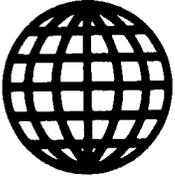


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# ***JPRS Report***

# **Soviet Union**

## ***WORLD ECONOMY & INTERNATIONAL RELATIONS***

No 9, September 1987

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**World Economy & International Relations**  
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### English Summary of Major Articles

18160001a Moscow MIROVAYA EKONOMIKA I MEZH DUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 87 (signed to press 17 Aug 87) pp 158-159

[Text] Yu. Tomilin in the article "Outer Space: Collision or Cooperation?" focuses on the fact that the Washington's so-called Strategic Defense Initiative, devouring more and more material and intellectual resources of the USA and some of its allies, challenges the very logic of the scientific and technological revolution. The USA rely on the militarization of outer space chiefly because they count on securing decisive military superiority over the Soviet Union by developing space weapons based on new physical principles. The article notes at the same time that authoritative experts, including American hold that the space strike weapons can serve as a most effective offensive weapon. The article also points out that according to the permanent Treaty on the Limitation of Anti-Ballistic Missile Systems and the Interim Agreement on Certain Measures with Respect to the Limitation of Strategic Offensive Arms signed on May 26, 1972 only mutual restraint in the field of ABM systems makes for progress in limiting and reducing strategic offensive armaments. The article focuses on some earlier and recent Soviet initiatives. The Soviet Union proposes a three-phase programme for joint practical actions by states in studying and using outer space for peaceful purposes. The programme, which calls for cooperation of all countries without exception is a constructive alternative to the ominous plans for extending the arms race to outer space.

N. Shmelev in the article "The 'Third World' and International Economic Cooperation" examines the gap that has widened during the present decade between the developing countries and industrially advanced capitalist states. One can easily observe the yawning economic gap between the capitalist West and its economic periphery. The article analyzes a difficult situation in the majority of the developing countries, considering it to be a problem fraught with grave political and economic danger. The author believes that it can easily become a reality with disastrous consequences, if the world community fails to elaborate effective means for reducing the gap. The author points out that many in the West are aware that the present aggravated external conditions of the "third world" countries should be overcome. Certain measures ought to be taken. First of all, trade restrictions must be removed, the commodity prices' dynamics levelled and foreign sources of financing expanded. The article notes that the events of the 80s vividly show the existence of numerous points of contact where correctly understood long-term interests of the capitalist states of the West, developing countries and socialist ones could build a base for mapping out a world wide programme of action and a strategy for cooperation capable of solving one of the gravest global problems of today.

B. Dobrovinsky in the article "Scientific-Technological Progress Efficiency and Production Cost" based on rich national and international data demonstrates that in the

course of expanding economic activities and ever increasing volumes of national resources and raw materials are involved in the reproduction process. Their reserves are far from limitless. Aside of this one cannot fail to take into consideration the ecological aspect. In the light of this a new approach to the problem of effective utilization of resources is becoming an urgent task. The author states that at the present stage of the STR it has, as a matter of fact, become global as it involves the interests of the entire community. He proposes a methodological model for an optimum production cost structure. Obviously, and this is confirmed by the statistics of the past 30 years, the reduction of expenses for all elements of production cost (current assets, fixed assets, and labour) is rather an exception than a rule. In the last few decades the material intensity as well as labour intensity have reduced while capital intensity has grown. Consequently it is important that the reduction of production expenses on one direction should compensate its growth on the others. In this case the integral index of economic efficiency will be positive.

A. Salitsky in the article "The Chinese People's Republic: Search for an Optimum Foreign and Economic Strategy" notes that since late 70s China has been advancing along the road of deep socio-economic transformations aimed at forming an economic mechanism capable of gradually modernizing its productive forces. Within the framework of the policy of expanding foreign economic relations (the so-called "open door policy") China is seeking optimum ways for participating in the international division of labour. On the basis of rich factual data the author analyzes the development of China's foreign trade in the 80s: its shortcomings and contradictions, unbalanced development of trade with the capitalist countries, the need to improve its structure, price leverages, production of new export goods, etc. The author focuses on new trends in the China's foreign economic policy: development of various forms of foreign investments, including joint ventures, and loans from certain capitalist countries and international financial organizations. The article notes the growing interest in China to economic cooperation with other socialist countries. The author believes that a bold search for new rational forms of export-oriented production, the mastering of imported technology and new forms of cooperation with foreign countries will contribute to the improvement of the foreign trade structure and the creation of more favorable conditions for China in the international division of labour, improve the utilization of its raw material, labour and technological resources.

V. Kuznetsov in the article "Economic Crises and Structure of Reproduction of Western Europe" points out that a sudden change in the economic development of the region as well as of the entire capitalist world occurred in the mid 70 and was expressed in a stable reduction of the rate of industrial growth, a burst of inflation and mass unemployment. The change was due to a violation of reproduction cost structure because of the overaccumulation of capital and reduction of the profit ratio on the

one hand and rising energy and raw material market prices on the other. Seeking to reestablish the lost ratio, West-European capital resorted to two essentially different strategies. On the first stage the employers of the monopolized industries laid stress on a redistribution of the national income in their own favor through rising prices on manufactured products. Inflation which lasted till the beginning of the 80s is the result of this "redistribution strategy". On the second stage the most important task was to reduce unit manufacturing cost through speeding up science-tech progress and application of its results in manufacturing. The deep structural shifts taking place in West European economy are connected with the development of the noted "technological strategy".

