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# USSR Report

INTERNATIONAL AFFAIRS

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8 JANUARY 1987

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## WORLDWIDE TOPICS

### EAST-WEST TECHNOLOGICAL COLLABORATION DISCUSSED

Moscow KHOZYAYSTVO I PRAVO in Russian No 4, Apr 86 pp 76-78

[Article by I. Mitrofanova, economist: "Transnational Monopolies and Economic Collaboration"]

[Text] Recent years have been marked by a further growth of transnational corporations and a sharp aggravation of the competitive struggle between them. By the beginning of the 1980's the TNK's [transnational corporation] had concentrated in their hands 40 percent of the industrial production, 60 percent of the foreign trade, and about 80 percent of the technology being developed. Pre-eminence in this among the capitalist countries is occupied by monopoly capital of the United States, in whose sphere of influence is also located the overwhelming part of scientific-technical potential. Thus, 73 percent of all expenditures on scientific research and experimental design developments (NIOKR) in industry belong to 128 of the biggest American corporations.

To preserve their leadership position in the scientific and technical sphere and obtain monopoly-high profits the TNK's control up to 80 percent of the technology transferred over international channels. The development of the transnational form of monopoly capitalism may have led to the control of the national scientific and technical potentials on the part of the TNK's and the transfer of technology; they nevertheless are not the only creators of new equipment and technology.

In the creation and accumulation of scientific and technical achievements, a substantial role is played by medium and small companies and even individual inventors. On the whole, of 703 most important innovations in the United States only 133 are the share of transnational corporations, and in Western Europe and Japan, of 492--107. Thus, monopolies are not always the creators of innovation. However, they follow technical innovations which are capable of having commercial success, and in many cases with a readiness, copying others' inventions, they use their technical superiority to inflict damage on the company which was the pioneer in the given innovation. This clearly shows the parasitic role of big monopoly capital which "swallows up" others' discoveries and inventions. The monopolies prefer a "waiting strategy."

If the intensity of research, as American specialists assert, is not a value directly proportional to the size of the corporation, in the process of the mastery and exploitation of new equipment and technology the leading role belongs

to the TNK's. Thus, using patent and licensing agreements the American monopolies IBM, Westinghouse Corporation, Xerox, and Radio Corporation of America established effective control over the world capitalist market of the corresponding commodities.

The main channel for transferring new technology, including along the lines of TNK's, is the licensing agreement. It should be remembered that the exchange of technologies in the form of licenses is not mechanical. Those who borrow others' technology should possess their own production experiences and the ability to master this equipment and adapt it to local conditions and, sometimes, even to use a foreign technical achievement in a field for which initially it was not intended.

The dominant positions in the international scientific and technical exchange are occupied by the United States. Its share is more than 60 percent of all income and only 7 percent of payments for technology. In 1982, income from the sale of licenses and "know-how" comprised seven billion dollars in which regard, as studies of Western economists show, the United States sells basically clear licenses, that is, licenses which envision the transfer of both scientific-technical achievements and production experience. Great Britain, France, and Switzerland have an unstable favorable technological exchange balance.

Expansion in the trade of licenses between the West and the East belongs to the 1970's which marked the period of relaxation of international tension. In the period 1971-1976 the number of license agreements exceeded 1200. The mean annual payments for them in the middle of the 1970's comprised approximately 300 million dollars. More than three quarters of all licenses were purchased from TNK's or their branch companies. Now the volume of license trade between socialist countries and Western companies is about 10 percent of the volume of world trade in licenses. However, despite the growth in license exchange between the CEMA countries and companies of the capitalist countries, its intensity nevertheless remains rather low.

An obstacle in the development of the East-West technological exchange is the fact that the business practice of the private sector interlocks with the state policy of the Western countries which use the technological achievements found in a number of branches and interest in the acquisition of licenses for contemporary technology to exert political pressure and obtain unilateral advantages.

In the field of technology export as a whole, American TNK's are conducting an expansionist policy. As a rule, the export of technology through TNK channels is accomplished together with direct investments, which strengthens state, financial, and management control of American companies over the companies of the receiving party. They are also trying to approach the development of economic-trade and scientific-technical ties with the USSR and other socialist countries from such positions.

Conducting restrictive practice in the field of technology transfer to the socialist countries, at the same time the ruling circles of the United States encourage the export of individual types of technology by their TNK's to some of them. In this case, the export of technology is accomplished in a

differentiated manner and is considered as a political tool in foreign-economic activity to obtain unilateral advantages. Here, the activity of the TNK's is stimulated by the establishment of preferential tax rates on income from the sale of technology abroad.

The activity of the West European and Japanese TNK's, although it is accomplished against a background of a discriminatory policy of their states in relations with socialist countries conducted within the framework of the Coordination Committee for Multilateral Export Control, is nevertheless not as straightforward as that of the American TNK's. Having an economy oriented on export with a high degree of dependence on the foreign market, under the conditions of an aggravated competitive struggle with American monopolies the West European companies are trying to expand international ties to the maximum, being guided first and foremost by the extraction of economic advantage. For example, France's share at the end of the 1970's was 11 percent of the Soviet technology import and the share of the FRG was 34 percent. To make technological exchange more active, licensing agreements with the USSR and other socialist countries were signed by a number of concerns of France, the FRG, Italy, and several other states.

Stating that the foreign-trade activity of the Western countries in relation to the socialist countries is now being conducted in the channel of a rigid foreign policy course and recognizing the scientific and technical successes of the socialist countries in the field of basic research, Western European and American researchers consider the importing of scientific and technical knowledge from the East possible and advantageous. Since the contemporary competitive struggle is being shifted more and more to the scientific and technical sphere, the strengthening of the competitive capability of the companies through the acquisition of the latest technology at the state of theoretical development with their own significant capabilities which are available in the field of their practical realization and mastery is looked upon by them as an economically advantageous phenomenon.

One of the special features of the contemporary status of economic ties between the two world systems which was manifested under the influence of the NTR [scientific and technical revolution] is the development of international integration processes which are accomplished through scientific production cooperation which, in turn, should be considered as a form of technological exchange. The NTR made cooperation a necessary condition of contemporary production. On the other hand, connecting science with production into a single process, the NTR gave a scientific production nature to cooperation.

Considering the fact that the life cycle of an innovation is continued in the production sphere, being transformed into a component part of reproduction, it complicates the cooperation process more and more and gives it new forms and quality features. Legal and organizational forms for the transfer of scientific and technical knowledge in cooperative relations are varied: joint studies, business trips of specialists, instruction of personnel, rendering technical assistance, and the supplying of special technological equipment. More than half of all cooperation agreements between companies of the capitalist and socialist countries contain a regulation concerning the instruction of personnel and rendering technical assistance, agreement on the transmission of technological documentation was attained in 19 percent of such agreements, 28 percent discuss the supply of equipment, and 16 percent of the agreements--various combinations of these forms.



The most important prerequisite for the establishment of production cooperation between partners is the standardization of the object of cooperation, that is, the introduction of common technical requirements, technical documentation, and technical safety requirements. This is attained either on the basis of the joint working-up of documentation or on the basis of sale and purchase licenses for the object of cooperation. The necessity for such standardization is caused by the disparity of the levels of the cooperating parties' readiness for joint production in a number of cases and is a tool for equalizing the knowledge of the partners for more effective collaboration at subsequent stages. Such big Western companies as Daimler-Benz, Bosch, MAN (FRG), Eaton (United States), the British branch of General Motors, Citroen and Reno (France), Fiat (Italy), Westinghouse (United States), Leyland (Great Britain), and others concluded bilateral cooperative agreements with socialist countries.

It is completely obvious that production cooperation can develop effectively with the presence of sufficiently favorable political conditions for economic collaboration which ensure a mutually acceptable trade regime. The activity of the West European and Japanese countries in the sphere of production cooperation is not always consistent and is frequently directed toward restricting the import of finished articles from the socialist countries. In the majority of cases, the position of American companies can be characterized as selective.

Compensatory agreements are that form of technological exchange for the conclusion of agreements on which the Western European and Japanese companies embark most willingly although the United States insists on the banning of such transactions. The volume of the East-West compensatory agreements concluded in recent years reaches 1.5 billion dollars per year. According to data of the secretariat of the European Economic Commission of the UN, an analysis of 208 agreements on industrial collaboration between Western European and socialist countries in effect in the middle of the 1970's showed that 47.8 percent of the agreements examined belong to the compensatory category, including 26.1 percent which pertain to the transfer of technological information in connection with the construction of facilities while 21.7 percent pertain to the supplying of plants and complete sets of equipment with their payment with production produced at the enterprises which have been constructed.

Two types of agreements are accomplished within the framework of such contracts. The first type is the cooperative agreement itself which includes the construction of the "turnkey" facility. In this case, the contractor bears full responsibility for the entire complex of work. As a rule, such contracts are big and long-term and are implemented with payment for equipment acquired, compensation for all expenditures and services, and deliveries of production. The second is individual agreements connected with the construction of industrial facilities where the customer is dealing with several contractors who assume specific independent obligations.

The CEMA member countries are waging a consistent and purposeful struggle against the restrictive practice of the monopolies which, in the end, is directed at undermining the state foreign trade monopoly and restraining the activity of the foreign trade organizations of the socialist countries.

As regards TNK's, the intensification of mutual competition, in the future, too, inevitably will thrust them toward the use of all possibilities to consolidate old and capture new positions in the world economy. Among these possibilities, the expansion of economic and scientific and technical ties with the socialist countries occupies an important place, especially for the TNK's of Western Europe and Japan.

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## WORLDWIDE TOPICS

### ROUNDTABLE DISCUSSES 'NEW POLITICAL THINKING'

LD041557 Moscow Television Service in Russian 1445 GMT 3 Nov 86

[Roundtable discussion entitled "New Political Thinking in the Nuclear Age," held at the APN NEWS AGENCY, moderated by N. I. Yefimov, first deputy editor in chief of IZVESTIYA; with Michel Tatu, observer for the Parisian newspaper LE MONDE; Pierre Salinger, Paris correspondent for the U.S. television company ABC; Juergen Jagla, editor in chief of the KOELNISCHE RUNDSCHAU (FRG); Krishnan (?Kutti), deputy general director of UNITED NEWS OF INDIA; (?Akile Tagalile), Tanzanian journalist; Harald Hamrin, Moscow correspondent of the Swedish newspaper DAGENS NYHETER; V. M. Falin, chairman of the APN Board; Major General Ye. V. Lebedev, deputy chief of directorate of the General Staff of the USSR Armed Forces; G. Kh. Shakhnazarov, chairman of the Soviet Political Science Association; Academician N. N. Moiseyev; G. S. Golitsyn, corresponding member of the USSR Academy of Sciences; D. M. Proektor, doctor of historical science; A. Adamovich, writer; and Metropolitan Sergiy, Russian Orthodox Church official;--video shows participants seated on both sides of a long table, with the Soviet contributors on one side and the non-Soviet contributors on the other. Yefimov is seated at the head of the table, below a large photograph of Gorbachev. Lebedev is in uniform, the others are in civilian clothes; date not given; recorded]

[Excerpts] [Yefimov] This year has been unprecedented in the history of our diplomacy and in the history of our country in the number and importance of the initiatives that the Soviet Union has made. We have something to discuss with you today. We are at present living through what we in our press call a crucial period. It is not only our and your lives, but also the lives of our descendants that depend on what decisions are made. Permit me to offer the floor, to welcome you, to the chief of this building, Valentin Mikhailovich Falin, chairman of the board of the APN NEWS AGENCY.

[Falin] Respected guests, comrades! Today after the Soviet-American meeting in Reykjavik, there are discussions under way with a new vigor, one can say without exaggeration, in all countries, about the main thing--what sort of world should there be in the coming decade, what sort of world should there be in the 21st century? Our state, and the CPSU, have come to the conclusion that it is necessary to fully renew our thinking, primarily our political thinking. It is necessary to analyze afresh everything that in the past was considered an iron law of international relations. Policies conducted from a

position of strength, policies of violence, have completely had their day. Security in our age can only be comprehensive, and as far as the United States and the Soviet Union are concerned, only mutual. We must be in agreement on these questions of the future so that our peoples and civilization as a whole might continue, so that the final chapter of civilization should not begin. Thank you.

[Hamrin, in English fading into Russian translation] I am not speaking from a prepared text, these are my remarks on the comments of Mr Falin. A problem that I envision here concerns the fact that the new conceptions that have been set out in the speeches of Soviet leaders, especially over the last year, seem to me, at least, to be extremely new. In the end, when they speak about the need to place man at the center and make him the measure of all things, such an approach seems to me to be somewhat contradictory--in contradiction, in particular, of certain basic tenets of Marxism-Leninism. What worries me is not that the Soviet approach in this field is developing with time. This is in itself a good thing; undoubtedly, changing circumstances require one to change oneself. But this change occurred very suddenly for me, as a detached observer. In the end, the Soviet Union was conducting a very wide armaments program at the end of the seventies and in the eighties--this is a statement and a question that I address to the Soviet participants in the roundtable discussion. Thank you for your attention.

[Falin] I would like to begin with the penultimate comment of Mr Hamrin, that our position concerning the problem of security and disarmament contradicts Marxism-Leninism, in a certain sense. If this is so, then the very birth of our state would be in contradiction with Marxism-Leninism since the first act, as is well known, at the birth of the Soviet Republic, was the decree on peace. On 7 November 1917 we offered to all states peace and peaceful coexistence. My question in this regard is this: What, in principle, prevents the West from agreeing with this philosophy? We know what prevented this before the war. I would just remind you of the British representative at the League of Nations when the question of aggression was being examined. More precisely, being examined at Soviet initiative, of the definition of aggression. The British delegate stated: Great Britain, as an imperial power, cannot, in principle, agree with a repudiation of aggression. As long as imperialism exists, and the British side represents it, there will always be wars and there will always be aggression. This was a philosophy. This was not a statement by an individual person in defense of an individual position. This was a principle. As long as imperialism exists, there will always exist aggression.

We are prepared to tackle all of our quarrels, all of our misunderstandings, with any countries, at the negotiating table and only, exclusively, by peaceful means. We are prepared to compete and argue that our system is a system that most fully meets the interests of man. We have been prevented from arguing this for more than 65 years. Of the 70 years of the Soviet Union's existence--due next year--at least 65 of our years have been unpeaceful. It was either wars, or preparations for wars, or dealing with the consequences of wars. And wars forced on us, not chosen by us, because it has

been considered right from the beginning of 1917 that it is possible to exhaust us with the aid of the arms race.

It is a paradox. You--I mean the Western powers--are forcing the arms race on us. I could cite certain documents concerning the Rogers plan or the FOFA [expansion unknown] plan as it is currently called in NATO, which is also calculated to exhaust the Soviet Union, primarily economically, since the conventional arms race costs five or six times more, according to your Western evaluations, than the nuclear arms race. But this is not the essence. How can you say in forcing the arms race on us so that we should arm as much as possible, that we are at the same time threatening you? You should have invited us to disarm, so that there should be no threat. That's logical. You are forcing us to equal you, to contribute resources to an arms race that we do not want, and at the same time we are threatening you! Its absurd to look at the arms race like that. But if you look at the arms race as a form of war that the West, the capitalist world, is waging against the Soviet Union, practically over the whole period of its existence, this absurdity appears rather different. It appears, primarily, as a lack of faith on the part of the capitalist world in its own strength. I have personally read a number of monographs by your academics that argue that peaceful coexistence is disadvantageous for the West, that it is dangerous, and that in peaceful coexistence the West is doomed. If that is so then, of course, in the future, in the decades before us, we will have to stumble from one weapons system to another, even more terrible, even more expensive, and even more dangerous for everything that awaits mankind. Until, of course, these systems come into operation independently of us, and we are all laid to rest, and we all become quiet in a state of nothingness. Then all arguments are finished. Even those at the roundtable, unfortunately, will come to an end, even though they are very pleasant.

[Jagla] Of course, the United States has certain plans on how to destroy the Soviet Union. These plans do not worry me at all, and I hope, I not only hope, I am certain that the Soviet Union can give a corresponding reply to everyone who has such a plan. This certainty gives me, and millions of other people in this world, very considerable peace of mind. I would add that it gives us hope even. We now have to deal with facts. The situation is indeed such that the method with the help of which we are preserving peace is unworthy because it makes the whole world hostages. This is a thought that cannot be imagined. I have often written about this, and I have said that it bears witness to the total bankruptcy of mankind, not only of the West but also of the East. We are in a vicious circle, and we have to find a way out of this circle. But please don't tell me that this is possible by means of holding summit conferences, that it is possible in the course of 10 years, or that this is possible in the lifetime of one government. This is a very lengthy process, a very difficult and complex process, and it cannot be otherwise because it is a matter of the greatest things that mankind has.

[Falin] Why is it that we have to dance around this problem for a hundred years? Why is it that a negative decision can be taken literally in a matter of minutes, but in order to draw a conclusion on the basis of facts

accumulated over 40 years we have still to wait until kingdom come. What now? We are consuming what belongs to a thousand future generations? Why? Who gave us this right? Why do we take the view "apres moi le deluge"? That's where the philosophy lies, that's where the root of evil lies. Let's pull this root up, so that we know what we are really dealing with.

[Salinger, in English fading into Russian translation] Let me start by saying that I am not, of course, a specialist on disarmament talks. I am not an official representative of the U.S. Government. My profession is journalism. At the same time it is true that at one time I was indeed a representative of the U.S. Government and at that time I took an active part in Soviet-U.S. relations. Therefore, I would like to begin by saying that in order to determine the future, it is necessary to look at the past. In this respect I agree with what Mr Falin said. What does history teach us about disarmament talks? What were the factors that enabled us to hold those talks and to achieve a certain amount of success? First of all, in the 1960's, though the first years of the Kennedy administration were not such happy ones in relations between our countries and there were certain problems, nevertheless contacts were developed on numerous levels between the United States and the Soviet Union, not only at the governmental but also at lower levels. So, there was a constant dialogue between the two powers.

Second, there must be the will, the political will. You cannot achieve positive results at talks between the two powers if there is not the political will to achieve success. In 1963 there was this will directed at the achievement of this objective. In the 1970's we also witnessed a display of political will. What should be the first objective of talks? First, that no power should have superiority over the other side. This is a fundamental principle of the world in which we are now living. Having agreed that superiority is not a goal to which any power is striving toward, we embark on the next step. This is the balanced reduction of that huge quantity of weapons that we now have. Why have we arrived at this abundance of weapons? The answer is lack of confidence between the two powers, lack of U.S. confidence in the Soviet Union's goals and lack of Soviet confidence in U.S. goals.

[Adamovich] How, in these circumstances, can one overcome this same stereotype of thinking, the oldest one--the habit of ascribing all evil to one's neighbor and all good to oneself, thereby multiplying enmity and distrust? Nobody is completely pure. Anybody who was completely pure was wiped off the map long ago. Having understood this, let us try, let us begin to write about and, most important of all, chart the history of good deeds by good neighbors, normal friendship between peoples. Vasiliy Bykov and I toured the FRG. At one meeting with readers, we discussed several of our stories about the war, which have been translated in the FRG. A young Bundeswehr soldier was present. He asked us the following question: Who is on your targets when you are taught to shoot? Which soldier from which army? On our targets they draw a picture of you.

I replied honestly that I had not seen and did not know. But I did not think it was either Germans or Americans, simply an abstract soldier from an enemy

army. Then he and I started trying to work out how many soldiers there are in all the armies of the world. Millions. However, billions of people would die. More than 2 billion children alone would die. So, if we were to be honest, not a soldier but children should be depicted on the targets. They, above all, are the target of nuclear weapons. If we did this, perhaps we would wake up and really come to our senses.

[Yefimov] Metropolitan, please go ahead.

[Metropolitan Sergiy] We welcome the decision to our country's government to impose a unilateral moratorium on all nuclear tests. What is the importance of the moratorium from a Christian point of view? During the first months of the moratorium it could have been regarded as a natural technological pause in the development of new Soviet armaments. But now it is obvious to everyone that this is a courageous, unprecedented political step connected with a fundamental refusal to respond to a challenge with another challenge. Instead the Soviet leadership answered the challenge with an act of restraint and love. Representatives of various Christian churches are cooperating in a fraternal manner. And not only representatives of Christian churches. We are communicating, we are cooperating with Muslims, Jews, and Buddhists. Why is it impossible in the political sphere? Thank you for your attention.

[Yefimov] We have discussed, or tried to discuss, what is really the question of questions, a question that is more important than any other. The world can only be nuclear-free. Mr Jagla is absolutely right to say that both sides sin in their coverage of each other. Soviet journalists also sin, when they say that we do not make mistakes and errors, that everything is balanced. These things exist on both sides. But there is one thing you will not find in our country. Our main aim is not to represent you solely as the enemy. No. I would like to give you one small example, from the film "If You Cherish Your Home..." by the well-known Russian, Soviet writer, Konstantin Simonov. The film is about the defense of Moscow. One episode deals, I think, with the fighting near Yelnya. This was the first small offensive by our forces. We took our first German prisoners of war. The film incorporates newsreel from those years. Our women milk their cows and smile. They are very friendly towards these German prisoners of war. They give them fresh milk to drink. I saw this film several times. The audience, the Russian audience in the cinema, became quite hushed at this point. Inside the cinema you could only hear the voice of Simonov, saying: Before the war we taught them that beyond our borders there live people who are mostly members of the working class or the peasantry and we have identical interests. We taught them that. Then there is a question, a question like an explosion, you know. Were we right? In asking this question, Simonov has flabbergasted the audience, affected them emotionally. And he replies: We were right.

I cannot recount all of it to you. It was very convincing, logical. Furthermore, he replies, we must continue to teach our people this. Yes, new thinking is very necessary. That is the main objective, to build a bridge across the river and to seek common ground. We and you are tied hand and foot, so to speak. We can live together, certainly. But we can only die together, not separately.

