Europe accepted this as a fact! The next target is Bulgaria. In Turkey, they have begun to discuss the problem of establishing a 'Federated Turkish Republic of Bulgaria' based on the Cyprus model. They have begun to select the capital for it and have settled on Varna.

"Now, two-thirds of the 650,000-man Turkish army is aimed at Bulgaria. The prime minister says that Turkey has produced two-three Phantoms a month since last August and that, when Turkey's population reaches 70 million, it will deal with Bulgaria. During meetings, irresponsible calls to 'go to Sofia' sound from the mouths of senior officials. The plans of Panturkism have now coincided with the plans of certain NATO and United States circles to destabilize those countries around Turkey, which they do not like. Bulgaria is not the only target. The Panturkism supporters consider the population of western and eastern Turkestan to be Turks. To them, the Azerbaijanians, Uzbeks, Kazakhs, Tartars, and Gagauz are Turks.

"We are in favor of a dialogue with Turkey, for the normalization of relations, and for a halt to the propaganda war. However, we cannot, as Turkey requires, sign agreements about refugees and national minorities—there are no international legal or historical justifications for this. We are driving no one from the country; however, we also cannot prevent anyone from going. The laws are identical for everyone. People want to go and to look and—if they like it—to remain. They keep all their rights as Bulgarian citizens. If they want to return—welcome."

"Bulgaria has reacted very quickly and decisively to Vienna and has adopted new laws about departures. Has it turned out that the conduct of the Muslim portion of the population was unexpected?"

"We had prepared the laws a year before the end of the Vienna meeting. We had discussed them publicly in the National Assembly. We expected the Vienna decisions—if it turned out well—to enrich our draft with new ideas. We picked the date of 1 September only because it was necessary to prepare millions of passports and to purchase tons of special paper, which we do not produce, abroad and to find special dyes for it.

"Turkey's anti-Bulgarian propaganda has had an effect on the Muslims: They say that everyone is permitted to leave except us. For years, Turkey has been creating a 'fifth column' among us in a planned manner. There have been people who sowed discord, blackmailed and threatened. There are now 86 investigations of such cases in production. On the other hand, the Turkish leadership is promising our Muslims a life of paradise 'in the motherland'—in Turkey. They cite as an example Shalamanov, the weight-lifter: four apartments, five automobiles, money and gold. You will all live like this—like Shalamanov.

"The reality is different. According to our information, very many of those Bulgarian Muslims, who have left, would like to return. However, Turkish authorities are putting enormous obstacles in their path. Upon crossing the border, Bulgarian passports are taken away from everyone but they are returned to far from everyone. Going to our general consul in Istanbul means finding oneself in the police station. The desire to return to Bulgaria is regarded as a crime—a 'betrayal of Turkey.' This must become a subject for discussion with the Turkish side."

"Some Bulgarians think that at the present moment, which is a serious one for Bulgaria, the Soviet Union, which is interested in developing its relations with Turkey, is not showing the necessary solidarity with its fraternal country...."

"We know about the desire of the USSR to develop relations with Turkey; we welcome this and we want the same thing ourselves."

"The communique of the meeting of the Political Consultative Committee of the Warsaw Treaty Organization member states in Bucharest contains an all-out discussion of attempts to destabilize the situation in a number of socialist countries. I can state that it had Bulgaria in mind also. There is now no need for more resolute actions and declarations."

The Muslim village of Vinevo in the Minaralnyye Bani Commune planned to leave—completely, with its Kmet-Mar which had already resigned its authority. I returned from there extremely depressed.

Todor Mechev, a party obkom instructor who spends his days and nights in Muslim villages, firmly and even cheerfully declared to me: "They will not go."

"(I—despondently) they will go where they will."

"(He—firmly and even cheerfully) I tell you, they will not go—shall we debate it?"