The editorial board of the journal is publishing Raymond L. Garthoff's article "Security and Ballistic Missile Defense: Reformulating the Challenge" in which the American author focuses on the fact that the security and fate of the two superpowers and of the world as a whole are ineluctably bound together. The problems of deterrence, defense and survival are shared, and any solution must also be shared. The author points out that his article is an attempt to recast the problem and a possible line of solution. It is addressed to both American and Soviet readers. R.L. Garthoff states that the analytical approach in the article is new and so is the policy course recommended on the basis of the analysis. It does not correspond to the present positions of either the United States or the Soviet Union, and debate and further consideration in both countries is of course required.

Yu. Shishkov in his article "World Economy as an Integral Contradictory Economic Organism" continues with discussion about the nature of category the "world economy". The author characterizes three different approaches of Soviet authors: the so-called wide interpretation, and narrow one. The author criticizes in detail the last two approaches and shows that it is impossible to exclude national economies from the "world economy" notion either in concrete economic nor on the political economic plane.

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#### **U.S. Space Goals Attacked**

*18160001b Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 87 (signed to press 17 Aug 87) pp 3-11*

[Article by Yu. Tomilin: "Space: Confrontation or Cooperation?"]

[Text] The problem of preventing an arms race in space has come to the forefront of world politics. Whether space becomes the test range for the "shooting up" of the Earth or a sphere of peaceful cooperation in the interests of all states depends on its solution.

The "Strategic Defense Initiative" represents an ugly result of the S&T revolution. Precisely at a time when the conquest of near-Earth space has entered the period of maturity and could return a hundredfold the resources spent on it a plan has appeared whose realization is dangerously altering the system of priorities of S&T progress.

## I

The SDI represents a program geared to the development and deployment—at several successive frontiers—of space- and ground-based facilities with which American strategists contemplate the destruction of launched enemy missiles.

The special group of 10 Pentagon contractor corporations under the leadership of the SDI Organization has studied alternative versions of the system incorporating initially 4, then, 5, 6 and now 7 echelons of the deployment of space-based assault arms (they are called in the United States "stories" and tiers). Calculations for the initial deployment of "star wars" systems have already been made. Some 3,200 operational space platforms could appear in space, according to American press information, as a result of the first stage, and it is contemplated spending approximately \$1 trillion on the implementation of plans for a space-based assault arms race. However, merely the annual maintenance of the SDI would cost \$100-200 billion, which corresponds to roughly to one-half of the United States' present military budget.

The main point being stressed by the U.S. Administration is the "defensive nature" of the system which is being developed. President R. Reagan has declared that it is intended for "destroying weapons, not people." At the same time a global space-based ABM intercept system could also, according to authoritative specialists, American included, be used as an offensive weapon for attacking ground-, air- and sea-based targets from space. The detection, guidance and kill technology being developed in the United States is perfectly applicable for offense.

An ABM system makes sense if it provides 100 percent-assured cover for a country's territory. Even a small proportion of the stockpiled nuclear weapons which breached an enemy's ABM defenses would cause the other side unacceptable damage. Is an "absolute" ABM system possible?

The history of the development of military technology shows that there are no nor can there be absolute defensive weapons. The development of offensive and defensive weapons has always been a single process. The appearance of new types of defense stimulates the opposite side to speed up the creation of ways of overcoming it.

In the course of the debate which has developed in connection with the space-based ABM program American specialists themselves are citing dozens of weapons and methods which could render this system ineffective. Here are just some of them: destruction of the ABM space stations by ground-, sea-, air- or space-based ballistic missiles; destruction of these stations with the aid of ground-based lasers of great strength; creation on the trajectory of the stations of obstacles moving such that their relative velocity is sufficient to put the stations out of action; decoy launchings of missiles, to hit which the ABM space stations would expend reserves of energy; applying to the missiles mirror protection deflecting the laser beam; disrupting radio communications between the space system and the ground control station.

In citing these and a number of other weapons and methods of getting the better of space-based ABM systems American specialists confirm that their creation and application would cost considerably less than deployment of the system itself. It is believed that expenditure on the means of negotiating the defenses would constitute 1-2 percent of the expenditure on the ABM defenses.

It is not the first time that the question of the creation of an ABM system for the United States has arisen. It was a topic of discussion throughout the 1960's, when the military-industrial complex attempted to advance initially the Sentinel and subsequently the Safeguard systems. As now also, the supporters of the ABM system speculated extensively on the psychological attractiveness of the very idea of defense against nuclear weapons. However, deployment was categorically opposed by R. McNamara, who was at that time (1961-1968) U.S. defense secretary, a number of prominent senators (W. Fulbright, M. Mansfield, F. Church, S. Symington, C. Percy) and also most authoritative strategic arms experts (G. York, [Dzh. Vizner] and G. Ratzhens).

It is significant that the same arguments were put forwarded against the ABM system as are prominent now also. The destabilizing role of so-called "defensive" arms was emphasized primarily. The huge potential cost of any version was pointed out also. The sum of \$40-50 million was cited at that time as the maximum figure for the most dependable system. In terms of the present day, when the approximate cost of a space-based ABM system has passed the \$1 trillion mark, these amounts appear relatively modest. Finally, its opponents sharply criticized both above-mentioned projects from the viewpoint of their military vulnerability also. In a speech to the editors and proprietors of UPI in San Francisco on 18 September 1967 R. McNamara reached the following conclusion: "It is important to understand that no ABM system which exists at the present time or in the foreseeable future will ensure the creation of an impenetrable shield over the United States."