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## WORLDWIDE TOPICS

### REPORT ON ICAO 26TH ASSEMBLY SESSION

Moscow VOZDUSHNYY TRANSPORT in Russian 4 Nov 86 p 3

/Article by B. Ryzhenkov, executive secretary of the USSR Commission for ICAO Affairs: "On the Basis of Collaboration following the Principle of Equal Rights: Concerning the Results of the ICAO 26th Assembly"7

/Text7 Life at ICAO headquarters has now returned to its normal routine. But very recently there, during the 26th Session of the ICAO Assembly, 740 delegates from 142 countries were engaged in heated and interested discussion of the urgent problems which confront international civil aviation.

The Assembly's agenda included more than 40 questions of a technical, economic, and juridical character. The session summed up the results of ICAO activities during the 1983-1985 period and approved a program for its work during the upcoming three-year period.

On the first day of the session, the chairman of the USSR Commission for ICAO Affairs, Minister of Civil Aviation B. P. Bugayev, presented a statement in which he drew the Assembly's attention to the broadscale peaceful initiatives of the USSR. At the same time, he emphasized that the International Civil Aviation Organization, which has succeeded in earning a large measure of authority among nations during the 40 years of its existence, is called upon to make a contribution to solving the most important problem of modern times -- the problem of war and peace and of strengthening cooperation among nations. Our delegation positively assessed the results achieved in developing world air transport. At the same time, negative tendencies have appeared in recent years, which require that the ICAO and its nations take urgent measures. The Soviet delegation introduced a proposal for increasing the ICAO role in the developing measures to combat acts of illegal interference in the activity of civil aviation, to increase flight safety and economic efficiency, and to improve technical assistance to developing countries.

A majority of the participants in the Assembly spoke out in favor of intensifying the struggle against international terrorism in air transport. At the same time, the delegations of Nicaragua, Libya, and certain other countries accused the US and Israel of carrying out acts of state terrorism.



against sovereign countries. Representatives from the developing countries sharply criticized the western countries, particularly the US, for attempts to destroy their civil aviation by forcing "free competition" on civil transport markets and by introducing various restrictions on flights to their countries.

The US delegation, emphasizing its desire to avoid "politicizing" ICAO, limited its address to questions of a technical nature. Moreover, the American representative, in his expansive statement, did not find room for the main problem of modern times -- the preservation of peace on earth -- and wasn't able to respond to the accusations which had been made against his country.

As a whole, the discussion demonstrated that the participating countries, viewing the ICAO as an important instrument for strengthening international cooperation, advocate increasing the effectiveness and practicality of the organization's activities.

Great importance is given at Assembly sessions to electing Council members. Many countries seek to take part in this important ICAO organ and to make their contribution to its work and decision-making. The elections held at the 26th Session took place in an intense atmosphere, inasmuch as 39 countries were vying for 33 seats on the Council. In the results, it turned out that the Soviet Union was elected to the Council as one of the countries which plays a leading role in world civil aviation. As in previous years, Czechoslovakia will represent the countries of East Europe in the Council. New members elected include Switzerland and Sweden (from the West European countries), Cuba, Peru, and Panama (from Latin America), Tunisia and Ghana (from Africa), and Saudi Arabia (representing the countries of the Near East). In addition, the US, France, the Peoples Republic of China, Japan, India, Mexico and other countries became members of the Council.

Review of the program for ICAO's future work took place in the Assembly's working organs -- the executive committee and the commissions. A concrete contribution to their work was made by the Soviet delegation, which put forward specific proposals concerning all areas of ICAO activity.

As is known, one of the main purposes of the organization is to develop principles and methods which facilitate flight safety. In recent years, the technical level of civil aviation has grown greatly. Nevertheless, the number of aviation incidents is not going down, and during 1985 a tendency toward their increase was in fact noted. Analysis shows that a considerable part (up to 70 percent) of aviation incidents are result of the so-called human factor. In this connection, the Soviet delegation proposed that a study be carried out within ICAO aimed at developing international standards and recommended procedures relating to the human factor, which would help to increase the safety of aircraft flights. This proposal was approved.

Support was also given to our proposal concerning the development of international rules and instructions for reducing the expenditure of fuel by aircraft during flights. The Assembly directed the secretariat to organize

dissemination of experience accumulated by the countries regarding methods for economizing on the use of aviation fuel, including optimizing routes and procedures, in the form of appropriate ICAO materials.

Another proposal was passed, calling for more active work in the area of standardizing units of measurement (particularly of flight altitude) and for presentation of a report on results achieved to the next session of the Assembly.

And what other directions are foreseen in the organization's upcoming work in the technical area? Great importance is being given to further development of norms of aircraft flightworthiness, including maintaining the flightworthiness of aircraft while in operation. Envisioned are the development of means of navigation, UVD /expansion not given/ and communications equipment, through the introduction of satellite technology, and of secondary radio direction-finding equipment, and also improvement of fixed and on-board communications systems.

A decision concerning replacing the landing systems at international airports is aimed at increasing flight safety and regularity. During the next 10-15 years, instead of the instrument system (ILS), which has exhausted its technical possibilities, a microwave system (MLS) will be introduced.

Serious attention was devoted to problems of air transport. The Assembly expressed its concern regarding the continued use by a number of countries of such unilateral measures as the application of national legislation to international air communication, the introduction of noise limitations on the flights of foreign aircraft, and the freezing and refusal to transfer the earnings of aircraft companies.

The policy of deregulation being pursued by the US was a subject of sharp criticism. Despite opposition from the American delegation, the Assembly approved a decision to develop instructional materials regarding the application of laws concerning competition to international air transport, and to include in it a standard article for bilateral agreements.

The introduction of a fuel tax at a number of US airports produced serious concern by the participants in the Assembly. Many delegations noted that such a practice contradicts the generally accepted principle of freeing international air transport from taxation and that it will unavoidably produce responsive measures on the part of other nations, with the result that the cost of air transportation will sharply increase. The Assembly directed the Council to confirm that the countries are observing ICAO recommendations concerning freedom from tax assessment and, when necessary, to take additional measures in this direction.

At the suggestion of the Soviet delegation, a decision was passed to include a 3-year prognosis of the development of air transportation and of the financial results of air companies within the annual reports of the Council. Our proposal on setting priorities regarding air transport, within the ICAO work

program, received wide support. The purpose of this proposal is, within the limits of the approved budget, to concentrate the organization's efforts on solution of the most important questions, with determination of time periods and final results of research projects which are carried out.

Discussion of the problems of air transport showed that a majority of the countries are in favor of regulating international air transportation within the framework of the ICAO and also reject the desire of the United States and other countries to obtain unilateral advantages at the expense of damaging the interests of their weaker partners.

Heightened attention to questions of aviation safety, in connection with the incidents of air terrorism which have taken place in recent times, was emphasized by inclusion of the question of safety in air transport within the agenda for the session.

The Soviet delegation proposed that effective methods be developed for preventing acts of illegal interference in the activities of civil aviation and for strengthening cooperation in this area, having emphasized that the development of such methods is one of the component parts of the all-embracing system of international security, creation of which has been proposed by the Soviet Union.

The Assembly approved our proposal about activating ICAO's work to develop measures for preventing illegal acts. A decision was also approved to develop an international legal document envisaging application of the provisions of the Hague and Montreal conventions on combatting illegal acts against the safety of civil air carriers to illegal acts of force which are committed on international airports.

In contrast to this approach, which is limited to simply applying the provisions of two existing conventions to acts of force at airports, the USSR delegation advocated increasing the effectiveness of international legal measures for combatting terrorists on air transport. In connection with this, it was proposed that the Tokyo, Hague and Montreal conventions be strengthened by adding provisions to them, which would make it obligatory to surrender air terrorists to the nation to which the aircraft is registered. This proposal was aimed at increasing the inevitability that the criminals will be punished.

As indicated by discussion of this proposal, the representatives of the western countries were not prepared to support their verbal condemnation of international terrorism with practical steps, but stood in the way not only of the development but also of the study of ways to strengthen international means of combatting acts of terrorism on air transport.

Well, the future will show whether the measures taken by the session are adequate. It is our deep conviction that air piracy has now reached a stage

where truly effective measures and close cooperation in the struggle against this evil is demanded of the ICAO and of all nations.

The session examined proposals by a number of delegations about conducting studies of individual provisions of the Chicago Convention and amendments to it, which concern improper, illegal utilization of civil aircraft. At the insistence of the western countries, which expressed a fear that ratification of Amendment 3-bis to the Chicago Convention (concerning abstention from the use of weapons against civil aircraft) might be withheld because of carrying out such a study, a decision was reached not to conduct any kind of studies in this direction. At the same time, a number of delegations noted that ratification of this amendment by their countries will, to a large degree, depend upon resolution of the problem of improper and illegal utilization of civil aviation. Therefore, putting off the conduct of necessary study within the framework of the ICAO Juridical Committee cannot but have an effect on the process of ratifying and implementing this amendment.

Problems of aircraft noise produced sharp disagreements. In connection with the unfavorable consequences of noise for residents living in the vicinity of airports, the western countries have introduced restrictions on flights by planes of antiquated construction to their airports. This created a real threat for the activity and even for the existence of the air companies of many developing countries, whose representatives called for abolishing such unilaterally imposed restrictions.

The Soviet delegation pointed out that the problem of aviation noise should be solved, not by carrying out restrictive policies, but on the basis of broad research to determine methods for reducing noise and for its control. Such research should provide a specific assessment of the influence of the restrictions that have been introduced on the noise level of airports, on one hand, and of the economic and financial consequences for air companies resulting from their introduction, on the other hand. This proposal was accepted.

The Assembly called upon all nations not to introduce any kind of exploitive prohibitions on flights by foreign aircraft to their airports and affirmed its position that decisions in this regard must be made within the framework of the ICAO, and not by means of unilateral restrictions.

Serious contradictions arose during discussion of the proposal by a group of African countries to condemn South Africa's policy of apartheid. The western countries tried to prevent examination of pressing contemporary problems and to limit the work of the session to purely technical questions. However, the Assembly, by an overwhelming majority of votes, condemned apartheid and called upon all ICAO member countries to sever air communications and to abrogate bilateral air transport agreements with the Republic of South Africa.

The session condemned the illegal seizure and forced landing of Egyptian and Libyan civil aircraft by American and Israeli fighter planes in the air space above international waters. Despite opposition from the US delegation, the Assembly directed the Council to undertake necessary actions in connection with Israeli terrorist acts, which create a threat to the safety of international civil aviation.

The delegations of the socialist countries took an active part in examination of all questions in the agenda and made an important contribution to the work of the session. On the initiative of the USSR and other socialist countries, the Assembly approved a resolution concerning ICAO's contribution to achieving the goals of the International Year of Peace.

The results of the 26th Session of the Assembly testify that orderly and effective development of international civil aviation can be achieved only through collaboration by all countries, based on equal rights and mutual benefits, in a spirit of good will. The ICAO can and must make a contribution to the matter of consolidating mutual understanding among peoples and strengthening peace throughout the entire world.

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## WORLDWIDE TOPICS

### BURLATSKIY BOOK ON CONTEMPORARY CAPITALISM REVIEWED

Moscow OBSHCHESTVENNYE NAUKI V SSSR: SERIYA 1--PROBLEMY NAUCHNOGO KOMMUNIZMA (REFERATIVNYY ZHURNAL) in Russian No 5, Sep-Oct 86 pp 28-36

[Review by T. A. Fetisova, under rubric "Theory of Socialist Revolution and the Worldwide Revolutionary Process," of 'Sovremennyy leviatan: ocherki politicheskoy sotsiologii kapitalizma' [Modern Leviathan: Essays on the Political Sociology of Capitalism], Moscow, Mysl, 1985, 384 pp.

[Text] The book consists of an introduction and six chapters.

Chapter I is "Political Relations in the Class-Antagonistic Society."

The Marxist approach to the study of politics reveals substantial ties that the economic and other factors have with the political system, with the state, policy, and the law. Therefore the scientific study of the specific political phenomena requires, first, the explanation of the economic interests by which they, in the final analysis, are determined, and, secondly, the clarification of the entire system of social factors and contradictions through which the economic interests blaze a trail for themselves.

The central point in the theory of politics is the concept of authority. "Political authority as one of the most important manifestations of authority as characterized by the real capability of the particular class or group, as well as the individuals who reflect their interests, to carry out their will by means of policy and legal norms" (p 19).

State authority is that form of social authority which has class nature, which relies on the special apparatus of coercion, and which has at its disposal the monopoly right to promulgate laws and other orders that are mandatory for the population as a whole (Ibid).

In order to understand the content of policy, substantial importance is attached to such attributes of authority as the interrelationship with the political system and law, and the ability to make decisions that are mandatory for society as a whole with regard to the distribution of values among the various societies and individuals.

The scientific interpretation and application of the category "political system" makes it possible to combine into one the basic categories and

concepts that characterize the political life of society. The political system is a class formation that guarantees the existence of society as a single organism that is controlled in a centralized manner by the political authority.

One can consider as elements of the political system the social institutions, groups, norms, functions, and roles which are in close interaction with political administration. The basic institution of political authority is the state, which with respect to society acts as the instrument of management and control on the part of the dominant class.

A very important institution of the political system is made up of the parties, which differ from one another by their class essence and by the political goals that are determined by that essence, by the mass base, place, and role in the political structure, by the structure, internal regime, and methods of activity.

For a more precise definition of the forms of the vital activity of the institutions of the political system in states of different social types, the concept of the political regime was advanced.

In Soviet literature, the political regime in the class-antagonistic society is defined as "the system of methods of carrying out state authority which reflects the condition of the democratic rights and freedoms, the relationship of the state authority agencies to the legal foundations of their activity" (p 35). From the point of view of the political regime one can isolate: fascist, semifascist, authoritarian military dictatorships, and conservative parliamentary and bourgeois-democratic regimes.

With the growth of the productive forces, the development of state-monopoly capitalism, and the upsurge of the class struggle, the functions of the state expand and one can discern tendencies toward elevating it above society. That leads to the growth of the independence of state institutions and their individual links, and that increases the rate of results of the specific actions involving social pressure upon those institutions. The interests which are usually the determining ones at such time are the interests of the most powerful pressure groups (the large-capital factions, TNK, etc.), but sometimes one sees acting in the role of pressure groups those forces that do not belong to the ruling class, in particular, the workers organizations.

Chapter II is "Political System of Modern Capitalism: The Nature of Crisis and the Limits of Modification."

The political system of modern capitalism arose in its basic features as a response to the needs of a bourgeois society that was standing at the initial stage of development, but the base shifts that occurred in society required a substantial modification of the series of instruments constituting the forms and methods of carrying out the political authority.

The instability of the bourgeois political system, and in particular the incapability of its institutions to fulfill the socially necessary functions, gave rise many times to acute crisis situations.

The 1929-1933 depression, which caused the paralysis of political institutions, gave rise, in political theory, to an interest in developing nonparliamentary models of administration. The basis of these innovations was the creation of a "strong state." After World War II, when the authoritarian-fascist regimes suffered both military and political-ideological defeat, the ruling circles of the industrially developed capitalist countries came to the conclusion that, despite the dangers that the representative political system represents for the bourgeoisie, certain of its institutions, and particularly the parliament, retain for the ruling class their importance as an instrument of authority. The political system was augmented by adjustments that were dictated by the need, without changing the foundations of the order, to adapt it to the changed situation. Attempting to resolve the problems engendered by the expansion of the state's sphere of actions, the ruling circles of the bourgeoisie took the path of creating an all-encompassing system of administrative control. At such time they rejected the path that was based on a particular form of introducing self-management from below, and that led to the expansion of the sphere of action, rights, and competency of the bureaucracy.

Laying a claim on the monopoly of knowledge, skills, and information, the administrative apparatus began to play a defining role in the preparation of the political decisions, to which it could give a form that was suitable for itself. A consequence of this was the consolidation of the positions of the executive authority, to the detriment of the legislative. This represents the manifestation of a crisis in the political system, since it violates the correlation that has developed among its elements, undermining their interaction. One of the aspects of the intensification of the executive authority is the weakening of the parliamentary mechanism. The matter is not limited to a reduction of the capabilities of carrying out the monitoring of the executive authority. In the parliament itself there is a shifting of the prerogatives of authority from the plenum to specialized commissions in which there is a discussion of the legislative bills, a shifting from commissions to the experts who represent the ministerial bureaucracy.

One of the manifestations of the postwar restructuring of the political system of capitalism, which restructuring was intended to form a mass base that would guarantee the stability of the political institutions, was the changing of the outward appearance and the specific functions of the bourgeois political parties. An orientation toward permanent political participation was worked out, and in propaganda activity the emphasis was placed on the social aspects. In view of their orientation on various social groups, the target goals began to be formulated in a deliberately hazy manner, but their pivot continued to be an apologia of capitalism. Something that became new in the behavior of the bourgeois parties was the fact that now they not only proclaimed postulates, but sometimes also implemented them to a degree that did not affect the interests of the ruling circles. With the relative stability of the social and economic situation, this kind of tacking back and forth is possible, but when there is a crisis situation the contradictory nature of this policy manifests itself very obviously. The necessity to take greater and greater consideration of the growing importance of the masses prompted the ruling circles of the bourgeoisie, to a much greater degree than previously,



to use the social-democratic parties, and to agree from time to time to the transfer of political power to the social democrats. The chief condition for this consent is the readiness of the social democrats not to infringe on the foundations of capitalist social relations.

An important innovation in the postwar political system of capitalism was the special orientation of its institutions toward the use of the mass communication media. With their aid the bourgeois institutions were able to exert a substantial influence upon the formation of the workers' views concerning many questions of domestic and foreign policy. However, subsequently the growth of the critical relation to capitalism as a whole began to create new serious difficulties for the manipulators of public opinion.

Chapter III is "Social Components of Political Authority."

In the modern developed capitalist countries the ruling class -- the bourgeoisie -- represents a group that is relatively small in volume. The segment of that group which is largest in number is the medium bourgeoisie, but its role in determining the policy of the ruling class is becoming smaller and smaller. At the same time it remains a reservoir that provides the cadres that are needed by the ruling class for carrying out its material and spiritual authority. The decline in the influence exerted by the medium bourgeoisie is connected with the weakening of its economic positions. Ownership of the means of production is in the hands of the large bourgeoisie, its monopolistic upper level. The contradictions between the medium bourgeoisie and the monopoly bourgeoisie is one of the causes that undermine the monolithic nature of the ruling class. Another cause is the development of state-monopoly capitalism, in proportion to which the state, with respect to the bulk of the bourgeoisie, becomes the monitoring and guardian level of administration. Under these conditions the effectiveness of the economic activity of private capital depends upon the nature of the relations with the state apparatus. Inasmuch as the monopoly bourgeoisie is linked with it more strongly than the other groups are, it receives additional advantages.

As a result of the deepening of the process of separation of ownership-capital from function-capital, the managers group formed. Despite definite collisions between the managers and the major owners, the differences between these groups do not go beyond the confines of the differences between the structural elements that constitute a single commonality.

The detachment that is close to the managers constitutes the so-called service bourgeoisie -- the upper-crust groups of class-differentiated hired workers employed in the state apparatus and other social institutions. They possess no capital, but social-political positions that give power. The representatives of that group are especially interested in expanding and deepening the influence and functions of the bourgeois state and its institutions.

Chapter IV is "Political Culture."

"By political culture one understands the institutionalized and

uninstitutionalized historical and social experience of the national and supranational commonality, which experience exerts a greater or lesser effect upon the formation of political orientations and in the final analysis the political behavior of the individuals and the small and large social groups. In other words, political culture is the 'memory,' firmly established in laws, customs, and political awareness, of the past of society as a whole, as well as its individual elements, primarily classes and social segments" (p 198).

The accumulated historical and social experience is subjected to external effects which either reinforce the foundations of the political culture that has formed, or change it. These effects include, first of all, the dynamics of the relations in the production sphere, which dynamics lead to the restructuring of society and, consequently, of the needs and interests that correspond to the social groups, as well as including the acquisition of new historical experience, which can either coincide with the previous experience, or can contradict it.

The concept of "political culture" makes it possible to ascertain the reasons for the specifics in the behavior of a particular social group when there is a relatively even level of its development and there are close conditions of existence.

Chapter V is "Political Behavior."

Political behavior is a broader concept than political culture, since the latter forms only one of its sources. By political behavior one understands any form of participation in the carrying out of authority (or the counteracting of carrying it out), participation in formal organizations and mass movements, inclusion in various elements of the system or aware aloofness from them, the public manifestation of views with the purpose of exerting an effect on public opinion, political institutions, or the leading political groups (p 214).

The definite political awareness that subsequently is transformed into political behavior forms under the effect of the objective conditions of existence. Otherwise the objective conditions of existence evoke political behavior that gives rise to a definite orientation which either encourages the corresponding political actions, or promotes the stifling of them. In turn, political behavior can become a factor that is capable of changing the objective conditions. The conditions of existence include the social origin of the individual, the social surroundings, the influence of various organizations and manipulatory effects of the ruling class, and psychological pressure with the aid of the mass communication media.

Chapter VI is "Bourgeois Political Systems and International Relations."

The key concept in the theory of international relations is the concept of the dynamic international system. That means that international relations must be viewed in their dynamics, inasmuch as they represent the flow of activity of various organizations, social groups, and individuals in the foreign arena at every given moment.

In the opinion of most of the historians of international relations, the basic component of the international system is the state, which is the basic institution of the national political system and which plays a special role in international relations. The use of the systems approach when studying international relations makes it possible to isolate not only elements of the system itself, but also to reveal the motivating forces and the mechanism of its interaction with the outside environment which, in this instance, is represented by the economy (not international economic relations, which are part of the system of international relations) and the sociocultural sphere. The world economy exerts a decisive influence upon world politics.