On 26 May 1972 the United States agreed to the conclusion with the Soviet Union of the Treaty Limiting ABM

Systems and thereby renounced the creation of a broad-based ABM system. The present U.S. leaders prefer not to recall this page of history.

Finally, upon examination of the proposition concerning the "defensive" nature of the SDI the conceptual interconnection between offensive and defensive arms cannot be ignored either. It was recognized both by the United States and the Soviet Union back in 1972. The Soviet-American Treaty Limiting ABM Systems says: "...Effective measures to limit ABM systems would be an essential factor in curbing the strategic offensive arms race and would lead to a lessening of the danger of the outbreak of wars involving the use of nuclear weapons". And the Interim Agreement Between the USSR and the United States on Certain Measures With Respect to the Limitation of Strategic Offensive Arms emphasizes plainly that the parties take into consideration "the interconnection between strategic offensive and defensive arms". And the very fact of the simultaneous conclusion of the two agreements is sufficiently eloquent testimony to such an interconnection.

Currently the American "star wars" supporters are trying to portray matters such that the situation changes fundamentally in connection with the appearance of new technical possibilities. In actual fact the interconnection between strategic offensive and defensive systems exists objectively and is for this reason of a permanent nature. Nor does it disappear, of course, with the appearance of the possibility of the creation of technically more accomplished and efficient ABM systems. The 1972 Soviet-American treaty was concluded on precisely this basis. It banned not some specific systems developed in the 1960's but the creation of ABM systems in principle. It was for this reason that the treaty included the provision concerning its permanency (article XV).

The point being that the general correlation of forces between the sides is determined with regard for both offensive and defensive types of arms. If, given military-strategic parity, one side should acquire a defensive system capable of neutralizing, say, 50 percent of the strategic weapons of the other side, parity would clearly be disturbed. The side which had created such a defensive system would acquire twofold superiority in strategic weapons.

To restore the disturbed parity the other side would be forced to increase its strategic power either by way of a direct buildup of its offensive forces or by supplementing them with defensive weapons. In any event, all this would lead to a further arms race, raising it to an increasingly high qualitative and quantitative level.

## II

The "Strategic Defense Initiative" is being heralded as a resource which will make nuclear weapons "obsolete and unnecessary". The SDI is thereby being ascribed the role virtually of the savior of mankind from the nuclear

threat. However, while declaring that the creation of ABM defenses will lead to the "withering away" of nuclear weapons the U.S. Administration is continuing to implement at an accelerated pace programs of an increase in all components of its strategic triad, ballistic missiles primarily. New types of strategic offensive arms are being developed simultaneously.

Their creation is based over many years ahead—at least through the end of the millennium. What is the point of spending billion-dollar sums on arms, which, as the authors of the SDI maintain, will become "obsolete and unnecessary"? It would be far more intelligent to negotiate right now a reduction in nuclear arms. The nuclear threat would then be reduced, and huge material resources could be used for creative purposes.

At one time nuclear weapons were also presented as an alternative to conventional arms. However, the creation of tremendous nuclear arsenals has by no means reduced the role of conventional arms. On the contrary, these arms continue to be increased and upgraded, to which, for example, the "Rogers Plan" testifies. Finally, if there is the possibility of if only some nuclear missiles breaching ABM defenses, this will only spur the nuclear arms race.

The destabilizing role of ABM defenses would show up in all instances. Of course, a situation wherein one side, having created ABM defenses, disrupted the strategic parity would be the most dangerous. Such an argument is, incidentally, purely speculative. In practice the other side would, of course, adopt retaliatory measures either by way of an increase in offensive weapons or the creation of defensive ones. Parity would be maintained. But it would be even more fragile, and computation of the correlation of military potentials would be more complicated. There would be increased uncertainty in the evaluation of the forces of the opposite side and an increased likelihood of miscalculations, each of which could be fatal.

As far as the role of "deterrence" is concerned, the assertion concerning the need therefor in respect of the Soviet Union and the other Warsaw Pact countries is contrived since the unleashing of war is contrary to the fundamental principles of their foreign policy. Further, in the arguments of the defenders of the "strategic initiative" concerning the "deterrent" role of the SDI the ends do not meet: on the one hand it is seemingly intended that the two opposite sides—both the United States and the USSR—should possess all-embracing ABM systems for the promised "stabilizing effect" to be obtained (President R. Reagan even mentioned somehow the possibility of the Soviet Union being granted the necessary technical information concerning a space-based ABM defense).

At the same time, however, U.S. Defense Secretary C. Weinberger believes that the situation would be "stable" if just the United States possesses such a system. Finally,

neither the bilateral nor unilateral creation of ABM defenses would in any way be reflected in the correlation of forces in the sphere of conventional arms and, consequently, would not lead to a change in the position of Washington, which justifies the permissibility of delivering a nuclear first strike by the fact that the USSR allegedly has superiority in conventional arms.

The U.S. Administration maintains that the work on realization of the SDI is of a "research" nature and is not for this reason contrary to the 1972 treaty.