The objective goal of international relations is influenced by the interests of mankind as a whole, that is, by the striving to preserve the human species and to create favorable conditions for its development.

The problem of the influence that the real situation in individual countries and groups of countries exert upon international relations and, corresponding, the influence that international relations have upon the situation in every country, is a problem of the interaction between the system and the environment. For example, everyone knows what a negative effect upon the overall international situation is exerted by the narrowly selfish interests of the U.S. military-industrial complex. A tremendous influence upon the system of international relations is exerted by the masses of the people, by class relations. The most widespread channel through which the impulses enter the system is the policy of the state.

In order to study the inner structure of the system, it is proposed to isolate structural units according to the class criterion, to reflect the differentiation of the states in conformity with their socioeconomic system and the level and direction of social and political development. This, in turn, poses the problem of the interrelations among states with a different social system. The struggle of opposites and the very acute contradictions on the international scene constitute the chief peculiarity of modern human society. However, there exist the foundations of the unity of mankind, which open up the opportunities for cooperation among various forces, taking into consideration the largely opposite strivings. Cooperation in such spheres as economics, science, technology, culture, etc., in general, have an obvious tendency toward expansion and deepening.

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## EAST-WEST RELATIONS

### MOSCOW CONTRASTS U.S., USSR STANDS AT VIENNA CSCE

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[Text] Representatives of 35 countries, members of the conference on Security and Cooperation in Europe, continue their meeting in Vienna. Our correspondent has sent us this account from the Austrian capital:

At the meeting, two tendencies have become clearly delineated in the approach to issues under discussion. The delegations of the United States and some of its allies tried to lead the discussion away from central issues to the path of a meaningless exchange of accusations and prevent the preparation of constructive, mutually acceptable solutions. The statement made by the American representative on 10 December is a case in point. It was filled with slander against the Soviet Union, and stereotypes concerning alleged violations of human rights used in Cold War times.

Significantly, a statement of this kind came from a delegation of a country that boycotts international human rights covenants, the international convention on the elimination of all forms of racial discrimination and other basic documents.

The Soviet Union is prepared to discuss in earnest and thoroughly, problems dealing with human rights. It is not afraid of critical voices, but it too has something to say on the subject to many countries. It too wants to express concern about the state of affairs in the field of humanitarian contacts, but it is strongly against turning important international forums into scenes of confrontation. Guided by these principles the Soviet Union proposed officially in Vienna on 10 December that a representative conference of countries, members of the European Security Conference, be convened in Moscow to discuss the development of humanitarian contacts. This conference could consider a broad range of issues dealing with the encouragement and effective realization of civil, political, economic, social and other human rights and freedoms.

That was an account sent by our correspondent in Vienna.

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CSO: 1825/46

## SOCIALIST COMMUNITY AND CEMA AFFAIRS

### RELATIONSHIP OF NATIONAL PRICES TO CEMA COUNTRY EXPORTS

Moscow EKONOMICHESKIYE NAUKI in Russian No 9, 1986 (signed to press 30 Jul 86)  
pp 80-86

[Article by V. Slepov, professor, doctor of economic sciences: "National Prices in Management of the Foreign Trade of the CEMA Member Countries"]

[Text] The foreign trade of the CEMA member countries is characterized by very intensive growth. Over the period 1970-1985 their foreign trade grew from 57 billion rubles to 313 billion, or almost 5.5-fold.<sup>1</sup> Visible trade among the countries of the socialist commonwealth has been increasing particularly rapidly: in 1984 alone it grew 11 percent and reached 185 billion rubles.<sup>2</sup> The entire foreign trade of the CEMA member countries has been developing at a faster pace than the growth of national income and industrial output.

Many factors which are objective in nature have brought about this situation: the internationalization of the productive forces under the influence of the deepening international division of labor; scientific-technical progress; broader and deeper socialist economic integration; the transition of the economies of the countries of real socialism, which has begun, to the intensive development strategy, which requires a higher level of efficiency, and this also applies to trade relations.

All participants in the summit economic conference of CEMA member countries (1984), as its declaration states, "once again confirm the firm intention of their countries to develop fruitful trade-and-economic and scientific-technical relations with all the socialist, developing, and advanced capitalist countries which display a readiness to do so."<sup>3</sup> The real need for vigorous development of economic and scientific-technical relations and for participation in the international division of labor has been emphasized in the documents of the 27th CPSU Congress.<sup>4</sup>

The substantial growth in the scale of foreign trade and the strengthening of its role in the economic development of the CEMA member countries predetermined the need for it to be better managed. The mechanism of this management, which embraces diverse forms of planning and commodity-money instruments, which take the appropriate organizational forms, constitutes a complicated, interconnected, and dynamic system. It is aimed at improving the economic

efficiency of foreign trade and at the fullest possible use of the potential of the national economies of the CEMA member countries to meet the needs of the international market. All of this presupposes a constant improvement of the performance of the foreign trade organizations of the socialist countries, greater use of cost accounting (khozraschet) in that activity to guarantee a motivation to improve the economic effectiveness of exports and imports and to achieve the best final results in foreign trade.

The mechanism for management of foreign trade is a very complex and composite structure requiring smooth interaction of elements. For instance, commodity-money instruments and the organizational forms of management serve as the most important means of drafting and fulfilling plans, while planning in turn creates the conditions for effective application of commodity-money instruments and the organizational forms of management. Any changes in any one link in the mechanism for management of foreign trade inevitably necessitate changes in the system's other elements.

National prices of exports and imports in the countries of the socialist commonwealth are among the important elements in the mechanism for management of their foreign trade. These prices reflect the value of goods and at the same time figure as the planned standard of socially necessary costs, of the level of expenditure of resources to produce goods for export and to acquire imported goods. The national prices of the exports and imports of the CEMA member countries are specific in that they are used for determining mutual relations between the national economies and the external market. This task is performed by regulating the economic relations of participants in foreign trade which the prices express: national enterprises, foreign trade enterprises, and the state. The levels and relations of the domestic export and import prices have great importance to determining the effectiveness of foreign economic relations from the standpoint of the budget, to selection of advantageous alternatives for international production specialization and industrial cooperation, for development of production for exports and consumption of imports, for construction of projects abroad, and for development of scientific-technical cooperation.

A particular level of domestic prices of exports and imports is capable of having a stimulative effect on many economic processes taking place within national economies and in the international sphere. These prices are turned into an active instrument for optimizing the structure of exports and imports, for improving quality, for refreshing the assortment of products to be exported abroad and also national products produced as import substitutions, and for strengthening the conservation of exported and imported physical resources, materials and fuel above all.

Effectiveness in utilizing these capabilities of domestic prices of exports and imports which are in effect in the CEMA member countries is closely bound up with the methods for setting them. An analysis of this process in the historical context makes it possible to discover certain patterns and the logic and dialectics of its development.

In the initial period of CEMA's formation a single method of setting prices of exports and imports was applied for all the countries of the socialist commonwealth. The domestic prices of these goods were set on the basis of the national socially necessary costs. This method of setting domestic prices of exports and imports, then, might be called the "national" method. It called for the following procedure in setting domestic prices of exports and imports as a function of the technical-and-economic characteristics of products exported and imported. Domestic wholesale or retail prices identical to products domestically produced and intended for consumption within the country were set on those goods for export and import whose technical-and-economic characteristics altogether met the requirements of the national standards or technical specifications. In other words, the national prices of domestic export and import goods of the same quality were set at the same level. If national standards or technical specifications were exceeded, an export or import supplement was applied to the domestic prices. Special wholesale prices were set on exports and imports which did not have counterparts in domestic production. These prices took into account the costs of a radical change of the design or manufacturing technology of the goods and of substituting materials for their manufacture, as well as the particular conditions for grading and shipping if those conditions were necessary.

On the whole the domestic prices of exports and imports were structured on the same principles as the entire system of national prices and comprised a subsystem of it.

The "national" method of pricing exports and imports presupposes a corresponding character of relations among national enterprises, foreign trade enterprises, and the state, as well as their relation to the international market. The state, in performing centralized management of foreign trade, determines the relationship with the international market only of foreign trade associations; enterprises do not go onto the international market on their own. The results of export-import operations of foreign trade organizations on the external market influence the state budget, but not the performance of individual national enterprises. The setting of domestic prices of exports and imports on the basis of the national conditions of their production first of all safeguards the national economy from the undesirable influence of the world capitalist market, whose thrusts are mainly transmitted through the channels of foreign trade; second, it guarantees stability and conformity to plan of the national price system as a whole, the circulation of money, the credit and financial system, and other elements of the national economic mechanisms; third, it creates equal conditions for the cost-accounting activity of national enterprises, which use domestic and imported raw materials, machines, and equipment to a differing degree. When these resources are of the same quality, they enter the production process at the same prices.

At the same time the system of domestic prices of exports and imports that is shaped on the basis of national conditions is essentially limited in its capabilities for improving the economic efficiency of foreign trade, since it displays practically no reaction to its economic results. In this system progressive tendencies taking shape on the international market are not directly taken into account in domestic export and import prices. The "national" method

of pricing signifies in practice that the production unit has been safeguarded from the direct impact of changes of prices of exports and imports in foreign trade.

Moreover, the existing system of domestic prices of export goods does not stimulate sectoral ministries to develop exports. In many cases exports are regarded only as a means of correcting disproportions that arise in the national economy. The autonomy of the domestic price system is not sufficiently conducive to a rise in the competitiveness of the national product on the international market, since it makes national enterprises indifferent to performance in foreign trade and to seeking opportunities for increasing the economic efficiency of export production. If, for example, the prices of export goods in foreign trade are higher than domestic prices, there is good reason to invigorate the export activity of national enterprises. But when the domestic prices of export products are set according to the "national" method, the manufacturing enterprise, as has been noted above, does not have sufficient incentive to increase the volume of production of that product. When domestic prices exceed prices in foreign trade, the manufacturing enterprise, if this approach is taken to pricing, does not have the necessary motivation to lower production cost to the level of costs of the principal foreign producers of the given product. Moreover, the existing system of prices of export goods stimulates national enterprises to hike up prices. The higher they are, the more profit there is, and the larger the economic incentive funds. But hiking up domestic prices of export products makes them less competitive on the international market and stands in the way of the expansion of exports.

The domestic prices of imports, if they do not take into account trends in development of the international market and prices in foreign trade, create the illusion that these goods are inexpensive, often generating an artificial demand for imported equipment, and yet they do not promote its optimum use.

Thus the method of setting prices described above, which orients the system of domestic prices of export and import goods toward the national conditions, signifies that the "protective" role of this system predominates over the incentive role. This method has a corresponding objective basis. It is used by a certain type of reproduction in which a country's economic development is achieved to a decisive degree thanks to national production, while the influence of foreign economic relations on its development is relatively small.

The highly dynamic nature of foreign trade, its transformation into a significant factor in the economic development of the CEMA member countries, and the stepping up of the effort to raise the economic efficiency of national production and of foreign economic relations have made it imperative to look for new methods of pricing.

In the countries of the socialist commonwealth a transition is gradually taking place from the "national" method of pricing to the setting of domestic prices of export and import goods on the basis of international conditions of their production. We will be referring to this method as the "international" method. It seems to us that it has been realized most fully and consistently in Hungary (1968), Poland (1971), and Bulgaria (1981). In this case the



domestic prices of export and import goods are set so as to take into account their international value--worldwide or regional. The former refers to the world international value that takes shape on the world market in which both capitalist and socialist countries take part. The latter refers here to the value formed in a region bounded by the international market for mutual trade among the CEMA member countries. The international value of the goods, both worldwide and regional, is shaped under the influence of the internationalization of production, the international division of labor, and the accelerated development of international trade. These varieties of international value stand in dialectical relationship to one another. Their levels are determined by the labor inputs in the average worldwide or average regional conditions of production, respectively. Those inputs of labor which represent the weighted average of the national socially necessary inputs gravitate toward the national ONZT [socially necessary expenditures of labor] of those countries which are the principal producers and exporters of the particular product.

Domestic prices which express the worldwide or regional international value of export and import goods differ fundamentally from national prices of domestic goods in the character of their formation. In practical terms the "international" method of pricing envisages the formation of a system of domestic prices of export and import goods on the basis of prices of analogous products in foreign trade, which in practice means world prices and contract prices. The latter are applicable in the trade among the CEMA member countries, while their settlements with third countries, both socialist and capitalist, are in world prices. To determine the domestic prices of export and import goods one uses the world and contract prices of the base planning period or actual current prices. Thus domestic prices of export and import goods are rigidly "bound up" to the system of prices in foreign trade.

The character of the foreign trade of national enterprises is altered when the prices of export and import goods are set by the "international" method. That activity is evaluated on the basis of a comparison of the costs of production of export goods to the proceeds from their sale on the foreign market and also by comparing the costs of purchasing import goods to the costs of producing an analogous national product. Here the principles of cost accounting extend to the foreign trade activity of national enterprises.

The system of domestic prices of export and import goods built on the basis of prices in foreign trade and taking into account the world level of quality exerts a very strong stimulative effect toward raising the economic efficiency of the national production of goods for export and the national consumption of imports. In this situation domestic prices of export goods tend to lower production costs, to improve the quality of the goods, to broaden their assortment, to improve the structure of exports, and to create conditions for increasing the competitiveness of the national product on the world market. The domestic prices of imported goods stimulate national consumers to seek the most economical alternatives for meeting their needs for imports, to acquire on the external market goods of high quality at the lowest cost, to reduce the shipping costs of the goods, and also to make optimum use of imports in production processes. By helping to increase the economic efficiency of foreign trade activity, the prices help to adapt the national production and consumption to the requirements of the world market.

But the stimulative and adaptational capabilities of domestic prices of export and import goods formed by the "international" method are limited by the labor, physical, and financial resources which the national economy, the sectors, or the enterprises of the particular country possess. Quite often the motivation of national enterprises and sectors to increase the economic efficiency of the production for export, which requires a far-reaching structural and technical-and-organizational revamping, is not backed up by the capital investments required for this purpose, and the desire to reduce and optimize imports is held back by the weakness of the country's own material and technical base.

In addition, this kind of system of domestic prices orients national producers toward giving main consideration to the conditions and requirements of the world market, and this engenders a tendency to displace national economic interests into the background. If, for example, export prices of a particular commodity rise on the world market, then the domestic prices based on them encourage national enterprises in every way to increase the exports of that commodity even by cutting back its deliveries needed for the sectors of their own national economy. In other words, national enterprises are in this situation motivated to maximize proceeds on the external market, and they are insensitive to the losses of the national economy resulting from underdelivery of products to the domestic market or from violation of the planned structure of exports. An analogous discrepancy between general national interests and the interests of departments and enterprises occurs in connection with the importation of goods. When world prices drop on a commodity that is imported, the domestic prices set so as to take into account international costs sometimes create an artificially augmented demand for it on the part of national consumers. They improve their performance in production and conduct of business by increasing the share of the now cheaper imported product. At the same time the motivation of national consumers to optimize the use both of an imported commodity acquired at lower prices and especially of the analogous domestic product is reduced. The lack of correspondence in the interests of participants in foreign trade tends to detract from the final results of the national economy.

The "international" method of pricing subjects the economy of the socialist countries to the influence of the capitalist price system, which is alien to it, along with the spontaneous fluctuations that are inevitable under the conditions of the world capitalist economy. It is therefore clear that the planned economy of the CEMA member countries comes up against difficulties of a fundamental nature.

Thus the "international" method of pricing makes it possible to create a system of domestic prices of export and import goods oriented toward the conditions of the world market and prices in foreign trade and a system that is sensitive to their changes. This kind of system exerts an appreciable stimulative effect on national enterprises in increasing the economic efficiency of their exporting and importing activity. At the same time this system does not always promote fuller realization of the interests of the national economy. It is obvious that it is weak in the functions of protecting against the world capitalist market and it is complicated to apply in "pure form." Which makes

it indispensable to take steps to restrict the influence of world prices on the national price system and economy of the CEMA member countries as a whole.

An analysis of the different methods of pricing and of the systems of domestic prices of export and import goods which correspond to them allows us to draw a general conclusion to the effect that the capabilities of each of these systems is limited in increasing the economic efficiency of the foreign trade activity of the states of the socialist commonwealth. Speaking figuratively, the former of these systems is unsatisfactory because it "cooks in its own juice," while the latter "dances to the tune of the world market." The problem is to limit to the optimum level the influence of the world market and its prices on the national economy and on the system of domestic prices of export and import goods.

The search for an optimum combination of simultaneous use of both methods of pricing in a number of CEMA countries should be regarded as an attempt to combine the protective characteristics of the system of domestic prices of export and import goods formed by the "national" method with the sensitivity to the world market of the system of prices that is based on the "international" method.

For instance, in Romania domestic wholesale prices of a majority of export and import goods are set on the basis of prices in foreign trade. But the domestic prices of certain goods the need for which is covered mainly from domestic production are set on the basis of national costs and the prices corresponding to them (timber, coal for energy purposes, flax fiber, and wool).

The differentiated approach to the setting of domestic prices of export and import goods has been applied in the pricing practice in our country. As is well known, domestic prices of all export goods and the overwhelming majority of imports are set on the basis of national prices of the analogous domestic product. Beginning on 1 January 1982 domestic wholesale prices of a portion of imported goods were set on the basis of prices in foreign trade. This method extends to imported products which do not have domestic counterparts. To be specific, wholesale prices which include the amount indicated in the bill (invoice) of the foreign supplier, plus commissions paid to foreign trade organizations and overhead in the amount of 2 percent of the "invoice" value, are set on products of machinebuilding imported from the CEMA countries and SFRY whose technical-and-economic characteristics do not correspond to the standards and technical specifications of the USSR.

As a practical matter domestic wholesale prices of these imports are set on the basis of prices in foreign trade (contract prices) agreed on with the CEMA member countries. Contract prices (of the base year or current year) are used as the basis for setting the wholesale prices of products to be delivered from the CEMA member countries and the SFRY. The wholesale prices of a certain portion of the products of machinebuilding imported from the CEMA member countries and the SFRY whose technical-and-economic characteristics do not correspond to the standards and technical specifications in effect in the USSR were set on the basis of 1981 contract prices (taking into account commissions and overhead). They were set by the USSR State Committee for Prices and included

in the price lists of imported products. The wholesale prices of another portion of this group of imported products which are not included in those price lists are set at the level of the contract prices of the current year. Wholesale prices of analogous products of machinebuilding imported from the capitalist countries are set at the level of their purchase prices in the respective years. As a practical matter the domestic wholesale prices of these products are set on the basis of world prices negotiated with the suppliers of the capitalist countries. Commissions and overhead on imports in the amount of 2 percent of the world prices are added to them. The wholesale prices of a certain portion of this group of products (indicated on a special list) are structured using coefficients that reflect their higher quality. In addition, these coefficients are expected to have a stimulative impact toward optimum utilization of imported equipment and to stimulate Soviet consumers to thoroughly substantiate the advisability of its use.

Whatever pricing methods and whatever combinations of them and systems of domestic prices of import and export goods corresponding to them are applied in the CEMA member countries, in and of themselves these systems do not yield the desired results if they are detached from the other elements of the mechanism for management of foreign trade. The limited capabilities of the various price systems in increasing the economic efficiency of foreign trade are overcome by vigorous use of various monetary-and-financial instruments. They include rates of foreign exchange coefficients, coefficients of the foreign exchange effectiveness of exports and imports, foreign exchange deductions, foreign exchange credits, export and import subsidies, export and import taxes, customs duties, reserve funds, the commissions of foreign trade organizations, and the material incentive funds of personnel of industrial enterprises and foreign trade organizations. They are used in various combinations and with differing intensity, on the one hand to overcome the separateness of the national economy and the system of domestic prices from the world market and its prices and to stimulate national enterprises and foreign trade organizations to increase the economic efficiency of foreign trade, and on the other to offset the adverse impact of the world capitalist market and world prices on economic development.

The system of monetary-and-financial instruments acts as a kind of filter which passes the stimulative influence of foreign trade prices into the national economy of the CEMA member countries, but holds back the adverse effect of the world capitalist market. By regulating the system of monetary and financial instruments it is possible to keep within optimum limits the degree of influence of the world market and world prices on the national economy and on the price system in particular. A coordinated system of prices and monetary-and-financial instruments should function in the context of constant improvement of the planning of foreign trade and of the organizational forms of its management.

#### FOOTNOTES

1. Computed from figures in "Mir sotsializma v tsifrakh i faktakh. 1984" [World Socialism in Figures and Facts. 1984], Moscow, 1985, p 148.

2. Ibid., p 149.
3. "Ekonomicheskoye soveshchaniye stran-chlenov SEV na vysshem urovne 12-14 iyunya 1984 goda" [Summit Economic Conference of CEMA Member Countries Held 12-14 June 1984], Moscow, 1984, p 36.
4. "Materialy XXVII syezda Kommunisticheskoy partii Sovetskogo Soyuza" [Materials of the 27th CPSU Congress], Moscow, 1986, p 255.

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## SOCIALIST COMMUNITY AND CEMA AFFAIRS

### BOOK ON ECONOMIC INTEGRATION OF CEMA COUNTRIES REVIEWED

Kiev EKONOMIKA SOVETSKOY UKRAINY in Russian No 7, Jul 86 (signed to press 15 Jul 86) pp 88-89

[Review by V. Sergeyev, professor, doctor of economic sciences (Moscow) of the book "Sotsialisticheskaya integratsiya i formirovaniye mezhdunarodnogo khozyaystvennogo kompleksa stran-chlenov SEV" [Socialist Integration and Formation of the International Economic Complex of the CEMA Countries], by A.S. Filipenko, Kiev, "Vishcha shkola", 1985, 166 pp]

[Text] The development and deepening of economic integration in the world socialist system of management inevitably raises before economic theory and management practice the question of its materialized results. In economic literature the opinion has become firmly established that one of the most important consequences of the socialist integration process is the gradual establishment of an international economic complex. But the majority of researchers limit themselves to stating this fact.