Yet the mere formulation of the question of the deployment of a space-based ABM system manifestly testifies to an intention to violate the 1972 treaty. Washington has advanced as cover the so-called "broad interpretation" of the treaty, according to which it is maintained that it permits the creation and testing of ABM systems or components thereof of any type of basing, space included, if they are based on "different physical principles" to those which existed in 1972.

The administration's attempts to put into circulation and legalize the "broad interpretation" of the treaty has given rise to sharp criticism in Congress and the public and political circles of the country. In March 1987 S. Nunn, chairman of the Senate Armed Services Committee, presented the report "Interpretation of the ABM Treaty" analyzing the general meaning and individual provisions of the document. The report's main conclusion was that the new, "broad" meaning completely contradicts the understanding of the treaty by Congress and the Executive at the time of its ratification. The report emphasizes that if a practice whereby this president or the other may interpret agreements signed by his predecessors as he sees fit is accepted, it would be altogether impossible for the United States to subscribe to any international treaties.

In Reykjavik the Soviet Union proposed that both sides undertake for a period of 10 years not to avail themselves of their right to withdraw from the treaty. The testing of ABM components in space would throughout this period remain prohibited, as the treaty requires. Such a prohibition would not extend, however, to research and tests conducted within a laboratory framework, that is, scientific research on the ground—in institutes and at test ranges and plants. In addition, for the purpose of removing disagreements concerning the boundary which cannot be crossed in the research, engineering and testing of facilities of an ABM defense the Soviet Union proposed to the United States the coordination of the list of the devices which would not be put into space in the course of the research.

The main purpose of the SDI, however it is camouflaged, is with its help to achieve military superiority to the Soviet Union. The "star wars" program—despite all its seeming novelty—essentially amounts to a routine attempt by U.S. ruling circles to achieve "absolute security" for themselves while having put all others in a

position of "absolute danger". What it has not for decades been possible to achieve with the aid of increasingly new twists of the nuclear arms race spiral on Earth it is now intended obtaining by way of the use of the latest space technology.

### III

The Soviet Union consistently advocates outer space serving the progress of mankind and being excluded for all time from the sphere of military activity. Following the launch of the first artificial Earth satellite the USSR proposed in a memorandum on disarmament issues of 15 March 1958 a specific program for prevention of the militarization of space providing for a ban on all types of military use thereof without exception, including the use of ICBM's.

The Treaty on the Principles of States' Activity Pertaining to the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies, was concluded in 1967 to a considerable extent as a result of the Soviet Union's efforts. More than 80 states subscribe to it currently. The treaty contains together with a broad range of principles of a general nature regulating states' activity pertaining to the exploration and use of space provisions pertaining to a partial ban on an arms race in space and also to the use of the Moon and other celestial bodies solely for peaceful purposes. Most material are states' undertakings not to put into circumterrestrial orbit any facilities containing nuclear or other types of weapon of mass extermination, not to install such weapons on celestial bodies and not to deploy them in outer space in any other manner and also the ban on the creation on celestial bodies of military bases, installations and fortifications, the testing of any types of weapons and military maneuvers.

In 1981 the Soviet Union presented the initiative pertaining to the conclusion of a treaty banning in outer space weapons of any kind. In 1983 it proposed further progress and the negotiation of a ban on the use of force both in outer space and from space in relation to the Earth. The USSR believes possible agreement also on partial measures aimed at preventing the deployment of weapons in space. For example, the elaboration of an international agreement on the assured immunity of artificial Earth satellites could be embarked upon. A search for an opportunity to ban the creation of new and to eliminate existing ASAT systems would be important also.

The conclusion of a multilateral agreement containing assurances in international law of the inviolability of space objects would contribute to the development of trust between states and a strengthening of security and strategic stability. The withdrawal from states' arsenals of the ASAT weapons which already exist and also the renunciation of the testing and creation of new systems

of such weapons would be a practicable disarmament measure maintaining the existing military balance and corresponding to the demands of the principle of equality and equal security.

In 1986 the Geneva Conference on Disarmament actively discussed the question of definition of space-based assault arms. The Soviet delegation proposed the incorporation here of space-based ABM facilities of any operational principle; space-based weapons of any operational principle designed for the destruction from space of targets in the terrestrial atmosphere or on the Earth's surface; weapons of all types of basing of any operational principle intended for destroying space facilities.

In order to shift discussion of the question of preventing an arms race in space from a position of standstill right now the USSR is proposing examination of the possibility of the creation of a system of international supervision of the prevention of the deployment there of weapons of any kind, which envisages the establishment of an international inspectorate. The latter would be accorded right of access—for the purpose of on-site inspection—to all facilities intended for guidance into and deployment in outer space and to the corresponding guidance systems. All space object launches could be carried out under the observation of the inspectors. This proposal confirms the fact that for the Soviet Union the problem of verification would not be an obstacle were it a question of the real prevention of the arms race moving into space.

At the Conference on Disarmament in February 1987 the Soviet delegation put forward the proposal concerning the adoption of measures to prohibit "space to space," "space to earth" and "earth to space" weapons class systems. A special letter from N.I. Ryzhkov, chairman of the USSR Council of Ministers, to the UN secretary general in June 1986 developed a program of practical action pertaining to the organization of international cooperation in the conquest of outer space. It is of a comprehensive nature and constructed such as to take into consideration the interests of all states—from the leading space states to those for whom possibilities connected with the conquest of space are only just opening up. Of course, the organization of multilateral international cooperation in space is a highly complex process, and it should be realized in well conceived and gradual manner.