The merit of the book under review consists in that its author has set for himself the task (with which he has coped successfully) of considering on the basis of system analysis the dynamics of the formation of the international economic community of the world socialist cooperation and tracing the entire totality of its internal interconnections and mediations. The book successfully utilizes the reproduction principle, which has made it possible to analyze the process of internationalization of the main spheres of socialist expanded reproduction. The reproduction approach has also given cause to take a new look at problems of international socialist collectivization of production, international socialist division of labor and its cooperation, the development of planning in the international sphere of socialist economics, and so forth.

A central place in the work is occupied by questions that disclose the directions and basic content of the formation of the international socialist economic complex. Here the author touches upon a new theoretical problem--concerning the essence and forms of manifestation of socialist international production. Having critically analyzed the definitions of this category that exist in literature, A. S. Filipenko considers international production as a unity of two aspects: material-substantial and socioeconomic (p 40). At the basis of the formation of the joint productions, in his opinion, lies

international cooperation of labor. Based on these criteria, the work investigates two types of socialist international productions: intermediate and final (actual international productions). The proposed classification expands the idea as the international socialist productions and is a step forward in the disclosure of their content. In our view it would be fruitful to take another approach in which the basis of the genesis of socialist international production is joint (shared) ownership of the means of production.

The work thoroughly elucidates the branch aspects of the forming international socialist economics complex. They are most clearly manifested in the deepening interconnections among the CEMA countries in the areas of machine building, fuel, raw material, energy, transportation, agriculture and the food industry and in branches that produce industrial consumer goods. Of course, the degree of integration is not the same in all the aforementioned branches. Therefore the international interbranch and intrabrand complexes formed within their frameworks are distinguished from one another in terms of the degree of development of technological, organizational and economic interconnections as well as the level of structural unity that has been achieved. But, as is correctly noted in the work, the common denominator of these international economic structures is the close interaction of the same type of socialist ownership of the means of production, which will lead in the future to the formation of international socialist ownership; more complete and comprehensive manifestation of the economic laws of socialism; the development of planning and the establishment of the international directly public nature of labor; and the growth of international socialist collectivization of production.

A crucial issue is that of scientific and technical factors in the deepening of the international community of the countries of socialism (p 71). The judgments concerning the peculiarities of the actions of economic laws of socialism in the international scientific and technical sphere, the forms of development of international socialist scientific and technical cooperation and collectivization of labor in the area of science and technology are distinguished by their innovation and their pioneering nature.

The most difficult task arose before the author when considering the mechanism of the formation and consolidation of the economic unity of the world socialist community (p 101). The fact is that the economic mechanism for cooperation among the CEMA countries that has existed up to the present time conditions the entire totality of mutual economic ties--traditional and integrational. It is methodologically justified for the author to single out from this entire diversity of planning and coordinational forms and commodity-monetary instruments, levers and stimuli those which directly influence the process of the formation of the international socialist economic mechanism.

Attention should be given to the author's practical recommendations related to improving joint planning activity among the CEMA countries, mutual price setting, financial-currency and credit relations, and so forth.

At the same time, individual problems were only pointed out in the monograph and were not further developed. We are speaking primarily about the

territorial structure of the international socialist economic complex that is being formed, the participation of the Ukrainian SSR economy in this process, and the deepening of the border ties within the framework of the CEMA.

Something more specific should be said about the prospects for the development of international economic organizations and joint enterprises of the CEMA countries from the standpoint of which of them would be the most effective and in which direction it is necessary to look for new forms of combining the efforts and resources of the fraternal countries. The work does not adequately formulate the basic indicators of the international socialist economic community, on the one hand, and the international complex of the CEMA countries, on the other, which leads, in individual cases, to equating these two concepts. Questions of the development of the historical periodization of the aforementioned processes in the world socialist system of management need to be further developed.

But on the whole the author has done a considerable amount of work for investigating the new political and economic problem which is of great theoretical and practical importance and which, undoubtedly, will attract the interests of specialists and a broad range of readers.

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## GENERAL ECONOMIC AFFAIRS

### USSR FOREIGN TRADE DATA 1922-1985

Moscow VESTNIK STATISTIKI in Russian No 10, 1986 pp 47-50

/Unsigned article presenting various statistical data under the "As a Help to the Agitator and Propagandist" rubric: "60th Anniversary of the Great October Revolution: Basic Indicators of USSR Economic and Social Development"7

/Excerpt7

Table 1. USSR Foreign Trade Turnover (In actual prices; billions of rubles)

(1) Годы	(2) Внешнеторговый оборот	(3) Экспорт	(4) Импорт
1922/23 . . . . .	0,2	0,1	0,1
1940 . . . . .	0,5	0,2	0,3
1960 . . . . .	10,1	5,0	5,1
1970 . . . . .	22,1	11,5	10,6
1980 . . . . .	94,1	49,6	44,5
1985 . . . . .	141,6	72,5	69,1

Key:

1. Years
2. Foreign Trade Turnover
3. Exports
4. Imports

The Soviet Union is actively developing economic relations with many of the world's countries. These ties are a factor of great international significance, answering the interests of the struggle for peace and social progress.

At the present time, the Soviet Union is trading with 145 countries in the world; at the same time, trade with more than 70 of them is conducted on the basis of long-term trade agreements.

In 1985, 61 percent of USSR foreign trade turnover was with the socialist countries.

Table 2. The number of enterprises, installations and other projects built during the postwar period, being built now, and scheduled to be built in foreign countries with the technical assistance of the Soviet Union, as of 1 January 1986.

	(1) По соглашениям	(2) в том числе введено в эксплуатацию
(3) Всего . . . . .	4716	3238
(4) в том числе:		
(5) социалистические страны Ев-	1121	866
(6) ропы . . . . .	3308	2103
развивающиеся страны		

Key:

1. According to agreements
2. Of these, the number already in operation
3. Total
4. Including:
5. The European Socialist Countries
6. The developing countries (Footnote) (In accordance with the classification accepted by the UN, a number of socialist countries are included among the developing nations. These are the Socialist Republic of Vietnam, the Republic of Cuba, The Korean Peoples Democratic Republic, the Laotian Peoples Democratic Republic, and the Mongolian Peoples Republic.

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UNITED STATES AND CANADA

SOVIET UN DELEGATE ON MICRONESIA, U.S. PLANS

LD222031 Moscow TASS in English 2135 GMT 21 Nov 86

[Text] New York 22 November (TASS)--The colonial powers--the United States, Britain and France--have dragged through the UN Trusteeship Council a resolution on sending a mission to Palau to monitor the so-called plebiscite on a "free association" of that part of Micronesia with the United States.

The unlawful character of the mission to Palau is seen from the fact that it pursues, as a matter of fact, the aim of giving a semblance of legality to the process of partitioning an integral trust territory being carried out by the United States in controvention of the UN Charter, Yevgeniy Kutovoy, USSR deputy permanent representative of the United Nations, said today. Actions of this kind are the more inadmissible that they are being taken by detour of the Security Council's prerogatives.

Stripped of fine words, these actions can be described as the start of the United States of completing a practical implementation of its plans for the annexation of Micronesia, Ye. Kutovoi stressed.

The Soviet Union objects against the sending of a special mission of the UN Trusteeship Council to Palau, since it is clearly aimed at using the name of the UN Organization as a cover for one more attempt by the United States to force on the population of Palau under the conditions of economic and political pressure the status of a U.S. nuclear base, which has been repeatedly rejected by that population, the USSR deputy permanent representative to the United Nations said.

The USSR has repeatedly attracted the attention of the United Nations and its bodies to the situation, which has shaped in the strategic trust territory of the Pacific Islands (Micronesia), Yevgeniy Kutovoi continued. The problem of Micronesia is part of the decolonization problem. The UN Organization is called upon to ensure the truly free exercise by the Micronesian people of their inalienable right to genuine self-determination and genuine independence, as has been done vis-a-vis the other UN trust territories in full conformity with the UN Charter and the declaration of the granting of independence to the colonial countries and peoples, the generally accepted principles of international law. The Soviet Union condemns the actions of the United States, that are in conflict with the UN Charter and laws, vis-a-vis the strategic trust territory of Micronesia, the Soviet delegate said.

## UNITED STATES AND CANADA

### U.S. PROPAGANDA NETWORK, ACTIVITIES EXPANSION

Tbilisi KOMMUNIST GRUZII in Russian No 9, Sep 86 pp 76-80

[Article by Anetta Isakovna Beruchashvili, graduate student at the Scientific Information Institute, USSR Academy of Sciences: "U.S. Ideological Expansion"]

[Text] Weakening of the positions of American imperialism, expansion of the influence of the world socialist system, and the successes of the national-liberation and revolutionary struggle are encountering an increasingly aggressive quality on the part of imperialist propaganda. Stepping up the activities of the mass information media and working out a unified strategy for "information imperialism" directly or indirectly reflect serious concern on the part of U.S. ruling circles with regard to the influence which the Soviet Union and the other socialist countries have been exerting on world developments.

Since the Reagan administration has come into the White House, there has been a rise in the level of ideological influence on U.S. foreign-policy propaganda.

The developing countries, and particularly the Central American states, have become an important target for imperialist propaganda by the United States. Of special significance is the activity of the U.S. mass media in the developing countries in the light of the doctrine of "neoglobalism," as advanced by Reagan with its emphasis on providing all measures of support for the so-called "freedom fighters"--counter-revolutionary, anti-government factions throughout the world. Speaking at a regularly scheduled session of the Veterans of Foreign Wars, Reagan, rephrasing the well-known utterance by W. Churchill to the effect that Britain had the "heart of a lion," proclaimed that America is "the lion heart of democracy which needs to give voice, even roar at times." The functions of this "voice of democracy" are likewise supposed to be performed by the entire system of the U.S. mass information media, carrying out the policy of information imperialism with regard to the developing countries. In his own time K. Marx wrote as follows: "Up to now people have thought that the creation of the Christian myths in the Roman Empire was possible because book printing had not yet been invented. Actually, it is just the other way around. The daily press and wire services...fabricate more myths in a single day than were previously possible within a century." More than a century has elapsed since Marx wrote those words, but the bourgeois mass media continue to create myths, substituting them for objective information.

Latin America, and particularly the Central American sub-region, even as far

back as the period when American imperialism was emerging, was converted into a "testing grounds" for the development of methods of global and multi-faceted aggression: economic, political, military, and ideological. It was precisely during this period that words about the "threat to the national interests" of the United States began appearing in the lexicon of the Washington politicians.

It must be taken into account that the Western Hemisphere is regarded by Washington as the "deep rear-line area" from which Reagan's proclaimed "crusade" against communism is intended to be waged. Thus, the special attention being accorded to this region in the foreign-policy propaganda of the United States is conditioned primarily by concepts of a geopolitical nature.

The principal task of the U.S. propaganda apparatus in Latin America is to block the national-liberation and revolutionary movements, to support anti-government, counter-revolutionary factions, and to discredit progressive governments in the eyes of Latin American public opinion. The mass media are striving by means of disinformation and ideological diversions to limit the influence of Cuba, Nicaragua, and the courageous struggle of the Salvadoran partisans on the other countries in this region. American propaganda is attempting to weaken the ties between the socialist countries and those peoples of Central America which are fighting for their independence, to distort the true meaning and nature of these relations. The ideological weapon is taking on particular importance in places where military, political, and economic measures of influence have not brought about the desired results.

Another important task for U.S. foreign-policy propaganda is the ideological "cloaking" of the aggressive course being pursued by Washington in the Western Hemisphere, the attempt to smooth over the negative effects of the open interference in the internal affairs of the Latin American states. The propaganda offensive is also pursuing the following goal--by means of increasing ideological activity to counter the over-all trend of the decline of U.S. popularity and the increase of anti-American attitudes. Intensified propagandizing of American spiritual values, advertising the "American way of life," deprived, at least on the surface, of political coloring, as well as preaching the ideas of Pan-Americanism and "continental solidarity" have been called upon to overcome the growth of alienation between the United States and the countries of Latin America. In this connection, the following long-term task is being assigned--to create a favorable psychological climate, to lay the foundations for an "ideological fund" which will facilitate the realization of American schemes in this region and make it easier to carry out the hegemonistic course of the United States.

The principal conductor and agent of implementing all American foreign-policy propaganda is the United States Information Agency (USIA). In accordance with its assigned program, it carries out an ideological "cloaking" of the government's actions, striving to present them as directed exclusively at achieving "freedom, peace, and progress." In order to perform this task, USIA has been given radio stations (including the Voice of America), and funds have been allocated for the purpose of publishing journals and books, as well as for producing motion pictures. The agency's products are disseminated through its foreign branches--the United States Information System (USIS).

At the present time the USIA has 209 posts in 127 countries, and its staff includes approximately 8,000 persons. This agency's annual budget amounted to 796 million dollars in 1985, while a 22-percent increase has been provided for the current year. The USIA publishes 12 journals in 22 languages and turns out more than 90 motion pictures a year. Some three-fourths of the so-called "bi-national centers" of the USIA are concentrated in Latin America; these centers engage in the dissemination of information. The volume of this agency's activities has increased particularly during the past few years. This is testified to by the fact that 1 billion dollars has been allocated for the renovation and expansion of the USIA just during the past five years.

At the beginning of the 1980's a forced-march pace was adopted for the creation of the World Television Network ("Worldnet"); with its help a television link was established via American satellites between the USIA Staff Headquarters in Washington and the USIS branches abroad. "Worldnet" comprises the following four regional sub-systems: "Euronet," operating to Western Europe, "Amnet"--to South and Central America, "Afnet"--to Africa, and "Inet"--to Southeast Asia. With the help of "Amnet," the USIA transmits television news broadcasts to the Latin American countries every day.

The policy of "information imperialism" being conducted by the USIA in Latin America attempts to subordinate all the Latin American mass media to its own influence. Thus, according to data from American specialists, approximately 80 percent of the Latin American press's information is supplied by various American agencies; and this allows events in the world to be interpreted in a certain way, thereby controlling public opinion.

One of the USIA's important tasks is "elucidating the foremost aspects of life and culture in the United States." It performs this task by means of imposing American spiritual values on the peoples of the developing countries, and this constitutes a definite aspect of the policy of "ideological imperialism," as conducted by the Reagan administration. Aggression in the field of culture is combined with "university imperialism," the target of which is primarily the Latin American community. In complete accordance with its neo-conservative program of information strategy on the continent, the USIA in 1985 announced a program of educating young people from a number of Central American countries at universities in the United States. In this connection, C. Wick, the director of the agency, directly designated this program as a "means of counteracting the Soviet Union's influence in this region." In the given case a particular role was played by the fact that many representatives of Latin American youth are studying in the Soviet Union.

During its time in the White House the Reagan administration has set forth a number of propaganda programs. On 17 August 1981 a presidential decree and a decision of the National Security Council sanctioned Project Truth. The principal task of this project was defined by Wick as "countering Soviet propaganda." Declaring that the United States had gone on too long without responding to the "propaganda offensive of the USSR," he proclaimed the need for conducting a campaign of counter-propaganda in order to restore the positions lost in this field.

Thereby an attempt has been made to impart a "responsive" nature to anti-Soviet propaganda, presenting it as a "necessary reaction" to the Soviet Union's "propaganda offensive." In accordance with the program of Project Truth, the USIA issues a monthly "Warning about Soviet Propaganda" and distributes it to all U.S. embassies and legations abroad. It contains selections from broadcasts by Soviet radio stations as well as surveys of an analytic nature, prepared by a department of the CIA.

A subdivision entitled "rapid information reaction" has been set up for the purpose of conducting operational counter-propaganda. Its tasks include the furnishing of all 202 departments of the USIA abroad with operational excerpts from the Soviet press, television, and radio which require urgent "refutation."

At the same time the publication of a bulletin entitled "America Today" is supposed to propagandize American goals, ideals, and achievements on the "broadest possible level." According to Wick's directives, the materials should be drawn together with an emphasis on "America's strong sides and the positive aspects of the capitalist system," which must be contrasted with the "weak sides of the Marxist societies."

At the end of January 1983 a presidential directive established a propaganda-planning committee at the cabinet level. It was headed by W. Clark, at that time the President's assistant for national security affairs, and the personnel of this committee include the leading staff members of the State Department, Pentagon, and USIA. Functioning under the jurisdiction of this "super-ministry of propaganda," as reporters call it, are the following four sub-committees: international information, international policy, international radio broadcasting, and public relations. Such a representative leadership of the U.S. propaganda apparatus emphasizes once again the importance attributed in Washington to foreign-policy propaganda.

The administration is extremely concerned over the dissemination of the ideas of Marxism-Leninism in the developing countries; the reasons for this are considered to lie partly in the insufficiently skilled propaganda which is supposed to counter the influence of the USSR and to keep these countries in the sphere of the capitalist system. In order to strengthen the ideological positions of imperialism within the developing countries, to create a broader ideological assurance for the policy of the United States not only in regard to the USSR but also for the entire world, a program of "democracy and public diplomacy" was set forth. It was based on the following two principles: the creation of an "infrastructure of democracy" throughout the world and the necessity for more active participation in the "struggle of ideas and values" with the Soviet Union.

In essence, the gist of the program of "democracy and public diplomacy" is based on interference by the United States in the internal affairs of other countries, primarily those Latin American states whose course in the international arena does not suit Washington. Under the slogan of "defending democracy" a campaign is being waged against the countries of this region whose internal structure fails to measure up to the definition of "democracy American

style." Concealed under the concepts of "defending democracy" and "supporting people fighting for democratic institutions" is a plan for creating "fifth columns" in these countries; their task would be to destabilize the situation and to create favorable conditions for outside intervention. Designed for a period of 20 years (1983-2002), the program entitled "democracy and public diplomacy" has set broad goals for itself--ranging from forming an "infrastructure of democracy" in the countries of Latin America to creating in the eyes of Latin Americans a new and more attractive image of the United States by means of expanded propaganda in the field of politics, culture, and education.

Under the term "public diplomacy" itself is understood the explanation of the broad public goals and mechanism of American policy--of that sphere, which, as the program's authors themselves note, often remains unknown or incorrectly interpreted. In fact, such "explanations" are tendentious and disinformational in their nature, when certain events and political actions are handled and transformed in a distorted light, while purely pragmatic goals and tasks are masked by demagogic phrases. An example of this is the justification of the illegal actions of the Reagan administration with regard to supporting the anti-government, counter-revolutionary bands in Nicaragua, bands supposedly called into being by the need to "fight against totalitarianism" and to "defend democracy."

An important point in the program of "democracy and public diplomacy" is the so-called "defense of human rights." Despite the criticism leveled at former President J. Carter, who was accused by the neo-conservatives of creating a situation whereby his campaign directed at "protecting human rights" deprived the United States of some "trusted friends" and "facilitated the coming to power of some hostile governments," the Reagan administration soon discovered that this policy could bring in its own dividends. The slogan of "defending human rights" in the eyes of Washington's ideologists is a splendid ideological "cloak" for interfering in the internal affairs of states whose policies do not suit the White House. The present campaign of "defending human rights" differs from Carter's campaign in that it has completely eliminated everything which would, even in the slightest way, adversely affect the pro-American dictatorial regimes. Examples of such an approach are provided by the speeches of J. Kirkpatrick, the former U.S. ambassador to the UN. Following her lead, Washington's official propaganda, if it does mention the dictatorial regimes in connection with violations of human rights, does so solely within the context of "improvement" and "restoration of law and order" in these countries. There is a corresponding hush-up of any and all mention of terror and repression in these countries against the peaceful population, and, at the same time, groundless accusations are being set forth against Cuba and Nicaragua with regard to supposed human-rights violations taking place there.

Thus, the U.S. mass media utilized the fact of the resettlement of the Mesquito tribe of Indians from the border zone of military actions in Nicaragua as proof of the "repressions" by the Sandinista government; the pages of the American press and the speeches of representatives of the administration are filled with false accusations aimed at Cuba, which supposedly is keeping "tens of thousands" of political prisoners.



Practical measures with regard to implementing the "program of democracy and public diplomacy" are being expressed by way of increasing the amounts of radio broadcasts to the socialist and developing countries. Thus, upon the personal orders of the President, a new radio station--Radio Marti, broadcasting to Cuba--has been set up under the Voice of America. Speaking on radio, Reagan justified this action by the attempt to "guarantee the Cubans access to objective information as to what is going on in the world and in your country." The use of the name of the outstanding Cuban patriot, Jose Marti, is purely propagandistic in nature and pursues the goal of attracting an audience. The principal task of Radio Marti is to conduct anti-government propaganda, aimed at destabilizing the situation in Cuba. Under the pretext of "moving democracy forward," the listeners are given false information about the "political repressions of the Castro government" and the inevitability of an economic catastrophe in the country, supposedly as a consequence of communist rule.

In principle, the goals now assigned to the radio services broadcasting to Cuba, Nicaragua, and other countries are practically the same as those which were formulated during the 1950's for the radio stations broadcasting to Eastern Europe. As admitted by C. Jackson, the former chairman of the Free Europe Committee, these tasks consisted of "creating the prerequisites for internal disturbances in those countries for which the radio broadcasts were intended," as well as preparing to render "military aid in case the disturbances took on the nature of an armed resistance which could be taken advantage of." It is precisely such a line which is being taken by the present-day American propaganda with regard to Central America, where any form of internal counter-revolution or opposition to a government conducting a domestic or foreign policy independent of the United States is being used in Washington's interests.

However, this entire malicious propaganda campaign is not bringing about the desired results, and this is obvious even from the recommendations of the Committee on Central America, headed by the not-unknown H. Kissinger, to the effect that what is needed is a "significant increase in the number of hours of work and the number of languages being broadcast to the region in order to counter the spread of the influence of the USSR and Cuba."