At the first stage of a duration of approximately 5 years it would be expedient to study peoples' requirements concerning the use of space equipment, taking into consideration both the current state thereof and development prospects. The logical culmination of this stage could be the convening of an international conference or a special UN General Assembly session on space issues or some other suitable forum, which could approve an action program for the 1990's with a view to the subsequent 10-15 years and examine the question of the

establishment of a world space organization—an all-purpose interstate organization with its own charter in the form of an international treaty.

The main tasks which it would tackle would be the coordination of cooperation programs and projects in various spheres of cosmonautics; the most rational expenditure of the resources allocated for space conquest purposes; actual assistance to states when necessary. The range of possible actions is extraordinarily wide: from space communications, navigation and long-distance exploration of the Earth through the creation of new energy sources, the development of new materials and technology and the organization of production in space. Finally, the organization could as agreements on prevention of the spread of the arms race to space are concluded monitor compliance therewith also.

It would be fair for the main resources for international projects under the aegis of a world space organization to be allocated primarily by the space powers and other economically developed countries. The developing states could participate in the projects on preferential terms, and the least developed countries, obtain the scientific and technical results of the efforts by way of assistance for development purposes.

The development and creation of space equipment for realization of the above-mentioned international projects could be embarked upon at the second stage of the program proposed by the USSR. Of course, it would be advisable initially to concentrate forces in the priority spheres like, for example, global study of the Earth's biosphere for the elaboration and implementation of measures to preserve it. The world space organization would begin its activity with the coordination of national plans for space conquest, the organization of a broad exchange of the results of space activity and assistance to countries taking the first steps in the use of space.

The third stage, geared to the final 5-year period of the 20th century, proposes realization of the projects which have been started, practical returns therefrom and the laying of the material basis for the further development of international cooperation. It would then be possible to embark on the accomplishment of more large-scale tasks such as the creation of space equipment for transition in the first decades of the 21st century even to the planned conquest and use of the Moon, specifically as a base for flights to other planets.

The Soviet program is a call for cooperation addressed to all states without exception. The basis thereof is the profound belief that the development of wide-ranging international cooperation in the peaceful conquest of space is a constructive alternative to the plans to extend the arms race to near-Earth space.

It was this approach which permeated the proposal made by M.S. Gorbachev during his visit to India concerning the creation with the assistance of the leading space

powers of an international center for joint R&D pertaining to orders of the developing countries for models of space equipment. A school for training specialists from these countries, including cosmonauts, and also a range for the launching of space objects would function under the auspices of the center.

The USSR has declared its readiness to exchange achievements in the conquest of space with all states and to launch peaceful spacecraft of other countries and international organizations with their carrier rockets on mutually acceptable terms. The USSR is prepared to make considerable benefits available when putting spacecraft into orbit for the developing countries.

The Soviet Union has several types of carriers and, consequently, could put into orbit the most diverse spacecraft. Specialists believe that the "Proton" rocket is the most promising. There are other types of rockets also, specifically the three-stage "Soyuz" and small single-stage "Vertikal" fitted with a reusable equipment container. These carriers also have given a good account of themselves in the practice of space activity.

In replies to questions from TASS correspondents in January 1987 N.I. Ryzhkov declared that Soviet state authorities would grant clients the necessary assurances of the safekeeping of their spacecraft while on the territory of the USSR—from the moment it crossed the border right up until launch. The Soviet Union is prepared to exempt apparatus intended for launch from customs inspection and authorize its transportation over USSR territory and delivery to the cosmodrome in a sealed container if such is convenient for the client. Foreign specialists will be able accompany their spacecraft and be present during its transportation and installation on the carrier rocket. It goes without saying that the client's representatives will have access to the corresponding Soviet cosmodrome.

Soviet financial organizations could also provide insurance for the payload. These terms would cater for both the financial interests of the client and the safekeeping of his technological or other secrets. Thus the assertions emanating mainly from the United States concerning the Soviet Union's aspiration to take advantage of the commercial launches of artificial satellites to gain access to Western technology are totally unfounded.

A remarkable example of how international cooperation in the conquest of space should develop was the study of Venus and Halley's Comet conducted in accordance with the Vega Project. Scientists from many countries—Austria, Bulgaria, Hungary, the GDR, Poland, France, the FRG and Czechoslovakia—participated in the preparation of the apparatus and realization of the project. Work was coordinated also with scientific programs of the United States, Japan and the European Space Agency (ESA). The interplanetary flight of the Vega 1 and Vega

2 Soviet automatic stations to Venus and toward Halley's Comet was adjusted with the aid of tracking stations located in the most varied parts of the world. And then the Vega stations became a kind of space pilot for the more accurate guidance to the comet of the Giotto craft designed by the ESA. The results of the study, in the scientists' unanimous opinion, exceeded all expectations. Approximately 1,200 images of the comet were obtained and transmitted to the Earth. All this confirms once again the expediency and efficiency of the amalgamation of the scientific and technical potential of different countries in the peaceful conquest of space.

In 1986 Soviet specialists began work in orbit with the new "Mir" space station, which pertains to the third generation of such craft. Compared with its predecessors, the "Mir" has a number of important features. It is fitted with six docking nodes, which makes it possible to link to it up to five specialized modules. Thanks to this, it will be possible to accommodate in orbit dozens of tons of equipment and conduct research in a broad spectrum of directions—from medicine through space metallurgy. The "Mir" station is the nucleus around which a permanent science-production complex will soon be created.

Perhaps the most interesting experiments performed on the basis of the new station were two interorbital flights between the "Mir" and "Salyut 7" stations performed for the first time in the history of space conquest. Such flights make it possible not only to promptly transfer crews and freight from orbit to orbit but, if necessary, to render other spacecraft emergency assistance. The "Mir" will become a venue for work in accordance with programs of international cooperation. Preparations for a whole number of international flights are under way.

A major achievement of Soviet science and technology which afforded broad prospects in the peaceful conquest of space was the successful start of aeronautical and design tests of the "Energiya" carrier rocket intended for putting into near-Earth orbit both reusable orbital craft and large-sized scientific and national economic spacecraft.

The need for the creation of a reusable transport space system (RTSS) arises in connection with the fact that the Soviet program of the peaceful conquest of space provides for measures whose implementation demands a considerable increase in freight flows between the Earth and low orbits and also between low and high orbits. Supporting the operation of permanent orbital space stations, the launching of automatic interplanetary stations to distant space and heavy communications satellites and retransmission to geostationary orbit, the placing in orbit of experimental solar power plants and, in the future, the industrialization of outer space—an RTSS is essential for all this. Following final development, it could also be used for the realization of diverse international cooperation projects in the peaceful conquest of space.

Such cooperation would serve as a bridge to confidence building and mutual understanding. The USSR is prepared to develop it with all states both bilaterally and multilaterally. Serious economic considerations support such cooperation also. Scattering and duplicating states' efforts in the conquest of space is imprudent. Their rational use on the basis of coordination and unification would make feasible what is beyond the capabilities of one, even a most developed, country. Even if it is allowed that the "star wars" program will initially prompt scientific development, its result will be the creation of truly suicidal arms. The peaceful conquest of space, on the other hand, will open a fundamentally different—direct and promising—path toward an acceleration of progress in science and production.

It is just such a path which is supported by an absolute majority of states. The appeal addressed by the UN General Assembly 41st Session to all states (particularly those which possess important potential in the space field) for active assistance to the achievement of the goal of the peaceful use of outer space and the adoption of urgent measures to prevent an arms race in outer space in the interests of the preservation of international peace and security, international cooperation and mutual understanding testifies, *inter alia*, to this. The 41st Session emphasized in other of its resolutions mankind's general interest in promoting the exploration and use of outer space for peaceful purposes and mapped out a whole number of specific measures for the development of international cooperation in this sphere.

Such cooperation is opposed by those who see space as a new field for the arms race and a new medium for the achievement of "absolute military superiority".

It is essential to do everything possible to weigh the scale of history in favor of "star peace" and to prevent realization of the plans for "star wars".

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### **Dangers of Third World Economic Problems Discussed**

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[Article by N. Shmelev: "The 'Third World' and International Economic Relations"]

### **I**

[Text] The sharp deterioration in the world economic situation in the 1980's has changed markedly the tone of the international debate concerning the possibilities of the effective solution of a most acute global problem of

the present day—that of the economic and social backwardness of the “third world” and the increasing gap between the developing and industrially developed capitalist countries. The present decade has brought with it not simply new disappointments: disturbing signs of a loss of all hope and all optimism in respect of the future have appeared. The opinion is seemingly beginning to take hold not only among Western specialists but also among many Soviet economists and international affairs experts that for the developing countries “the former high growth rate is most likely a thing of the past” (1).

Indeed, the economic gap between the West and its economic periphery continues to increase. In the period 1970-1980 the annual increase in the gross domestic product in the developing countries constituted, according to the calculations of A. Dinkevich, \$27.3 billion on average (in 1970 prices), but in the developed capitalist states, \$76.6 billion, that is, the annual increase in the first was less by a factor of 2.8, and per capita, by a factor of 10.2. In the period 1981-1985 the average annual increase in GDP in the OECD countries constituted \$100.4 billion (in 1975 prices), but in the emergent states, \$21.9 billion, that is, was less by a factor of 4.6. The per capita annual increase in GDP in the West in the first half of the 1980's constituted \$97.3, in the developing countries, on the other hand, the per capita amount of GDP in this time declined even—by \$4.

A pronounced reduction in the average annual growth rate of the GDP in the emergent countries both in absolute terms and compared with the West has been observed: in the period 1971-1975 it constituted 6.1 percent in the “third world” and 3.1 percent in the West, in 1976-1980, 4.9 and 3.5 percent, and in 1981-1985, 1.4 and 2.3 percent respectively (2). Optimism or pessimism in respect of the future is, of course, largely a question of faith, but it has to be recognized that there has been a sharp increase in the 1980's in serious grounds for alarm over the fate of the “third world”.

The calamitous position of the majority of developing countries is a problem which contains within it most serious political and economic dangers. They could perfectly well become a reality, and a catastrophic reality, what is more, if the international community fails ultimately to find effective means of reducing the gap between the handful of rich capitalist powers and the multimillion-strong majority of destitute nations. The current era has advanced, as the 27th CPSU Congress emphasized, a historic alternative in respect of the developing countries: “...are they destined to avail themselves in full of the achievements of science and technology and thereby gain strength in the struggle against neocolonialism and imperialist exploitation or will they remain on the periphery of world development?”