\* \* \*

Two trends can be traced in the present-day world information policy. If the mass media of the countries belonging to the socialist community are directing their efforts at strengthening trust between peoples, restoring health to the international situation, and conducting a policy of peace and detente, the bourgeois propaganda apparatus, and, above all, the widely broadcast ideological actions of the United States, are exacerbating the situation in the international arena and hindering the establishment of trust between states.

In the Political Report to the 27th CPSU Congress, Comrade M.S. Gorbachev set forth the foundations for creating an all-encompassing system of international security, and he noted particularly the necessity and importance of cooperation in disseminating the ideas of peace, disarmament, international security, raising the level of general, objective information, acquainting the peoples

with each other's lives, strengthening the spirit of mutual understanding and agreement. This was also underscored with new force in the declaration of the CPSU Central Committee General Secretary which was given over Soviet television on 18 August 1986.

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## WESTERN EUROPE

### BRIEFS

SPAIN-USSR S&T COMMISSION--Moscow 21 November (TASS)--The fifth session of the Mixed Commission for Scientific and Technical Cooperation Between the USSR and Spain ended in Moscow today. The results of bilateral cooperation and, in particular, that in medicine and health care, agriculture, the coal industry, the power industry, geology, and transport, were discussed at the session. It was pointed out at the session that joint work in these fields followed an upward trend. The session was presided over by Kirill Dyumayev, deputy chairman of the Soviet Committee for Science and Technology. The Spanish delegation was led by Luis Garcia [words indistinct] Spanish Ministry of Foreign Affairs. A regular session of the mixed commission is to be held in Madrid next year. [Text] [Moscow TASS in English 1800 GMT 21 Nov 86] /12232

MALTA-USSR COMMERCIAL AGREEMENT--Moscow 21 November (TASS)--An agreement on cooperation between the USSR Chamber of Commerce and Industry and the Chamber of Commerce of Malta, signed here today, provides for tapping all opportunities for strengthening and broadening trade, economic, scientific and technological ties between Soviet organisations and Maltese firms. The two countries' chambers will systematically exchange economic information and promote joint seminars and symposia on various aspects of Soviet-Maltese trade and economic cooperation. The sides undertake to attract as many Soviet organisations and Maltese firms as possible to exhibitions and fairs held both in the USSR and in Malta. Great importance is attached to the exchange of the two countries' delegations of businessmen and specialists. "The agreement signed will become for us a mobilizing guidance to action," Joseph N. Tabone, president of the Chamber of Commerce of Malta, told TASS. "Upon returning home we will apply every effort to intensify still more our trade and economic ties with the Soviet Union," he said. [Text] [Moscow TASS in English 1454 GMT 21 Nov 86 LD] /12232

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## LATIN AMERICA AND CARIBBEAN

### EDITORIAL HITS U.S. SUPPORT FOR 'DEMOCRACY' IN LATIN AMERICA

Moscow LATINSKAYA AMERIKA in Russian No 9, Sep 86 pp 5-6

[Editorial: "Under the Guise of Democracy"]

[Text] Recently in the American Press there has been an inflation of the myth about serious changes in the U.S. policy concerning countries of the "Third World" and the desire of the Reagan Administration to contribute to processes of democratization here. They have eulogized the words taken from the American President's message to Congress (14 March 1986) to the effect that the United States is against "tyranny in whatever form it may be, whether from the left or from the right." What is hidden behind this unexpectedly awakened love for democracy in the White House, this cooling off toward tyrants like Pinochet and Stroessner, who quite recently were included by the American administration among the active defenders of the spiritual values of Western civilization?

Understanding that autumn has come for the last patriarchs in the region, Washington is striving mainly not to allow a radicalization of the processes related to the crisis of dictatorial regimes and the courage and resolve of the people to fight for the reestablishment of democracy. Take Chile for example. The United States would have removed Pinochet if it did not have at hand a "reliable" political leader or party which could neutralize leftist opposition. This is shown by the keen struggle between the Sotsintern and the World Union of Christian Democrats (the post of president in this union is held by the Chilean Andres Saldivar) for the confidence of the United States and for support for the plans advanced by these international political organizations for changing over to democracy in Chile (secular--in the manner used in Spain--or Catholic--of the type carried out in Guatemala).

Another goal of the "participation" of the American administration in the struggle of the Latin American peoples against dictatorship are the geopolitical plans of the White House which are directed toward forming from obedient democratic regimes coalitions which would provide for defense of American interests on the continent. An example of this is the U.S. policy in Venezuela which obliges it to participate in military maneuvers of the United States ("Tres Banderas," "Casadores" and others) conducted in the Caribbean, the Pacific and the Atlantic, and also halted oil deliveries to Nicaragua. The main means of emasculating the anti-imperialist content of Venezuelan

democracy are indebtedness, 75 percent of which are to American banks, and the dependence of the country's economy on foreign ties with the United States (75 percent of the exports and 60 percent of the imports).

The anti-Latin American and imperialist essence of the White House game of democracy is shown also by the secret directive No 124 concerning "diplomatic isolation of Mexico," economic pressure on this active participant in the Contadora process, and Washington's obvious leaning in the direction of military variants in the Central American conflict. During the 6 years Reagan has been in power they have spent \$3 billion just on the war in El Salvador and supporting a regime in which even the socialists are forced to operate underground.

During the summer President Reagan managed to persuade Congress to allot \$100 million for the "contras." Hardly anyone would seriously believe that from the President's standpoint this was merely a matter of dollars. In any event they all went through different channels. Why was it so important for the President to bring Congress to its knees in this issue?

The main thing was the legalization of the "contras" as U.S. allies, and the legalization of the undeclared war against Nicaragua. Here Reagan completely forgets about democracy, about the legitimacy of the Nicaraguan government and about the criminal nature of all of the "contra" activity.

Now the "contra" leaders have even begun to speak about the creation of a "government in exile." All this, of course, is envisioned in the scenario developed by the White House. But there are serious reasons to assume that it won't end with this. What next? If according to this Hollywood scenario there is to be a "happy ending," Congress will fall into a trap. For the "happy ending" for Washington in this case will be not a "close-up kiss" but the overthrow of the current government in Nicaragua.

With what forces? The "contras" will not become powerful enough to do this as a result of receiving the \$100 million. Something else will be needed. One must recall the "Tonkin Resolution" whose adoption was achieved by Lyndon Johnson and which pushed the new United States on the path of the Vietnamese adventures. What if something similar happens in Central America? The logic of the course that has been taken leads precisely to this. And then the war will spread beyond the borders of Nicaragua. On a territory equal to South Vietnam and with approximately the same population, there will be another prolonged war. The possibilities and new tendencies which have appeared recently in the political development of the countries of the Central American subregion will disappear forever. Moreover, intervention against Nicaragua generally threatens the cause of democracy on the entire continent, for the Sandinista revolution is its outpost.

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## LATIN AMERICA AND CARIBBEAN

REVIEW OF THE JOURNAL IATINSKAYA AMERIKA NO 9, 1986

Moscow APN DAILY REVIEW in English 26 Sep 86 pp 1-4

[Excerpt] Y. Kondrashova has contributed the article "The Arms Race Threat to Security, Development and Progress." The scale of militarization of the developing countries' economies, she says, has grown dramatically over the last 15-20 years. Today their overall arms spending is, in fact, equal to that of the West European NATO countries. Moreover, the rate of their militarization is appreciably higher than the rates of their economic development.

In encouraging militarization, the imperialist states consciously retard the processes that might help lessen the developing countries' economic and political dependence on the USA and its allies. Thereby an attempt is being made to map out the development of a number of countries for a long period to come in order to keep them within the fold of imperialist policy.

Arms sales, the author says, are ingrained in imperialism's global strategy whose aim is to perpetuate its hold on many regions of the world. It should be noted that in the past decade the sales of outmoded weapons have been increasingly down, being replaced by supplies of more up-to-date types of armaments and hardware. Naturally this increases the developing countries' arms bill, which in turn adds to their debts, and enhances their inflation trends and economic imbalances.

The emergence of the new globalism concept, combined with the fact of many developing countries being tied to the chariot of the United States and its allies, marks the beginning of a new stage in military preparations which are particularly dangerous now that the grown military potential of the Third World countries makes the consequences of their possible involvement in an armed conflict predictable.

This situation is fraught with the most serious consequences for the whole of mankind. It is for this reason that the Soviet Union and other peace-loving countries, including some in Latin America, are consistently working to put an end to the arms race and switch the military expenditures over to coping with economic backwardness and creating favorable international conditions to phase this 20th century scourge out.



N. Zalissky's article is entitled, "Contribution of the Ukrainian SSR to Development of Relations With Latin American Countries."

On the current development stage of the Soviet society, the author writes, each Union Republic increases its contribution to the foreign policy activities of the USSR. A vivid example is provided by the growing participation of the Ukraine in the strengthening of the Soviet-Latin American relations. Quite a few factors promote that. They are, first, the wide representation of the Ukraine in the UN, UNESCO and other international bodies in accordance with international law. Second, its high economic potential. Third, the historical traditions of contacts and relations between the Ukraine and Latin America rooted in the prerevolutionary period and restored on qualitatively new foreign policy principles after the Great October Socialist Revolution.

N. Zalissky goes on to say that over the past 20 years the Soviet-Latin American relations have been based on the solid material foundation of wide commercial, economic, scientific and technological cooperation to which the Ukraine has been tangibly contributing in accordance with which the Ukraine has been tangibly contributing in accordance with the principles and organizational forms of the Soviet foreign economic activity. Large batches of power equipment made in the Ukraine are exported to several countries of Latin America.

The 1980's witnessed the trend of drawing some of the Ukrainian enterprises into new forms of the Soviet-Latin American commercial and economic cooperation and technology transfers, including that of unit and spare parts supplies. An experience of such cooperation with Mexico, Argentina and Bolivia has been gained.

The Ukraine is taking part in the Soviet-Latin American scientific relations within the framework of both UNESCO programs and events (the Ukraine has been a member of UNESCO since 1954), and the bilateral agreements on scientific and cultural cooperation between the USSR and the Latin American countries. There are regular contacts between the Ukrainian Republic's scientists and their Latin American counterparts in joint hydrological research in South Atlantic and the Caribbean. An important role in the development of relations within the scientific centers in Latin America is played by the Central Scientific Library of the Academy of Sciences of the Ukrainian SSR which exchanges books with five Academies of Science, 19 universities and institutes, 45 libraries and 53 other centers in 11 countries of the region.

The magazine also carries articles entitled "Guatemala: Realities and Illusions of Democratization," by A. Borovkov, "Panama: Hopes and Realities of a 'Financial Paradise'" by I. Kurashev, and several others.

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## LATIN AMERICA AND CARIBBEAN

### POLITICAL, ECONOMIC TASKS FACING GUATEMALA'S CIVILIAN REGIME

Moscow LATINSKAYA AMERIKA in Russian No 9, Sep 86 pp 28-35

[Article by A. N. Borovkov: "Guatemala: Reality and Illusion of Democratization"]

[Text] The beginning of 1986 was marked by important changes in the political life of Guatemala. On 14 January the first civilian president in many long years took office. He was the leader of the Christian Democratic Party (DCG), Vinicio Cerezo Arevalo.<sup>1</sup>

The decision of the military to turn the power over to a civilian government is explained by a whole series of domestic and foreign factors. In spite of the terror and repression, the ruling military-bureaucratic elite was losing control over the situation in the country as each year passed. At the beginning of the 1980's, under the influence of the victory of the national revolution in Nicaragua, the armed partisan movement became more active and was transformed into a most important factor in political life.

The unconcealed war of the oligarchy against the people led to a growth of their resistance, an aggravation of the contradictions within the ruling bloc of the military and bourgeoisie, and a demoralization of the middle level and junior officer personnel, and also the rank-and-file soldiers who began to turn in the direction of the partisans.

During the 1980's the economic crisis was greatly aggravated, which revealed all the defects of the right-wing authoritarian model. The country was in critical need of socioeconomic transformations, which would inevitably affect the interests of both the military and bureaucratic segment and the bourgeoisie. And the right-wing grouping seems to be trying to avoid crucial reforms by formally transferring the power to the civil government and thus making "cosmetic repair" on a system that had taken form over 3 decades. This, in their opinion, would make it possible to legalize the anti-insurgent war in the eyes of public opinion in the country and the entire world, to emerge from international isolation, to obtain greater access to foreign credit, and to stimulate the growth of capital investments.

These goals coincided with the general strategy of the United States in Central America, which was directed toward replacing the odious military dictatorships with bourgeois reformist regimes so as to neutralize the radicalization of social processes. This course was directed toward not allowing a repetition of the Nicaraguan precedent, achieving isolation of revolutionary Nicaragua which was accused by Washington of "dictatorship" and "totalitarianism," and legalizing the military assistance to the "contras" in neighboring countries as "fighters for democracy." With the help of civilian governments the United States would also be able to stabilize the intrapolitical situation of the Central American countries and thus create a more favorable investment climate for American transnational corporations. On 28 January 1986, when the liberal government of Jose Azcona Hoyo came into power in Honduras, the process of changing the countries of the subregion over to the civilian form of government was completed. Guatemala was a part of this process.

It is important to note that the preparations for the election of a civilian president were accompanied by a strengthening of the structure of the parallel power of the military. New legislation was enacted concerning the country's Armed Forces, the State Security Council and the Ministry of Intelligence and National Security were created, the "National Defense Patrol," which appeared under R. Monte to fight against revolutionary organizations was officially recognized, and the so-called "coordination intradepartmental committees were formed, which placed the activity of civilian institutions under the control of military authorities. Thus the restoration of the institutions of "representative democracy" certainly did not mean that the military had returned to the barracks. Moreover, having learned from the Argentine experience, they guarded themselves from the probable retribution for many years of terror. One of the last decrees of Mejia Victores, which was included in the new constitution, was a decree concerning amnesty for all the military who participated directly or indirectly in repression.

The military and bureaucratic elite at that time was trying to conduct presidential elections with the observance of the external attributes of bourgeois democracy, understanding that these elections should be different in the eyes of the world community from the preceding electoral forces. They even invited foreign observers. But from the very beginning it was obvious that only the right wing and center parties had any chance of success. They did not aspire to any deep structural reforms and, consequently, did not threaten the interests of the ruling bloc. And progressive parties were prohibited by legislation while forces representing even a moderate opposition were extremely weakened as a result of many years of repression.

The basic struggle developed between the center Christian Democratic Party and the right-wing-center National Centrist Union (UCN). Of the 2.7 million registered voters, 1.74 million participated in the elections. The CDG candidate Vinicio Cerezo received 1.13 million votes and the UCN candidate Jorge Carpio--0.52 million votes,<sup>2</sup> or 65 percent and 30 percent, respectively. The victory of the CDG was no accident. Of the political forces participating in the elections this party was the largest, and it also had not compromised

itself by close cooperation with the military regimes and, consequently, mass repression. Advocating democracy in all spheres of life on principles of Christian nonclass humanism, the CDG won over the broad masses of the population who were tired of terror and were striving for social peace. Very important for the CDG was support from outside:<sup>3</sup> both from the United States and from Western Europe in the form of the Vatican, the Conrad Adenauer Fund, the Christian Democratic Party of the FRG and transnational companies, particularly Volkswagen and Nestle. In Latin America the Guatemalan Christian Democrats were given various kinds of assistance from related ruling parties of Venezuela and El Salvador.

As might have been expected, a considerable place in the program for the new government was occupied by questions of political regulation, protection of civil rights, and equality of citizens before the law. The new leadership did not skimp on appeals for social peace and the unification of the population into "one large family" in order to solve common problems. And many of these problems had accumulated, especially in the economic sphere. Since 1981, there has been a constant decline of production, the country's exports have decreased by \$1.2 million, and about half of this sum disappeared from the state coffers as a result of corruption.<sup>4</sup> The foreign debt reached \$2.4 billion. In order to sustain it in 1986 Guatemala needed from \$700-800 million, which amounts to half of the country's export income.<sup>5</sup> According to evidence of the Guatemalan Confederation of Trade Union Unity, the minimum wage (3.2 quetzals a day--1 American dollar) was one-third of the subsistence wage.<sup>6</sup> Unemployment in the country amounts to about 50 percent of the able-bodied population, and it is constantly increasing because of the curtailment of production.

Such a situation insistently required immediate measures. On 14 February the Confederation for Trade Union Unity of Guatemala (CUSG) demanded that the new government take decisive measures within 2 months to improve the situation of the workers and if these demands were not met, it declared its readiness to conduct demonstrations and strikes throughout the country.

On 6 March the new president spoke on national radio and television with a presentation of the socioeconomic program. Its main goal is to "create conditions for stabilization and restructuring of the economy, to reverse the current tendency toward decline, and create a basis for constantly raising the standard of living of all the Guatemalan society."<sup>7</sup> He announced--as immediate measures--the allotment in 1986 of 100 million quetzales to create an additional 40,000 jobs mainly in road construction, the construction of other objects of the infrastructure and water supply. It is also intended to introduce a 30-percent tax on exports, to increase the tariffs on international telephone, telex and radiotelephone communications and highway tolls, and to take measures to fight against tax evasion.

The program earmarked an increase of 50 quetzals a month in the wages of workers at state enterprises, and concerning the private sector, it called for the owners and the workers to conduct negotiations before 1 May 1986 concerning increasing wages for the latter, depending on the capabilities of each enterprise. It would suggested that they would increase wages by an average of 20 percent. The announced the introduction of state control over

the distribution of a number of necessities. At the same time it was pointed out that the government would be forced to increase the payment for fuel in the near future. Also envisioned among the immediate government measures were negotiations with creditors concerning refinancing of the foreign debt both to equalize the country's payment balance and to carry out certain plans for development.

But even this limited program is certainly not a government decree or law, but only a set of proposals which are "subject to discussion" by various social segments. The president announced that the program would not go into effect until general agreement was reached, explaining that his government would not be like the preceding regimes which "adopted individual decisions without being concerned about the opinion and support of the people."<sup>8</sup> Concealed behind this phrase is the government's desire to retain its freedom to maneuver and, in the event of decisive resistance from the private sector or the military, to have paths of retreat, referring to the lack of general agreement and the unwillingness to go against the "will of the people." As might have been expected, the program did not receive support either from the bourgeoisie or from the workers. The military remained silent. Coming out against it were the Agrarian National Union (UNAGRO) which united the country's agricultural exporters and the Coordination Committee of Agricultural, Trade, Industrial and Financial Associations (CACIF)--the main association of the private sector of Guatemala. These and a number of other smaller associations accused the V. Cerezo government of populism and even socialism. Special attacks were made on proposals concerning introducing an export tax and establishing state price control.

The CUSG criticized the introduction of a new exchange rate for foreign trade operations, which would in fact mean a devaluation of the quetzal and increased inflation. It came out against the growing speculation and against the government intentions to raise fuel prices, which inevitably entails increased prices for other goods, and it also demanded an increase in employment in the production spheres of the economy and an essential wage increase. Another trade union association came out with even more resolute demands: the trade union of Guatemalan workers. At the beginning of April, protest demonstrations were conducted throughout the country under the leadership of the trade unions. In a number of places, as a result of conflicts with the police, demonstrators were killed and wounded. Trying to strengthen its positions, the government resorted to creating its own trade unions: it formed the Trade Union of State Employees, who previously had no right to an association, and the National Coordination Center of Workers, which included a number of organizations. But this action did not produce a great advantage for the government.

Thus it very quickly turned out that V. Cerezo's first attempt to conduct certain reforms failed in practice. It revealed the limited possibilities of the Christian Democratic Government to solve even individual problems on the paths of universal consensus.

Although when the civilian government came to power the scale of terror in the country decreased, nonetheless during the first 3 months of 1986 119 murders and 43 cases of missing persons were registered.<sup>9</sup> True, the terrorist actions

no longer originate from the government, but it has not yet managed to establish control of the activity of militarized ultra-right wing groups. At the same time it is in no hurry to eliminate the state agencies of repression either. The reorganization of some of them, particularly the Department of Technical Investigation under the national police, involved a change in name which in no way influenced the previous nature of this institution.

On the other hand, popular resistance is increasing. There is the so-called "Group for Mutual Support" (GMS) in operation in the country, which unites the relatives of 850 people who were missing during the past 4 years. The group demands information concerning the location of people who have disappeared, abolition of the law concerning amnesty, investigation of terrorist actions and punishment of the guilty parties. Its activity is supported among the broadest segments of the country's population and also abroad.

Armed organizations joined together into the Revolutionary National Unity of Guatemala (URNG) in principle welcomed the process of democratization. They did not call for boycotting the elections and significantly reduced their military operations. At the same time, even during the preelection period the URNG warned that the government of Christian Democrats, regardless of how noble their intentions might be, would lack the military, social, economic and political capabilities for resolving the socioeconomic crisis.<sup>10</sup> Guatemalan patriots repeatedly declared that "as long as there exist the conditions for social injustice and the structure of power that perpetuates these conditions, the URNG considers it its moral duty to continue to fight and to call for fighting."<sup>11</sup> Taking this circumstance into account, V. Cerezo announced his intention to enter into negotiations with the partisans at the end of 1986.

On the whole, the government, which occupies a centrist position, turned out to be "between a rock and a hard place." On the one hand--the masses of people and their vanguard, the armed revolutionary movement, and on the other--the bourgeoisie and the military. The Mexican magazine PROCESO compared V. Cerezo's position with that of the tightrope walker on a sagging wire.

The Christian democratic government is trying to compensate in the foreign political sphere for the weaknesses in its domestic policy. Its line toward nonintervention in the Central American conflict is conditioned by an understanding of the fact that involving the Guatemalan army in the adventures of the United States would inevitably weaken it in the struggle against insurgent forces. The circumstance that among the Guatemalan military, along with ardent anticommunism, fairly strong anti-imperialist attitudes have taken root also plays an important role in the formation of the position of neutrality.