It cannot be said that the West is unaware of the explosiveness of the current situation. Many prominent representatives of social thought and politicians of capitalist states have in the past 15 years done much to call

general attention to the problem of the “third world”. The appearance of such authoritative and now widely known studies as the J. Tinbergen, W. Leontieff and W. Brandt Commission reports and other works, which attach not only much but paramount significance for the prospects of political, economic and social stability in the world to the dangers connected with a deepening of the gulf between the developing and industrial countries, has been characteristic in the highest degree of the frame of mind of the international community in the 1970's-1980's. Nor is there any shortage of such evaluations today either: “underdevelopment,” the prominent Western economist D. Goulet, for example, writes, “and its painful consequences like horrifying poverty, inaction born of helplessness and the profoundest hopelessness represent almost as serious a threat to the survival of mankind as nuclear war or an ecological apocalypse” (3).

Undoubtedly, the main driving forces and main resources for the development of “third world” countries are to be found within and not outside of them. In past decades life has confirmed this proposition as clearly as can be. The influx of foreign capital into the economy of the developing countries in the 1970's did not exceed 10-11 percent of their accumulation fund. Recently, however, a trend toward a marked diminution in the role of this capital in catering for the “third world's” investment requirements has been observed. The degree of involvement of the developing countries' national economies in international economic exchange (judged by exports' share of their GDP currently constituting approximately one-fourth) is undoubtedly high. But nor should it be forgotten that more than four-fifths of the aggregate product of the “third world” is both produced and sold within its confines. For such important states as India, Brazil, Mexico, Pakistan, Bangladesh, Nigeria and Indonesia the paramount significance of domestic sources of development is “prescribed,” so to speak, by their very dimensions and the scale of their material and human resources and, naturally, home market. I believe, however, that for many not that big developing countries also the external factor is of, albeit very considerable, nonetheless auxiliary, complementary significance.

There is indisputable, virtually absolute dependence on this factor only in respect of the 35 poorest states, all of whose attempts to extricate themselves from the vicious circle of poverty and backwardness by self-reliance have as yet come to nothing. This dependence is just as great (but for different reasons) for certain “new industrializing” countries and territories also: Singapore, Xianggang (Hong Kong), South Korea, Taiwan and Malaysia, which is in a similar position.

At the same time it is obvious that the role of the external factor in the development of the “third world” can in no way be reduced merely to purely quantitative parameters. The internationalization of economic life, the growing interweaving of national economies and their gradual involvement in the common world reproduction process is making to an increasingly great extent the possibilities

and prospects of their national economic development directly dependent on the changes which are taking place in the worldwide economy. Today no one may any longer "sit on the fence" and no state can fail to take into consideration in its hopes for the future and economic and social plans the trends taking shape in the international division of labor and in world production and exchange. It is for this reason that the advancement in 1974 of the program of a new international economic order (NIEO) corresponded to the interests of all developing countries and their aspiration to peace, progress and prosperity. And it is for this reason that the restructuring of world economic relations on a democratic basis and on principles of equality is historically logical.

Today, looking back, we can, of course, speak of certain weaknesses of the NIEO program, its "eclecticism, superficial synthesis of pragmatic and maximalist demands and separation from the realities of the capitalist economy" (4). However, it has at the same time to be seen that by and large it correctly reflected the trends which had come to light and set correct and, given the particular conditions, historically perfectly attainable goals.

The ideological-political essence of this program is, it would appear, as follows. First, there was recognition of the need for the establishment in international relations of the democratic principles of equality and justice, unconditional respect for the sovereign rights of all states, removal of artificial barriers and discriminatory restrictions, consideration of the specific interests of the destitute nations, a renunciation of actions dictated by narrow egotistical interests and an increase in the international responsibility and solidarity of all states in the face of the problems holding back world economic and social progress. Second, the set goal was that of the lengthy, stable redistribution in favor of the developing countries of accumulated wealth and newly created world income. Third, it was recognized that the world economy and international economic relations could not henceforward take shape only spontaneously and merely under the influence of the laws of competitive struggle, that development trends could not of their own accord ensure the rational location of resources on the scale of the entire world economy and that world economic relations were in need of certain interstate regulation and control from the viewpoint primarily of the interests of the countries which spontaneous market forces were depriving of the benefits and advantages of the international division of labor.

In other words, the program demanded a fundamental change in the position of the emergent states in international economic relations, an intensification of their actual role in the world trade and currency-finance system and their endowment with, so to speak, no longer a consultative, as before, but decisive voice in world economic affairs. Relying on their moral right to demand of the West real compensation for the colonial past, the developing countries are attempting today not so much

to change the foundations of the capitalist system "as to lessen within its framework the exploitation and create for themselves a more profitable, propitious, privileged and even preferential position" (5). The movement for a new international economic order is a movement within the framework of the capitalist system itself. But its anti-imperialist thrust is obvious, and in this sense it is linked with the other contemporary reforming movements undermining both the national and international positions of capitalism.

## II

What real means of influence does the movement for an NIEO possess today?