On the whole, V. Cerezo is trying to increase Guatemala's role in a peaceful solution to the Central American crisis and the prevention of foreign military intervention in the affairs of the subregion. To this end he has come out with an initiative to create a Central American parliament for resolving conflicts through their own efforts. Here it is important to note that this idea was advanced not as a counterbalance to the "Contadora Group," but in support of the efforts of this group. The foreign political course of the new government fairly quickly found support and understanding in many countries of

the world. It was approved by the Latin American parliament which convened in Guatemala at the beginning of April 1968, and the Central American countries also agreed with the idea of creating a subregional parliament.

Relations between Guatemala and other countries of the "Contadora Group" have improved. Venezuela has expressed its readiness to grant economic assistance in the amount of \$200 million.<sup>12</sup> Agreement was reached with Mexico concerning the development of trade and financial cooperation, the implementation of joint energy products, and the resolution of the problem of Guatemalan refugees. The Mexican government declared its readiness to continue to deliver petroleum to Guatemala under privileged conditions within the framework of the San Jose agreement. The announcement made by a number of Western European countries concerning granting economic assistance to Guatemala is also evidence that the country is coming out of international isolation and that the policy of "active neutrality" is succeeding.

The steps taken by the new president to prevent American intervention in Nicaragua have generated certain antagonisms with Washington which has such a powerful lever of pressure as "aid." In the middle of March the White House made a decision to allot Guatemala \$80 million in the form of economic aid and \$10 million in the form of military aid.<sup>13</sup> Additionally, the United States has strong allies within the country in the form of a certain part of the Guatemalan bourgeoisie and also ultra-right wing citizens who regard contacts with Nicaragua as a "communist threat" to the country. These forces raised a ruckus about V. Cerezo's declaration of his readiness to meet with Fidel Castro to discuss the Central American conflict. As a result the Guatemalan president was forced to officially abandon his intention.

All this shows how difficult, contradictory and winding the paths to democratization taken by the Guatemalan CDGR. So far the government has not managed to advance significantly in the main issue--overcoming the economic crisis. The people continue to live in conditions of "limited democracy"--limited primarily by the parallel power of the military. In the final analysis the fact of democratization and emergence from the economic crisis will depend on his resolve to fight for a truly free and independent homeland.

#### FOOTNOTES

1. Vinicio Cerezo Arevalo, 43, a lawyer, completed San Carlos University of Guatemala. He led the Social Christian Student Front, entered the CDG in 1967, became its general secretary, and from 1974-1975 was a deputy of the Congress. The press includes him among the "progressive" right. He has acted from anticommunist positions, against insurgent forces, but he is considered an advocate of conducting a number of radical reforms.
2. PROCESO, Mexico, No 476, 1986, p 64.
3. In May 1980 in Washington there was a conference of leaders of international and Latin American Christian democracy (Helmut Kohl, Aristides Kalvani and Rafael Caldera) and also workers of the U.S. State Department and people who subsequently entered the R. Reagan administration and participated in the development of his Latin American

policy (the authors of the well-known Santa Fe Document). At the conference a decision was made that the Christian Democratic parties must strive for "convergence" with the armed forces, for which they could become the "civilian and centrist alternative, removed from the excesses of socialization and nationalization." V. Cerezo participated in the conference. In his statement he openly called upon the United States and Western European countries to use any means, right down to armed intervention, for "democratization" of Central America. At the same time he warned that otherwise in the subregion there could be social outbursts which could lead to the establishment of regimes unfriendly to the United States, or they could have the support of "Soviet Russia and Communist Cuba."

4. PROCESO, No 471, 1986, p 43.
5. EXCELSIOR, Mexico, 14 March 1986.
6. EL DIA, Mexico, 23 February 1986.
7. "La Necesidad de un Programa de Reordenamiento Nacional," Propuesta del Gobierno al Pueblo de Guatemala, Guatemala, 6 March 1985, p 6.
8. Ibid., p. 1.
9. EL DIA, 11 April 1986.
10. PROCESO, No 471, 1986, pp 44-45.
11. Mensaje de la Unidad Revolucionaria Nacional Guatemalteca (URNG) en su cuarto aniversario al Pueblo de Guatemala, Guatemala, 7 February 1986, p 6.
12. Agencia Centroamerica de Noticias ACEN-SIAG, BOLETIN, Mexico, No 55, 1986, p 4.
13. EL DIA, 13 March 1986.

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## LATIN AMERICA AND CARIBBEAN

### PROBLEMS NOTED IN PANAMA'S ROLE AS REGIONAL 'FINANCIAL CENTER'

Moscow LATINSKAYA AMERIKA in Russian No 9, Sep 86 pp 36-45

[Article by I. M. Kurasheva: "Panama: Hopes and Reality of the 'Financial Paradise'"]

[Text] Panama is characterized by an extremely irregular territorial structure of the economy. Even before the construction of the canal, there were two regions: the so-called "transit zone," which carried a narrow part of the isthmus, and the internal zone, that is, the rest of the territory of the country. In the middle of the last century, with the completion of the construction of a railroad along the transit zone, and especially after that, with the opening of the new canal, the regional disproportions became greater. The country turned out to be divided into three loosely interconnected regions: the backward interior (more than 90 percent of the national territory, where agriculture prevails); the economically more important transit zone (it occupies less than 10 percent of the country's area but produces more than 80 percent of the industrial output), and--until recently--the Canal Zone, which is essentially a colonial enclave of the United States on the territory of Panama. The existence of this zone as an independent territorial and production unit largely determined the orientation of the economy toward the sphere of services and trade, the concentration of production and capital investments in the capital region, and the deepening of the financial and trade dependency on the United States.

The existence of a colonial enclave contributed to the expansion of the activity of the American monopolies and banks. The U.S. dollar became the official currency of Panama, and the national currency unit of the Balboa was purely symbolic. All this gave rise to serious disproportions in the prices and the level of wages, as well as the models of consumption; the employment problem was also aggravated. Thus foreign property became a serious obstacle on the path to comprehensive development of the Panamanian economy and one of the main factors in the deepening of regional disproportions.

In the opinion of certain American investigators, the United States did a good deed for Panama by constructing the canal, which was supposed to give work to thousands of Panamanians and serve as the base for large capital investments in the country. The overall American investments in this zone are estimated at \$5.7 billion. Moreover, according to assertions of American economists,

the canal has annually brought Panama profit in an amount of \$160-170 million.<sup>1</sup> But one must keep in mind that, in the first place, its construction corresponds primarily to the needs of the more developed capitalist countries and, in the second place, until recently the United States accounted for almost two-thirds of the volume of cargo shipped through the canal. American capital investments in the project amounted to about \$350 million and they were completely recouped 4 decades ago; the net income of the United States from operating the facility during the period from 1915 through 1970 amounted to \$1.22 billion.<sup>2</sup> As for Panama, in 1904 it received a one-time amount of \$10 million, and the established annual rent for the use of the canal (\$25 million) was negligibly small compared to the steadily increasing incomes of the United States: in 1915 it was 5.7 percent of the overall sum of tariffs, and by the 1970's this proportion had dropped to 1.9 percent.<sup>3</sup>

In our opinion, the economic return would have been greater if the canal had been used primarily for economic purposes. But 68 percent of the area of the zone was occupied by military facilities, and investments of a "defense nature" were twice as great as capital investments in other spheres.<sup>4</sup> Moreover, there was a constant threat of U.S. military intervention in the country's internal affairs.

In 1968 a military government under the leadership of O. Torrijos came to power. The new government entered on the path of strengthening the country's sovereignty. It is quite understandable that the struggle to transform the canal zone occupied a central place in his activity, even though payments to Panama had increased somewhat. Relying on support from the people, in 1977 the government managed to have the Panama Canal agreement revised.

On the initiative of O. Torrijos they developed a number of progressive socioeconomic measures directed toward forming a state sector in the processing industry, agriculture and shipping, and establishing control over prices, the market and foreign trade. It was assumed that including the Canal Zone in the country's economic system would help to solve the most crucial socioeconomic problems and would contribute to the elimination of disproportions and the comprehensive development of the economy. Ambitious plans were made to create an industrial and trade complex and a unified system of highways and railroads on both sides of the canal, to construct a new port on the Atlantic Coast, to expand the Pacific Ocean port of Balboa, to lay a number of petroleum pipelines, and so forth.

Great hopes were placed in the free trade zone in Colon. It was planned to expand it significantly and to increase the production potential as a result of the development of branches of the processing industry. They considered the possibility of carrying out other plans as well, for example, the development of ferrous metallurgy and petroleum processing on the basis of imported raw material and diversification of the transportation system.

Thus the 1977 agreement, under which the Canal Zone was transferred to the jurisdiction of Panama, had immense significance for the country. The plans for the development of this region were to have contributed to the economic restoration of two-thirds of the national territory and to give impetus to the processing of accumulation and the growth of the production potential.

All this, however, required large capital investments. The government had counted on obtaining the necessary funds through increasing incomes from operation of the canal and increasing industrial production. But in practice, everything turned out to be much more complicated. In the first place, the incomes were considerably less than anticipated. After the renewal of the operation of the Suez Canal and as a result of the increased proportion of large tankers in the world petroleum fleet (petroleum is the main cargo shipped through the relatively shallow Panama Canal) the isthmus largely lost its previous significance. In the second place, under pressure from the United States, the agreement included a clearly low tariff for the passage of American ships through the canal, as a result of which the profitability and the ability to compete of the U.S. trade fleet increased.<sup>5</sup>

In the third place, a certain role was played here by the change in Panama's economic policy, which was predetermined by the "Strategy of National Development" for 1970-1980. "For such a small country as Panama," it was noted in this document, "...the only viable alternative for increasing the well-being of the population is to create an open economy that is closely interconnected with the large foreign market, as a result of which the country will be able to provide for a considerable part of its internal consumption...."<sup>6</sup>

The government linked the possibilities of development to four areas in which Panama could have "relative advantages": its advantageous geographical location, the utilization of natural resources that have not been developed here before (mainly energy), agriculture and industry. It was assumed that by mobilizing the existing means, within the next 6-8 years the country would be able to increase its annual export volume by \$475 million, including agricultural products--by \$125 million.<sup>7</sup>

When developing this strategy they relied basically on enlisting foreign capital investments and credit. To this end they revised and considerably eased the law concerning banking activity (Decree No 238 of 2 July 1970), reduced and, in a number of cases, completely abolished taxes from a whole series of financial operations, and provided international credit and financial organizations with extensive access to the country. Several years later Panama, along with the Bahamas and Cayman Islands, became one of the most important financial centers of the capitalist world.<sup>8</sup> The financial sector became the basic one and one of the most dynamic sectors which determined the positions throughout the entire economy. Moreover, a leading role in the bank system was played by foreign banks, the number of which increased at rapid rates: by the end of 1983 there were 129 commercial banks in the country (total assets--\$42-43 billion), but in only 11 of them did the majority of the assets belong to local capital.<sup>9</sup> In Panama, foreign banks were relieved of taxes for foreign operations; domestic ones were taxed only by 8 percent. Moreover, investments could be kept secret and it was possible to maintain a modern system of communications under conditions of political stability and "noncompulsory" control on the part of the state.

Thus the tasks of internal accumulation were to be assigned basically to foreign banks. The country's economic development and the plans for realizing

the most important economic projects were made dependent on foreign financial market conditions and on the economies of developed capitalist states. Since Panama had no central emission bank and the basic monetary unit was still the dollar, many of the most important problems of a credit and financial nature fell outside the purview of the government.

Table 1--Branch Structure of the Economy, % of GNP<sup>10</sup>

Branches	1969	1979	1983
Agriculture (including fishing)	19.4	11.9	9.4
Industry	17.5	11.5	9.1
Construction	5.7	6.8	6.1
Electric energy (including gas and water supply)	2.8	3.4	3.5
Transportation and communications	6.2	10.2	13.3
Trade	13.8	15.9	14.9
The sphere of services	34.6	40.3	43.6
Total	100.0	100.0	100.0

The realization of the strategy for transforming Panama into an international financial center led to deep deformations in the branch structure: the proportion of the production sphere in the GNP decreased from 42.6 percent in 1969 to 24.6 percent in 1983, and trade and the sphere of services, conversely, increased from 48.4 percent to 58.5 percent (see Table 1). Regional disproportions were aggravated even more.

An alternative source of funds necessary for implementing the program for development could be exports of traditional goods, mainly agricultural products. But in the 1970's the country's positions in world markets deteriorated. The economic decline in developed capitalist states, above all in the United States (Panama's main trading partner) and their increased protectionist barriers were directly reflected in the Panamanian economy, which was totally oriented toward foreign economic ties. An example might be the sugar industry, which has always been an important source of income of currency. As a result of the growth of production in developed countries, the demand for sugar decreased significantly. Panama's quota for exports to the United States decreased during 1970-1983 from 5 million to 3 million tons. To this one must add the large losses resulting from the reduction of procurement prices for Panamanian export products.

The weak industrial base and the deliberate policy of the foreign companies caused a considerable increase in high-priced imports, which led to a persistent foreign trade deficit (see Table 2). In 1982 a prolonged financial and economic crisis broke out in the country, which put an end to hopes in the magic force of foreign capital.

The economic policy of Aristides Royo, who came to power after O. Torrijos' death (1978) was pro-American in nature. Although the transformation of Panama into an international financial center certainly did not contribute to the country's development, the ruling circles continued this course.

Table 2--Growth of Panama's Trade Deficit (excluding Free Trade Zone), millions of balboas<sup>12</sup>

	1974	1976	1978	1980	1982
Imports	755.7	779.7	844.9	1288.9	1406.6
Exports (including re-exports)	210.5	238.2	256.4	360.5	375.9
Balance	-545.2	-541.5	-588.5	-928.4	-1030.7

Most of the foreign capital comes from borrowed money which goes mainly for the development of the infrastructure in the sphere of services. During the period from 1970 through 1980 60 percent of the credit that was obtained went for these purposes.<sup>13</sup> Only 40 percent of the credit was used for production purposes--development, primarily, of export branches of agriculture, expansion of certain assembly enterprises in the free trade zone, the majority of which are controlled by foreign capital.

As was already noted, the ruling circles counted on the fact that the creation and development of a regional financial center would make it possible to realize economic plans that require large capital investments. But only one of these was realized: a petroleum pipeline was constructed which joined the Atlantic and Pacific coasts. The United States was interested in this and the construction was carried out with its funds.

The orientation toward an influx of resources from outside led to a sharp increase in foreign indebtedness. In 1984 it reached \$3.7 billion (almost three-fourths of the GNP) as compared to \$0.5 billion in 1974.<sup>14</sup> While in 1970 payments to pay off the debt amounted to 11 percent of the budget expenditures, in 1983 it was already 35 percent, and the plan for 1985 envisioned 40 percent.<sup>15</sup> The Panamanian economist J. Jovane has calculated that if each year the country were to pay \$500 million or 8 percent annually, without taking out any new loans, the final account would not be settled until 1999, and the overall sum of payments would amount to \$6.6 billion.<sup>16</sup>

In order to refinance its indebtedness the government takes out more and more credit, thus closing the circle, the escape from which cannot be seen. Expenditures on maintaining the debt narrow the possibilities of financing their own economy. In 1979-1983 Panama received new loans for a sum of \$1.1 billion, and \$480 million of this (45 percent) was spent on paying back the basic sum of the debt and interest on it.<sup>17</sup> At the same time, in 1984 3.6 and 3.9 percent of the state budget were invested in agriculture and industry, respectively. Private investors, as a rule, prefer to invest in the nonproduction sphere, mainly the financial sphere, which is conditioned by the relatively rapid turnover of capital and the growing interest rates.

Under the conditions of the continuing economic decline, the International Bank for Reconstruction and Development and the International Monetary Fund suggested a stabilization program to the government of Panama. In the area of agriculture it envisioned: removing the restrictions on the exports of certain kinds of products (meat, coffee, fish meal, cacao); abolishing price control for potatoes, meat, milk and other food products; abolishing the peasant asentamentos created during the period of the agrarian reform; closing the

state sugar refinery Ingenio Filipillo and reducing production at other sugar refineries. In the area of industry--removing the latest restrictions on the activity of foreign capital and making the corresponding changes in the code of labor laws; contributing to the development of exports; weakening the protectionist measures with respect to national enterprises.<sup>18</sup>

A special place in the program was occupied by measures for reducing the deficit of the state budget (rigid restrictions on state expenditures, freezing of secondary plans, and so forth). Obviously, the proposals of the International Bank for Reconstruction and Development and the International Currency Fund were directed primarily toward curtailing the activity of the state sector and strengthening the country's export specialization. A special position is allotted toward the prospects for constructing assembly enterprises, taking into account the advantageous geographical position and the availability of surplus and inexpensive labor force.

The measures taken by the country's government during the first half of the 1980's correspond completely to the "recommendations" from outside. For example, restrictions were removed on the export of meat, the basic consumer of which is the United States (the government also raised domestic prices for it in order to reduce the consumption within the country and thus increase the surpluses for export, price controls were removed from a number of food products; the Ingenio Filipillo Plant was closed, as was the State Bank Corporation for Development; beginning in 1983 subsidies were abolished for other state corporations; the tax was increased on imports of crude oil, and capital and current expenditures of the state sector were considerably reduced. In 1983 a national council was created for contributing to foreign investments.

In the middle of 1983 the ruling circles of Panama addressed the Yu. S. administration with a request to have the country included in the plan for economic assistance to states of Central America and the Caribbean Basin (the well-known Caribbean initiative of R. Reagan), seeing in this a rescue from crisis. The request was granted with a number of essential stipulations, but the economic effect turned out to be practically nil. In 1984 the commodities affected by benefits envisioned in the "Caribbean Initiative" amounted to only 4 percent of the overall exports.<sup>19</sup>

In May 1984 N. Ardito Barleta was elected president of Panama. He had previously held the post of vice president of the International Bank of Reconstruction and Development for Latin America and the Caribbean Basin and was closely linked to the International Monetary Fund. In the government of O. Torrijos he had the portfolio of the minister of planning and economic policy. Being a firm adherent of neoliberalism in the economy, Barleta played a very important role in the development and realization of the idea of transforming Panama into an international financial center, into a broad field of activity for transnational corporations.

When he came to power, Barleta proclaimed a program of strict economy in the spirit of the recommendations of the International Bank for Reconstruction and Development and the International Monetary Fund. The government froze wages for employees in the state sector for 2 years, fired 2,000 of them, and

brought up for consideration a draft of a law that envisioned increasing taxes on individual kinds of services by 7 percent. In December 1984 the president visited the United States, where he spoke out in support of "financial cooperation between the United States and the countries of Latin America," which, in his opinion, would contribute to maintaining social peace in the region.<sup>20</sup> At the same time, Barleta declared the readiness of his government to sign a new agreement with the International Monetary Fund which envisioned the next measures within the framework of the program of strict economy. The United States, for its part, prolonged by 90 days (from January through March 1985) the period for the next payment on foreign indebtedness and for the first time offered a direct subsidy in the amount of \$30 million "as a sign of recognition of the efforts taken by the Barleta government in the area of strengthening democracy."<sup>21</sup>

In that same year an agreement was ratified concerning protection and guarantees of U.S. capital investments in Panama, which gave local and American investors equal rights. The latter, in particular, were given the right to acquire immobile property, to create stockholding companies, to open divisions of their companies in the country, to purchase national enterprises and so forth. A clear expression of the pro-American spirit of the agreement is Article 10, which grants American entrepreneurs the right to "take measures" in the event that their capital investments are endangered and also "to cooperate with pan-American authorities in maintaining public order."<sup>22</sup>

The general secretary of the People's Party of Panama, R. Dario Sousa, described the policy of the Barleta government as the final departure from the progressive line of O. Torrijos. "The country is experiencing a political crisis, the causes of which lie in the difficult financial and economic position and the desire of international monopolies and local reactionaries to shift all the burden of foreign indebtedness to the shoulders of the workers and the middle classes. The communists know that the forces that have ended up in power adhere to a revisionist course which presupposes the eradication of the main victories of the people."<sup>23</sup>

It is no wonder that the government policy evoked a negative reaction on the part of the broad segments of the Panamanian society. Even the Democratic Revolutionary Party (PRD), which elected Barleta president, criticized this course. In May 1985 the PRD gave him a number of "warnings," demanding that the nature of the economic policy be changed. The president ignored the opinion of his former proponents, and the political commission of the party officially declared its rejection of the course that had been taken. In its declaration, in particular, it was noted: "If we leave the control of the economic structure and policy of Panama in the hands of foreigners, we will thus...lose our ability to survive as an independent republic." The break with the party and the loss of support from the military forced Barleta to resign.

In September 1985 the post of president was taken over by the former vice president, Eric del Valle. He announced the resolve of his government to carry out "their own plans in order to normalize the situation in the economy without paying any attention to the recommendations of the International Bank for Reconstruction and Development and other international financial

organizations." E. del Valle let it be understood that not the international creditors but the Panamanian people would decide "what medicine the country needed and what dose it could stand in order to overcome the economic crisis which was the worst in the past 50 years." Within the framework of this policy the president abolished the reform of the labor code, reduced prices on a number of necessities, and came out in favor of restoring such methods of leadership and management as dialogue among private entrepreneurs, workers in the government, and extensive discussion of critical problems with the participation of all segments of the Panamanian society. With respect to foreign indebtedness it was announced that the government would refuse to conduct negotiations under conditions that contradicted the interests of the people.

So far it is difficult to say how much change there has been in the course followed by the country in recent years or the extent to which the declarations of the president correspond to the long-term intentions of his government. About one thing there is no doubt: it is possible to overcome the crisis and provide for the country's true national independence only on the path of consistent defensive national interests and deep socioeconomic transformations that open up the way for dynamic and independent development.

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17. DIALOGO SOCIAL, No 175, 1985, p 16.
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## LATIN AMERICA AND CARIBBEAN

### VENEZUELAN COMMUNIST PARTY GENERAL SECRETARY INTERVIEWED

Moscow LATINSKAYA AMERIKA in Russian No 9, Sep 86 pp 48-51

[Interview with Alonso Ojeda, general secretary of the Communist Party of Venezuela: "Reliance on the Masses"]

[Text] The most critical problem for modern Venezuela, which is heavily reflected in the situation of the broad masses, is the increased foreign indebtedness. During the first 10 years that passed after the nationalization of the petroleum industry immense amounts of money ended upon the state treasury, but even so the foreign debt continued to increase, for which there is not and cannot be any justification. The more so since the borrowed funds were used mainly for the good of the country and for adding to the wealth of the next bourgeois group that came into power. A large part of the foreign indebtedness was formed as a result of the fact that the borrowed money was received by enterprises at which, as became clear later, there were colossal misappropriations and extravagance. Orders were also given for the arrest of a number of officials of Aeropostal Venesolan, Banco Industrial and other institutions.

Now the sum of foreign indebtedness has reached \$35 billion. Allocations for the needs of production in our country are decreasing from year to year, and in the last state budget they had decreased to extremely insignificant amounts. At the present time investments are being made with more loans since we simply do not have resources of our own in Venezuela for these purposes.

We are convinced that it is impossible to eliminate the foreign debt. The government of J. Lusinchi asserts that Venezuela will pay it off. But this year about 6 billion rubles will go for paying it. The price of oil, which is the country's main export, is falling catastrophically and state incomes cannot be increased even to this sum. How can one count on the idea that a country which depends on importing numerous goods, including foodstuffs, will be capable of paying off its foreign indebtedness?

We are trying to create a broad association of patriotic forces which embraces various social segments (from the working class to the nonmonopolistic bourgeoisie), which would speak out against the slavlike conditions for repaying the foreign debt or at least against accounts for immediate payment. Paying back the debt is directly related to the deterioration of the situation

of the people, for it is carried out according to formulas of the International Monetary Fund, which leads to a reduction of allocation for social needs, to an increase of tariffs for services, and so forth. Costs are increasing and the real incomes of the workers are declining. They have already begun to withhold payment, although this is illegal, for inpatient hospital service. In spite of the fact that the constitution guarantees free education, it is planned to introduce entrance fees to VUZes.

The PCV [Communist Party of Venezuela] has appealed to the masses to speak out against such a policy. A number of large demonstrations were held in cities and rural areas. We have only one means of opposing the antipopular policy--the struggle that is waged in an unwavering search for unity of the actions of the workers.

The 7th PCV Congress was an important event in the life of Venezuelan communists. Among the materials discussed at it was a document called "The Party, Its Nature and Goals." It reflected and affirmed the Leninist principles of our political course and set the task of taking a principled critical attitude toward shortcomings in our party activity. During the course of preparing for the congress there was the largest discussion in the history of the PCV, which consisted of 4,000 meetings of low-level party organizations, 56 local and 21 regional conferences in which each communist was able to express his viewpoint.

The Congress set as its primary task to work among the proletariat. Then came the task of strengthening the ties between the party and the masses. Without relying on the masses it is impossible even to dream of any profound social changes. And third, we are faced with a persistent need to investigate our national reality and its numerous serious problems. At the present time we intend to institute a party commission to study them.

There is no doubt about the fact that there are some extremely important spheres of social life that we have not studied at all. Take, for example, public education. We have repeatedly noted that the system of education in Venezuela is experiencing a crisis, but we have never said what needs to be done in this situation. We have now formed a special commission of the PCV to prepare theses regarding this question.

Another sphere in which an extremely difficult situation has been created is public health. It is necessary to develop a solution that corresponds to the interests of the masses regarding this problem as well.

The Indian problem in Venezuela does not seem very critical at first glance, for there are only 150,000 Indians in the country. Nonetheless it is important to formulate our position regarding the problem of Indian communities who are living according to a law adopted as early as 1915 and who are subjected to persecution and depression on the part of the Latifundists and American imperialism.

At the present time there is a government commission in operation in the country which is developing a draft of a government reform. It is clear to us that it will only restore, at best, the facade of the building which is

crumbling from within. We need not "cosmetic repair" but the creation of a new state which responds to the interests of the masses of the people and which is capable of conducting an independent policy, subverting the dominance of imperialism in the country and achieving real liberation for Venezuela. Therefore we consider it necessary to develop a discussion around the reform that is being planned by the state.

An important area of our party's activity is ideological work. In this connection the 7th Congress decreed: first, to raise the ideological level of the rank-and-file members of the party; second, to organize courses for party leaders--from secretaries of cells to members of the Central Committee.

On the whole we are of the opinion that it is necessary to work with greater responsibility and recall the need to recognize that which has not been seen before in order to carry out our tasks.

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## LATIN AMERICA AND CARIBBEAN

### LATIN AMERICAN INSTITUTE CONFERENCE MARKS 25TH ANNIVERSARY

Moscow LATINSKAYA AMERIKA in Russian No 9, Sep 86 pp 63-67

[Article by A. S. Bondar: "The Leading Center of Soviet Latin American Scholars Is 25 Years Old"]

[Text] The 5th All-Union Scientific Conference entitled "Crucial Problems of Latin America and Its Contribution to Peace" was held in Moscow on 22-23 April 1986. The conference coincided with the 25th anniversary of the founding of the Institute of Latin America of the USSR Academy of Sciences. The broad range of problems that were considered made it possible to judge in the light of the decisions of the 27th CPSU Congress a complex of economic, social and political problems that are facing the countries of the region. About 500 Soviet and foreign Latin American scholars participated in the conference. Among them were representatives of the CPSU Central Committee, the Presidium of the USSR Academy of Sciences and the Academies of Sciences of the States of the Socialist Community, scholars from Latin American and Western European countries, diplomats, and delegations of national organizations of proponents of the movement for peace. The collection of papers that was published includes about 90 authors.

In the speech of the member of the CPSU Central Committee, the director of the Institute of the United States and Canada of the USSR Academy of Sciences, Academician G. A. Arbatov, he emphasized that the creation of the IIA corresponded to the needs for the development of Soviet science. The Institute's multifaceted and fruitful activity has made it an all-union center of Latin American research. The crucial nature of the subject of the conference and the representative composition of its participants bear witness to the attention paid by Soviet and foreign social science to the complex picture of the socioeconomic and political development of the Latin American region.

The candidate member of the CPSU Central Committee, deputy chief of the International Division of the CPSU Central Committee, doctor of historical sciences, Prof K. N. Brutents noted that research conducted in the institute had earned recognition from the broad scientific community in the USSR and abroad as well as official circles and, which is especially important, progressive forces in Latin America. Turning attention to the need to change over to a qualitatively new and higher level in the work, which is oriented

toward the decisions of the 27th CPSU Congress, K. N. Brutents called for a demonstration of creative courage in a critical interpretation of the new problems facing the countries of the continent.

The participants and guests of the conference were greeted by: the director of the Institute of Africa of the USSR Academy of Sciences, corresponding member of the USSR Academy of Sciences, A. A. Gromyko; deputy director of the Institute of Eastern Studies of the USSR Academy of Sciences, corresponding member of the USSR Academy of Sciences, G. F. Kim; the director of the Institute of the International Labor Movement of the USSR Academy of Sciences, corresponding member of the USSR Academy of Sciences, T. T. Timofeyev; director of the Institute of the Far East of the USSR Academy of Sciences, Dr of Philosophical Sciences M. L. Titarenko; deputy minister of foreign affairs of the USSR, V. G. Komplektov; deputy chairman of the GKES, P. Ya. Koshelev; deputy chairman of the Soviet Committee for Solidarity With the Peoples of Latin America, Candidate of Historical Sciences P. I. Nikolayev; and the chairman of the Soviet Committee of War Veterans, Major General I. D. Statsenko. The deputy chairman of the Presidium of the SSOD [Union of Soviet Friendship Societies], Yu. V. Bernov, announced the decision of the Presidium of the SSOD to award the Institute of Latin America the Emblem of Honor of the SSOD, and he also announced that a group of scholars from the institute had been awarded certificates of honor of the SSOD.

On behalf of representatives of diplomatic missions accredited in Moscow, participants in the conference were addressed by deputy heads of the diplomatic mission of Cuba, the extraordinary and the envoy extraordinary and plenipotentiary L. F. Vasquez Vasquez, the ambassador extraordinary and plenipotentiary of the Federal Republic of Brazil, R. M. Sardenberg, and the ambassador extraordinary and plenipotentiary of the United States of Mexico, O. Flores de la Pena. Participants in the conference were welcomed by the director of the Center for the Study of Asia, Africa and Latin America of the Cuban Academy of Sciences, R. Camji, the director of the Institute of Higher Research on Latin America at the Sorbonne, the eminent Chilean scholar J. Chonchol, the coordinator of the International Federation for the Study of Latin America and Countries of the Caribbean Basin L. Sea (Mexico), the director of the Swedish Institute of Latin America, V. Karlsson, the director of the regional Coordination Commission for Economic and Social Research (Nicaragua), J. Gorostiaga, and other guests of the conference.

The work of the conference proceeded in plenary sessions and in sections.

At the first plenary session a paper entitled "The 27th CPSU Congress and Tasks of Soviet Latin American Experts" was presented by the director of the IIA of the USSR Academy of Sciences, a corresponding member of the USSR Academy of Sciences, V. V. Bolskiy. He noted that the decisions of the 27th Party Congress set for Soviet Latin American experts the responsible task of studying more deeply and comprehensively analyzing the basic problems of the region and increasing the effectiveness of scientific research as well as its theoretical and practical significance for the development of ties between the USSR and countries of the region. Within the framework of the Scientific Council for the Complex Problem "Modern Problems of Developing Countries" under the section for social sciences of the Presidium of the USSR Academy of

Sciences the IIA coordinates the scientific activity of a number of faculties of certain higher educational institutions in the country, including in Leningrad, Kiev and other cities of the USSR. During the 25 years of its existence the Institute has published about 400 monographs and collections of articles, among which the largest work of Soviet Latin American experts, the two-volume encyclopedic dictionary entitled "Latin America" is especially significant. The IIA acts as an active organizer and participant in international scientific and technical forums and also does a large amount of work in the problem commission for multilateral cooperation among academies of sciences of the socialist states entitled "Economics and Policy of Developing Countries."

V. V. Volskiy discussed the activity of the monthly magazine LATINSKAYA AMERIKA, which is published in Russian and Spanish and circulated in 54 countries of the world. Special attention in the report was devoted to the work of the IIA for supporting Latin American researchers with reference and information material. At the present time the Institute's library has the largest collection of literature and periodicals on Latin American subjects in the world. The IIA is a center for training highly qualified specialists: 236 candidates for scholarly degrees have defended their dissertations in the institute, including 20 for the scholarly degree of Dr of Sciences.

When describing the basic directions for the development of Soviet Latin American studies, V. V. Volskiy singled out the most crucial scientific problems, whose significance was emphasized in the documents of the 27th CPSU Congress. Further study of these is necessary in order to understand more profoundly and comprehensively the economic, social and political development of Latin America as well as the content and nature of anti-imperialist and revolutionary processes in the region.

In the meeting of the section entitled "Problems of Economic Development in Defense of Economic Sovereignty" they heard 25 papers from Soviet and foreign scholars. A total of about 60 specialists participated in the discussion that developed in the section after the paper given by its leader, Dr of Economic Sciences Prof L. L. Klochkovskiy, "The 27th CPSU Congress and the Modern Stage in the Struggle for Economic Independence of Developing Countries and Latin America." At the center of attention were problems of the foreign debt and transnationalization of the economies of Latin American countries.

They discussed various aspects of industrial and agricultural development and the technological dependency of countries on the continent. In the papers and speeches given at the section they provided an evaluation of the results and prospects for regional economic integration, critically elucidated bourgeois concepts and theories of economic development, and discussed ways out of the current crisis. A great deal of attention was devoted to questions of economic and scientific-technical cooperation between the socialist countries and the states of Latin America.

Seventy people participated in the work of the section entitled "The Modern Stage of the Anti-Imperialist Liberation Movement and the Ideological-Political Struggle in Latin America." In the paper of the leader of the section, Dr of Historical Sciences Prof B. M. Merin, he analyzed tendencies in

the development of the communist and workers' movement in Latin America in the modern stage and revealed the general features and peculiarities of the struggle of the working class in the region. During the course of the discussion 29 Soviet and foreign Latin American scholars spoke. They considered a broad range of crucial problems having to do with the revolutionary and liberation process, the dynamics of the ideological-political opposition on the continent under the conditions of the aggravation of the international situation, and the growth of the contradictions between the countries of the region and U.S. imperialism. In the speeches of the participants in the section attention was drawn to various aspects of the development of the trade union movement and they noted a close connection between the processes of democratization of sociopolitical life, in which an eminent role is played by progressive trade unions, and the movement for securing peace in the region. The well-known Mexican scholar Sea condemned the imperialist ambitions and aggressive course of the White House, both in Latin America and in other regions of the world. He noted the importance of the idea expressed by General Secretary of the CPSU Central Committee M. S. Gorbachev concerning the need to achieve and strengthen a peace whereby worthy, truly human material and spiritual conditions would be created for the life of all the people and rights and freedom would be respected.

Participants in the section entitled "The Countries of Latin America and the Struggle for Disarmament, Peace and International Security" discussed a broad range of issues pertaining to the activity of the states of the region for maintaining general peace and eliminating the threat of nuclear war as well as the evolution of their approaches to crucial problems of international life. A great deal of attention was devoted to determining the motive forces, the ideological base, the goals and the nature of the foreign policies of individual countries of the region, their bilateral ties with the United States, and also the Latin American policy of other imperialist powers.

Special attention was devoted to relations between the USSR and states of Latin America.

In the speeches it was noted that during the 1980's there was an essential change in the positions of a number of countries on the continent with respect to the most important problems of modernity. This was reflected in the active speeches for prohibiting nuclear weapons, the refusal to allow the militarization of space, and the increased efforts of Latin American states directed toward peaceful regulation of the regional conflicts. During the course of the section's work special attention was devoted to the situation in Central America.

Summing up the results of the discussion, the leader of the section, Dr. of Historical Sciences Prof. A. N. Glinkin noted that the exchange of opinions revealed a great deal of interest on the part of Soviet and foreign specialists in questions of foreign policy of the countries of Latin America. During the course of the section's work new directions were earmarked for research.

A candidate member of the CPSU Central Committee, director of the Institute of World Economics and International Relations of the USSR Academy of Sciences,



Academician Ye. M. Primakov spoke at the close of the conference. Having given a high evaluation to the results of the development of Soviet Latin American studies over the past 25 years, he noted the important role of the IIA in the fruitful development of the region's problems. The unification of the efforts of Soviet Latin American experts and the successful development of cooperation with researchers in other countries are also to the institute's great credit.

The conference became an important event in the activity of Soviet and foreign scholars, it summed up the results of the development of Soviet Latin American studies over the past 25 years, and it disclosed new directions for scientific research.

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## LATIN AMERICA AND CARIBBEAN

### SPANISH BOOK ON LATIN AMERICAN DEBT CRISIS REVIEWED

Moscow LATINSKAYA AMERIKA in Russian No 9, Sep 86 pp 140-141

[Review by M. P. Korolkov of the book "Amerika Latina: Dueda, Crisis i Perspectivas" [Latin America: Indebtedness, Crisis and Perspectives], Moscow, Ediciones Cultura Hispanica, September 1984, 255 pp]

[Text] In foreign economic literature devoted to Latin America there is now perhaps no other problem which has been so frequently discussed at the most diverse levels and has evoked such a diversity of evaluations as foreign indebtedness. The spiral of this crisis, with immense tension passing the peak of the first negotiations concerning short-term regulation of the problem, continues to unwind. On the agenda is the question of refinancing most of the debt, and in the future--the search for a way out of the crisis. The closer the time period for making responsible decisions, the more tense the atmosphere surrounding these issues becomes.

The book under review is based on the materials of a large international conference organized by one of the leading centers of Latin American studies in Western Europe. The main task of the conference was to determine the attitude toward the foreign debt on the part of developing countries of various international economic organizations, and also bank and academic circles. At the center of the attention of the participants in the discussion were three key aspects: domestic and foreign factors that predetermined the critical nature of the situation; the direction of the course of negotiations on refinancing indebtedness; the prospects awaiting Latin American countries in connection with the growth of the debt in the foreseeable future.

Although none of the participants in the discussion managed to give an exhaustive analysis of the precrisis and crisis periods in the economic life of the debtor countries, certain important tendencies were traced in fairly great detail. In the articles of the Chilean economists R. French-Davis and E. Cortes Duglas and the Argentine researchers Roque B. Fernandes and A. Ferreira there was a convincing criticism of the monetarist practice of the 1970's in Chile and Argentina. French-Davis's article, for example, considers questions of the distribution of foreign credit among various sectors of the Chilean economy and analyzes the nature of the intermediary mission of national private banks (pp 112-114). The author comes to the conclusion that most of

these funds are transferred to the largest monopolistic associations. They are the ones who bear responsibility for the ineffective utilization of credit.

Unfortunately, a large part of the book is devoted to regional geographic research, particularly the position in Argentina, Chile and Mexico. The problems of other countries of the region where the crisis of indebtedness is occurring in different, less severe forms, for example, Colombia, have not been within the range of attention of the people who compiled the collection. The position of the largest debtor in the developing world, Brazil, is not sufficiently reflected. The article by A. Barush de Cashtru can hardly claim to be a complete analysis of the situation in this country, although his conclusions concerning the principle possibility of a sharp reduction of dependency on foreign markets--credit and trade--is undoubtedly of interest.

Questions of negotiations for refinancing foreign indebtedness and the medium-range prospects for the development of the debt situation of the countries of Latin America were touched upon to one degree or another in all the articles. The IMF associate who opened the discussion of this subject, M. Gitian, tried to supply a theoretical base for the "severe course" with respect to Latin American debtors. He focused on the need to maintain the existing position in the world credit and financial sphere. In their responses Latin American economists showed the groundlessness of outdated formulas imposed by the IMF on the debtor countries. This idea was expressed especially clearly in the article by the ECLA associate R. Devlin, which to a certain degree is the logical conclusion of a series of ECLA investigations on individual aspects of the problem of foreign indebtedness. The scrupulous investigation of the "first round" of agreements concerning refinancing of the debt enabled Devlin to create an integrated picture of the crisis experienced by Latin America. But neither he nor the other participants in the conference were able to determine the long-range tendencies in foreign credit for Latin American countries. The most vulnerable aspect of the majority of the works is the lack of an interconnection between the processes being studied and the changes in the world capitalist economy.

The only one of the authors to whom the aforementioned approach does not apply is V. Urkidi. Relying on a retrospective survey of the directions of the evolution of the economies of the leading countries of Latin America in recent years, this well-known Mexican economist provided an in-depth analysis of the basic tendencies in the development of the productive forces of Latin American society in the 1990's. The range of issues touched upon in Urkidi's article is extremely broad. It included subjects that are traditional for Latin American thought and new "factors with delayed action" (p 27), such as the situation in the spheres of education, public health, demographic changes and the utilization of nature. Sometimes limiting himself simply to stating the problems, the author pursues the goal of giving a more multifaceted view of the changes taking place in the Latin American society and awakening the interest of the scientific community in new aspects of economic development. As Urkidi correctly noted, the reserves for "more rapid development" have

already been exhausted in the largest countries, and they have been left out of the new wave of the scientific and technical revolution. All this forces them to take a new look at the problem of foreign indebtedness and ways of overcoming it.

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## LATIN AMERICA AND CARIBBEAN

### CUBAN BOOK 'EXPOSES' CIA ROLE IN LATIN AMERICAN TRADE UNIONS

Moscow LATINSKAYA AMERIKA in Russian No 9, Sep 86 pp 143-144

[Review by B. I. Gumenyuk and S. N. Khodakovskiy of the book by Enrique Meitin Casas, "El 'Sindicalismo Libre' en America Latina: Un Engendro de la Cia," 1984, 189 pp]

[Text] This book by a Cuban historian is devoted to unmasking U.S. attempts to break up the organization of the working class in Latin America and implant reformist ideology in the trade union movement with the help of the CIA and the reformist trade union association.

The first chapter of the monograph analyzes the position in the labor movement of Europe after World War II and the position of the United States and the undermining actions against the World Federation of Trade Unions (WFTU) and, on the states of the continent, against the Confederation of Workers of Latin America (CSLA). The attack of the United States against the Unified Trade Union Organization of Latin America began with Chile, Cuba and Colombia. The methods applied there consisted in using the AFL and CIA to take over leadership of progressive trade unions, bribing trade union leaders and creating reformist labor organizations. In the majority of countries the trade union associations included in the CSLA were declared to be illegal and their members were subjected to repression. In 1951 the reformist Inter-American Regional Organization of Workers (ORIT) was formed. It became an "arm of the CIA and the U.S. State Department in the labor movement of the continent and supported the overthrow of certain progressive governments which had come to power in Latin America during those years, and it also approved of the intervention of American Marines in the Dominican Republic" (p 62).

The section chapter is devoted to an analysis of the role of "free" trade unions in Latin America, and the activity of the CIA and reformist trade union centers of the United States which are directed toward undermining the unity of the working class on the continent. The result of these efforts was the convening in January 1948 in Lima of the Inter-American Workers Conference at which they created the Inter-American Conference of Workers (CIT). Its ideological basis was composed of pan-Americanism and anticommunism. The CIT, openly defending the interests of U.S. monopolies, did not have support in the mass trade unions and therefore in January 1951 it was replaced by the ORIT.

In the third, fourth and fifth chapters of the book attention is devoted to an analysis of the activity of the American Institute for the Development of Free Trade Unions. The goal of the institute, which was created in 1962 as the AFL-CIA, was by the State Department and large monopolies, is to work in the trade unions of Latin American countries and disseminate pro-imperialist ideology there. The institute's activity is developing in several basic directions, including in the area of training personnel, carrying out plans for social development and so forth. The training of trade union leaders is coordinated with the CIA. From 1962 through 1972 the institute trained 150,000 trade union leaders of various levels (p 117). The author notes that among the sources of financing for the institute are more than 100 transnational corporations which control about two-thirds of all the American capital investments in Latin America (pp 120-121). The funds offered to the institute by the CIA are transferred through the International Development Agency and comprise 90 percent of the institute's budget (p 123).

The American Institute for the Development of Free Trade Unions is used by the CIA for subversive activities against governments that do not suit the United States. This was the case in 1964 in Brazil, in 1965 in the Dominican Republic, in 1966 in Guyana, and in 1972 in Chile during the period of preparation for the coup d'etat. Graduates of the institute have done a good deal to destabilize positions in Guatemala, El Salvador, Bolivia, Jamaica and Grenada. At the present time they are actively intervening in the internal affairs of Nicaragua, by financing subversive actions against the national government.

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PRAVDA DEEMS END TO LEBANON CONFLICT 'IMPERATIVE'

PM111929 Moscow PRAVDA in Russian 11 Dec 86 First Edition p 5

[Yu. Glukhov undated Beirut dispatch: "Target of Intrigue"]

[Text] Israeli planes appear in the skies over Beirut virtually every day. Either singly or in groups, they pass over the waterfront, the city's residential areas, and Palestinian refugee camps. This has now become normal "procedure," but it is impossible to get used to it. Any such flight over the capital or any other city may herald death and destruction. As many as 17 air attacks on Lebanese population centers have been carried out this year alone. What is more, the south of the country--under Israeli occupation--is subjected to constant terror.

Lebanon is still the target of aggressive Israeli intrigues, which are supported by the United States. Israel's aggressive plans have not been buried even after the failure of its 1982 military adventure, the occupationists' forced retreat from the greater part of the territory they had seized, and Lebanon's rejection of the shackling agreement with Israel that had been forced upon it. It is only the methods of action employed by Tel Aviv and Washington that have changed. The efforts of the "strategic partners" are now concentrated on undermining Lebanon from within, stirring up internecine strife in this country, and isolating it from its allies, primarily Syria.

The Zionist and imperialist strategists are striving to prevent the restoration of national accord in Lebanon as this could lead to the formation of a broad front of opposition to the occupationists. The basis of this front is the community of interests shared by the Lebanese, Palestinians, and Syrians in the task of eliminating the consequences of Israeli aggression. As the press here writes, it was not without the involvement of Israeli and Western agents that such an important accord as the Damascus agreement--concluded in December last year with Syrian mediation between the main military and political groups in Lebanon--was wrecked, for example. This accord was oriented toward putting an end to the civil war and opening up prospects for rebuilding Lebanese society and the Lebanese state. The breakup of the agreement led to fresh outbursts of armed confrontation, particularly in Beirut. Under these conditions subsequent, smaller scale accords have failed to produce any results. The exchanges of fire, now dying down, now flaring up again, still continue.

The so-called "camps war"--clashes between Lebanese Shi'ites from the Amal movement and Palestinian refugees in Lebanon--periodically makes itself felt. In recent weeks this war has flared up with renewed force. The area around Beirut and the south Lebanese city of Sidon, where there are large Palestinian refugee camps, are the regions that see the fiercest fighting, with tanks and artillery being used. According to press reports, the number of killed and wounded on both sides is more than 1,500. The tragic fact that both peoples--Lebanese and Palestinian--are the victims of Israeli aggression is consigned to oblivion in the heat of these clashes. Their mutual weakening only serves to further distance the prospect of restoring their rights, trampled on by the aggressor, and liberating the lands that have been seized.

This exacerbation of tension in Lebanon is closely bound up with the hostile anti-Syrian campaign launched by the United States and Israel. Not without reason has Israeli Prime Minister Y. Shamir said that Tel Aviv and Washington have "common interests" with regard to these two Arab countries.

Back in 1978, after its invasion of southern Lebanon, the Israeli military was not only counting on crushing Lebanon and striking a blow at the Palestinian resistance movement, it was also hoping to open up a new front against Syria. In the anthology "Panorama of Events" the prominent Lebanese political figure G. Tuwayni writes that even then Tel Aviv wanted the war in Lebanon to develop into a war against the Syrians. This aim clearly remains unchanged today. As is well known, there is a contingent of Syrian troops in Lebanon as part of the inter-Arab forces. The Tel Aviv leaders have long nurtured plans to strike at this contingent with the aim of weakening Syria generally. The anti-Syrian hysteria whipped up by Western countries led by the United States, the Lebanese press notes, creates the "essential background" for such a strike.

The danger of such an adventure is increased in connection with the fact that the United States and Israel have practically exhausted their potential for maneuver by speculating on so-called "peace initiatives." The infamous policy of separate Camp David agreements has reached deadlock. What is more, Washington has lost credit in the Arabs' eyes with its secret arms supplies to Iran. The Kuwaiti newspaper AL-RA'Y AL-'AAM writes, for example, of its "total disillusionment with the policy of a power which tried to call itself a 'peacemaker' and a 'neutral side.'" Under these conditions imperialist forces, to all appearances, are not opposed to rekindling the situation in the Near East in order to distract attention from its policy failures in the region, on the one hand, and to tighten the Near East knot, on the other.

In this respect Lebanon is evidently regarded as the weakest link in the chain in the Arab world. Its vulnerability is increased still further by the fratricidal strife between the Lebanese and Palestinians. The dangerous situation taking shape and the possibility of further aggressive attacks by Israel make it imperative that these conflicts cease and a lasting settlement between all opposing groups in Lebanon be reached.

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MIDDLE EAST/NORTH AFRICA/SOUTH ASIA

SAUDI ARABIA ACCUSED OF 'COLLUSION' WITH U.S., ISRAEL, IRAN

PM111235 Moscow IZVESTIYA in Russian 11 Dec 86 Morning Edition p 5

[Konstantin Geyvandov "Political Observer's Opinion": "Reasonable Questions"]

[Text] The fratricidal armed clashes in Lebanon between detachments of the Shi'ite Amal movement and Palestinians arouse profound concern in all who voice solidarity with the Arab peoples' just struggle to eliminate the consequences of Israeli aggression. The insistent appeals for this senseless bloodshed to be ended immediately are therefore perfectly natural. The leadership of Saudi Arabia also recently added its voice to them. A published statement by King Fahd emphasized that the continuing attacks on Palestinian refugee camps in Lebanon do great harm to the Arab and Muslim peoples and merely contribute to the realization of Israel's aggressive plans. The Saudi monarch called on the opposing sides to lay down their arms and on all Arab countries to help end the fighting.

Saudi Arabia enjoys great prestige in the Arab world, and I can recall more than one instance when particular conflicts and disputes in the Near East have been ended thanks to active intervention by that country's leadership. Thus, the 1976 Arab mini-summit conference which ended in an agreement to end the civil war in Lebanon (at that time, it is true, no one suspected that it was just the first round in that war) was held precisely in Riyadh, the Saudi capital. The Saudi leadership has always advocated the speediest elimination of the consequences of Israeli aggression in the region and the full reinstatement of the flouted national rights of the Arab people of Palestine. It is known, for example, that the pan-Arab program for a just and all-embracing Near East settlement adopted by the 1982 summit conference in the Moroccan city of Fes was based on the "Fahd plan."

But now a scandal has erupted over the secret arms deliveries which the U.S. Administration made to Iran, pouring oil on the flames of the Iran-Iraq war, and Saudi Arabia's role both in the Persian Gulf zone and in other parts of the world has appeared in a totally different light. I will, however, hand over to the American mass media, which these days are investigating "Irangate" with special zeal. "Reliable sources in intelligence circles report," the CBS radio and television company broadcast, "that the Saudis together with their 'superenemies,' the Israelis, played a key role in sending American

weapons to Iran and in transferring millions of dollars to the Nicaraguan 'Contras.' The Saudi royal family induced Saudi arms dealers to make contact with Israeli colleagues for the sake of helping Iran. In an attempt to please the United States the Saudis then participated in the secret operation to help the 'Contras.'"

What, then, can explain the fact that Riyadh, while verbally proclaiming itself an ally of Iraq, is in fact colluding with the Arabs' archenemies to give assistance to its opponent in the bloody war? Perhaps a partial explanation for these actions is contained in a report by the same CBS, which broadcast: "While formally remaining Iraq's friend, Saudi Arabia has taken seriously Iran's threat to attack its oilfields and organize the assassination of members of the royal family. In addition, this operation promised them profits. In this instance political aims coincided with the desire to make a dollar or two."

However, as stated, this only partly explains the reasons for such conduct by the leaders of Saudi Arabia. Those same American mass media "dig" far deeper and point to more serious reasons. They claim, for example, that Riyadh has been actively involved right from the start in funding the undeclared wars that the U.S. Administration is waging against independent developing countries with progressive regimes in accordance with President Reagan's "doctrine of neoglobalism." In this instance it is primarily a question of appropriations to create, equip, incite, and support the dushman gangs which are trying to destroy the Afghan people's revolutionary gains with fire and sword.

This is what THE WASHINGTON POST says about this in connection with "Irangate": "Those involved in the congressional investigation have traced the route of the funds made out of secret sales of American weapons to Iran as far as a CIA-controlled Swiss bank account. The governments of the United States and Saudi Arabia each placed into that account 250 million dollars earmarked for funding the rebels in Afghanistan. Money from that account has also gone to the 'Contras' in Nicaragua."

However, evidently not satisfied with such joint activity with the U.S. Administration, Riyadh is also independently spending hundreds of millions of dollars on supporting the Afghan dushman gangs, channeling them through Pakistan, as well as transferring these funds directly to the leaders of Afghan counterrevolution, who are frequent welcome guests in the Saudi capital. The magazine MIDDLE EAST ECONOMIC DIGEST cited some specific information on this as early as last summer, when the Saudi ambassador to the United States met with the leadership of the "Afghan Alliance," an organization of counter-revolutionaries set up at that time.

Resolutely condemning the U.S. and Israeli actions in the light of the secret deliveries of American weapons to Iran, C. Klibi, general secretary of the Arab League, asked a reasonable question: How should Arab states assess

their relations with the United States in connection with Washington's stand on the Arab-Israeli and Iran-Iraq conflicts? There is something to think about here. It is interesting what the leaders of Saudi Arabia think about this.

Obviously, the answer to this question would help to explain and understand many specific facts and events taking place in the Arab world in recent years. For example, why was Riyadh's voice the last to be heeded by the sides involved in the "camps war" in Lebanon? Why has Saudi Arabia, which in 1982 was chosen as the venue for a regular pan-Arab summit meeting, been unable for 4 years now to convene this annual forum in its own capital? Finally, why has not a single practical step been taken along the path of fulfilling the joint program for a Near East settlement since the Arab states adopted it in 1982? And the legitimate national rights of the Arab people of Palestine still remain flouted despite the fact that their righteous cause in point of fact enjoys the universal support of the world community of nations.

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MIDDLE EAST/NORTH AFRICA/SOUTH ASIA

PRAVDA, INVESTIYA COMMENTATORS CALL FOR PALESTINIAN UNITY

U.S. Israeli Policies Assailed

PM031657 Moscow IZVESTIYA in Russian 30 Nov 86 Morning Edition pp 4, 5

[IZVESTIYA Political Observer K. Geyvandov article: "Solidarity With the Palestinians' Struggle"]

[Text] The acute international scandal connected with the secret U.S. arms deliveries to Iran continues to grow in scope and depth. More and more details are emerging about the "operations" that were carried out. With every new exposure and admission the extensive scale of these operations and the fact that the United States and Israel did not "act" alone becomes more obvious. This is how the U.S. newspaper THE LOS ANGELES TIMES, for instance, described the scale of the operations, citing official sources: "The NATO allies France and Portugal, together with Israel and a number of European countries, supplied arms to Iran with the knowledge, and sometimes with the tacit agreement, of the United States while secret talks with various factions of the Tehran regime, sanctioned by President Reagan, were under way." According to the Western press, apart from those already mentioned, Britain, Denmark, Italy, and Japan were also involved in this "dirty business"--as S. Formica, Italian minister of foreign trade described it.

It is beyond question that what has been revealed so far is only the tip of the iceberg. And, from the viewpoint of Washington officialdom, the "game" must have clearly been worth the candle if the Reagan administration decided to breach its own officially proclaimed policy when it was aware that the venture was fraught with the risk of a major political scandal. Quite so! After all, several objectives were being pursued at the same time. Both long-term and short-term objectives. As for the former, it was the aim of returning to a country which shares a border with the Soviet Union and which was at one time considered by the United States to be its own domain. And as for the latter, it was a question of adding fuel to the fire of the Iraq-Iran armed conflict and thus contributing to the continuation of a war between two neighboring countries which fits in perfectly with the military-political and strategic designs of the United States and Israel in the region.

I believe that hardly anybody would deny now that unsettled regional conflicts are fraught with the threat of spreading further and involving more and more

parties. Just as no one will question the fact that all the efforts of the two allies--the United States and Israel--to kindle the conflict between Iraq and Iran are one of the diversionary maneuvers by means of which Washington and Tel Aviv would like to resolve the region's problems to suit themselves. Primarily, of course, this concerns the Near East conflict since it is the ruling circles of the United States and Israel which stand to gain the biggest "dividends" from drawing out this conflict and, in the final analysis, thwarting its settlement on a comprehensive and just basis. The most immediate dividend is the possibility of perpetuating the Israeli occupation of vast Arab territories and preventing the resolution of the Palestinian problem in all its implications.

The Palestinian problem... The fate of the almost 5-million-strong people of Palestine since World War II can be described with one word--tragedy. The terrible tragedy of people deprived of their motherland. The fate of a refugee people. During my many years in the Near East I witnessed the dramatic development embraced by the concept of the Palestinian problem. I was able, in particular, to observe how in the Palestinian refugee camps scattered over the territory of Lebanon, Syria, and Jordan a generation of Palestinians grew up and entered adult life, Palestinians who, although they have never seen their motherland, do not forget its existence for a minute. It is this generation which gives vitality to the Palestinian resistance movement, which, under the leadership of the PLO, is waging a struggle for the restoration of the legitimate national rights of the Arab people of Palestine and the practical implementation of their right to self-determination, including the right to form their own state.

Although the two allies--the United States and Israel--have been trying by means of all kind of diversionary maneuvers and separate deals to deprive the Arab people of Palestine of this right, it has been unconditionally recognized by the world community of nations. Thus the 38th UN General Assembly session noted in a resolution on the Near East adopted 19 December 1983 that "the Palestinian question lies at the root of the Near East conflict and a comprehensive, just, and lasting peace in this region cannot be achieved without the Palestinian people's full realization of their inalienable national rights and without Israel's immediate, unconditional, and total withdrawal from all Palestinian and other Arab occupied territories."

The International Day of Solidarity with the People of Palestine is marked 29 November each year and takes place under the banner of the further mobilization and rallying of the world public in the struggle for a just solution of the Palestinian question. At the 41st session of the UN General Assembly this year the situation in the Near East was again discussed and the need was noted for an immediate, comprehensive, and just Near East settlement through the convocation of a representative international conference under the aegis of the United Nations and with the participation of all interested parties. This graphically confirms the correctness of the settlement of M.S. Gorbachev, general secretary of the CPSU Central Committee, in his recent interview with Indian journalists to the effect that the Near East is a matter which concerns the whole world.

The General Assembly also approved the constructive proposal of the Soviet Union on the need to begin preparatory work via the UN Security Council to set up a preparatory committee with the aim of convening an international conference on the Near East. It is beyond question that such a preparatory stage would make it possible, on the basis of bilateral contacts and multi-lateral exchanges of opinions, to come to an international forum with serious proposals and recommendations which would accord with the interests of all states and contribute to the fruitful work of the conference.

It is possible to state that the policy of diversionary maneuvers and separate deals merely leads to the endless postponement of a Near East settlement, with all its unpredictable consequences, and that awareness of the need to raise the solution of the crisis in this very important and explosive region to an international level is gaining ground in the international community. In these circumstances, I believe, the importance of the cohesion of Arab countries and peoples and of the speedy elimination of the contradictions and differences within the PLO on the basis of a common Palestinian platform of joint opposition to the anti-Palestinian designs of imperialism and its henchmen has increased several-fold. After all, it is the Arab world which is most interested in a comprehensive, just, and lasting Near East settlement.

#### Need for Unity Stressed

PM090945 Moscow PRAVDA in Russian 1 Dec 86 First Edition p 5

[Pavel Demchenko article under the "Our Commentary" rubric: "Palestinians Continue the Struggle"]

[Text] By UN decision 1 December is the International Day of Solidarity With the Palestinian People.

The tragedy of the present situation is that this day is being marked in the Near East to the crackle of machine-gun and automatic weapon fire and the rumble of artillery bombardment. The Palestinians who have sought refuge in Lebanon are now under attack from two sides: from the Israeli Army and from detachments of the Amal Shi'ite movement--their former allies in the struggle against the occupiers. The names of the Palestinian refugee camps near the cities of Sidon and Beirut once again figure in military communiques. There have been hundreds dead and wounded in the recent fighting alone.

This martyred, exiled people have a truly cruel fate. In 1948, when the State of Israel was created, a large part of their homeland was occupied. In 1967 the Israeli Army seized the rest of Palestine. Palestinian Arabs, who now number 4.5-5 million, are scattered throughout many countries, where they are by no means always met with a kind reception. The present situation in Lebanon is vivid proof of this.

The situation is complicated by the fact that there is no unity within the PLO itself, which is the sole legitimate representative of the Palestinian people. Some Palestinians resistance detachments have left the PLO. Moreover,

they are in conflict among themselves and are backed by different Arab states. It is no secret that the United States and Israel are seeking to complicate the situation inside the Palestinian movement still further and to aggravate the discords, exploiting them for their own political purposes. Neither of these countries recognizes the PLO or hides its desire to eliminate it or at least cause it to quarrel with other Arabs.

Given this situation, the recent efforts, made, for example, through the mediation of Algeria, to end the split within the PLO and reunite the Palestinian movement on a patriotic, anti-imperialist footing are clearly of special significance. At the same time work is under way to restore the disrupted cooperation between the PLO and the progressive forces in the Arab countries. For all its historical necessity, the task has proven quite complex owing to the present fragmentation and social diversity of the Arab world and the subversive activity of hostile agents. Nevertheless, the objective situation and the logic of the struggle itself demand that a way out be found from the prevailing situation and that disagreements be overcome for the sake of unity of forces and actions.

No matter how involved the situation in the Near East is nor how great the difficulties encountered by the Palestinian movement today are, this does not alter the essence of the Palestinian movement--the desire of a people deprived of their homeland to end Israeli occupation and exercise their right to self-determination. That is why the Palestinians' struggle goes on. Historical experience shows that it is impossible to settle the Near East conflict, which has lasted for many years now, without taking into account the national interests and rights of the Arab people of Palestine.

International solidarity and UN efforts are called upon to help resolve this task.

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MIDDLE EAST/NORTH AFRICA/SOUTH ASIA

ULYANOVSKIY BOOK ON THREE INDIAN LEADERS PREVIEWED

Moscow PRAVDA in Russian 18 Nov 86 p 5

[Review of book by V. Shurygin: "Three Leaders of the Great Indian People" by R.A. Ulyanovskiy, Moscow, Politizdat, 1986]

[Text] Three Leaders. This is the name of the book by Soviet scholar R.A. Ulyanovskiy, issued by Politizdat. It contains essays on the prominent Indian leaders Mohandas Karamchand Gandhi, Jawaharlal Nehru and Indira Gandhi. Rich factual material on their lives and activities is collected in the book.

Giving an account of the course of events in this country during the past decades the author shows how the policy of the young republic was formed and its independent course in the international arena. In an analysis of the contribution of the three leaders to the establishment and development of the new India not only the successes but also the tactical mistakes and miscalculations are noted. In other words, life and policy are shown in their dynamics.

J. Nehru and I. Gandhi more than once visited the USSR. They were fervent advocates of Soviet-Indian friendship. M.K. Gandhi attentively followed events in Soviet Russia. He recognized the justice and grandeur of the achievements of our country, the greatness of the leader of the revolution V.I. Lenin.

It is particularly emphasized in the book that today the Soviet Union and India jointly speak out on many of the most important problems of the current era. This is not only an example of fruitful cooperation in the international arena of states with different social systems, and of interaction between developing and socialist states. It is confirmation of the fact that political shifting is foreign to India's policy, that continuity of its principles is at its basis.

It seems that Soviet readers will meet with interest this book on the people who played an important role in the history of the friendly Indian people.

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## SUB-SAHARAN AFRICA

### USSR-BURKINA FASO DECLARATION FOLLOWING SANKARA'S VISIT

[Editorial Report] Moscow VEDOMOSTI VERKHOVNOGO SOVETA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK in Russian No 46, 12 November 1986 carries on pages 871-875 the 1900-word text of a declaration signed by Andrey Gromyko, Chairman of the USSR Supreme Soviet Presidium and Thomas Sankara, Chairman of the National Council of the Revolution and head of the government of Burkina Faso. The declaration follows the visit of Sankara to Moscow on 6-12 October. Its introduction, 8 sections and conclusion indicate the intentions of the Soviet Union and Burkina Faso to "develop and deepen the existing relations of friendship and cooperation between them" and notes the coincidence of views on various international problems. Section VIII express the "special significance of the further intensification of political and economic cooperation" as well as noting the creation of a "permanent mechanism of consultations and exchanges of opinion between the two countries" to be held on a regular basis alternately in Moscow and Ouagadougou.

CSO: 1807/85

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