Unfortunately, it has to be acknowledged that these are as yet predominantly moral and political levers: political pressure, ideological pressure, conviction, the appeal to world public opinion, assertive activity in international organizations and so forth. At the same time it is obvious that, granted all the political authority of the movement for an NIEO and the importance of political levers, it lacks as yet the main thing—economic means of pressure, which would force the West to make fundamental concessions. In the 1970's-start of the 1980's the developing countries had essentially the sole weapon in the economic sphere—oil—and this weapon helped some of them achieve a pronounced improvement in their world economic positions. However, thanks to structural measures which were adopted, "the world capitalist economy was able as a whole, albeit not without difficulties, to adapt to the high oil price" (6). Today, however, the physical shortage of liquid fuel on world markets has been replaced by a substantial surplus thereof, and the petroleum market has changed from a seller's into a buyer's market. The oil surplus has, in turn, brought about a real collapse in the world price of liquid fuel. The movement for an NIEO has thus been deprived of this economic weapon.

Aside from oil, there is no other type of mineral or agricultural raw material which the developing countries might use for the organization of such joint offensive operations as OPEC did in 1973-1974 and 1979-1980. The industrial capitalist states are now producing approximately 64 percent of the entire physical raw material consumed in the nonsocialist world. There is practically no mass type of raw material extracted or produced in the developing countries which does not have an artificial substitute and the corresponding developed sector of industry in the West. At the present time more synthetic fiber is being produced in the world than cotton, for example, and, if necessary, these types of raw material are perfectly interchangeable. The same may also be said of rubber and a multitude of other commodities.

Thus even in the production of traditional agricultural crops technical progress is increasingly undermining the opportunities of the emergent state producers for joint

action. What real power, for example, on world markets can cane sugar-exporting developing states have if in addition to the growing competition of beet sugar they are forced to reckon with the fact that today even corn sweeteners constitute more than one-half of sugar consumption in the West? Except for very few metals like chromium and platinum, for example, all world mineral and agricultural raw material markets are today influenced by the interchangeability factor and the competition of synthetic substitutes.

In evaluating the purely economic possibilities of the struggle for an NIEO account has to be taken of the fundamental fact that the West continues to occupy dominating positions in the world economy and international economic exchange. Under current conditions particular importance is attached to the fact that the industrial capitalist states are moving ahead in many directions of S&T progress. They concentrate the principle resources of technology in the latest sectors of production; they are the leading world suppliers of machinery and equipment and also certain important types of natural and synthetic raw material and dispose of the main residual resources of the principal foodstuffs; the Western countries are preserving their fundamental economic independence in respect of all types of production except for certain rare metals and, partly, oil, and possess economic potential which may be used for a profound restructuring of energy "budgets" and the development of the production of any substitutes. Finally, they dispose of the overwhelming proportion of loan capital available in the world.

Essentially today both the United States and its leading allies among the Western powers are invulnerable to any in any way significant economic pressure on the part of the developing countries comparable to what occurred in 1973-1974 and 1970-1980. Under these conditions even such (hypothetical in the highest degree, of course) extreme measures as a collective embargo on supplies of important types of products or strict collective trade protectionism or, say, the collective abandonment of the payment of debt could only make the positions of the emergent states worse.

The situation is further complicated by the fact that there is no unity in connection with NIEO questions among the developing countries themselves. Their real economic interests are frequently of a vari-directional nature. For example, while having secured appreciable benefits for its exporters, the increase in the oil price was reflected very painfully in the 1970's-first half of the 1980's in the position of the majority of emergent states importing liquid fuel. "The sharp surges in the world price of various types of raw material result for some truly in showers of gold, for others, in real disaster, communicating new impetus to the process of differentiation of the developing world" (7). It is obvious that the interests of the two types of countries in this sphere do not coincide, and only the hopes that the new oil price might serve as a kind of battering ram in the struggle

against imperialism and for implementation of the NIEO program have in past years secured support for OPEC's position on the part of the majority of "third world" states. There are also appreciable divergences of interests between the developing countries participating in other international raw material associations and the developing countries importing these types of raw material, specifically the "new industrializing states".

The objective, primarily economic, weakness of the movement for an NIEO played, it would seem, a determining part in the evolution of the position of the United States and other Western powers in respect of the demands of the developing countries concerning a redistribution of world income in their favor and their expanded participation in the control of the main world economic processes. From a barely noticeable policy of concessions in the 1970's the West has in the present decade once again switched to a policy of pressure.

The reality today is such that (as graphically demonstrated at the Cancun meeting in 1981) the U.S. Administration and, in the wake of it, the majority of its allies also are now essentially rejecting all the emergent states' demands which go beyond the framework of the traditional laws of competition and the unlimited freedom of movement of production factors across national borders under the influence of the maximization of profit motive. In practice this means primarily total freedom for the expansion of the transnational corporations and banks. The market will do its work and the market itself will construct a new international division of labor, in which the industry of the developing countries which is coming into being will have its place corresponding to their actual possibilities—such approximately is the logic of the arguments of the present U.S. Administration. Such of Washington's practical steps as the refusal to sign the Law of the Sea Convention or its frankly obstructionist policy in respect of so-called "global negotiations" within the UN framework on problems of development, power engineering, trade and financing, which are demanded by the movement for an NIEO, specifically, testify to precisely this.

It has been possible to hear frequently in recent years in the developing states highly pessimistic pronouncements both concerning the results of the movement for an NIEO and its prospects. Such assessments are appearing in the scientific literature of the socialist countries also. Certain Soviet economists are observing, for example, that "as a whole, as of the latter half of the 1970's the young states have been unsuccessful in easing in any way appreciably economic dependence on the centers of imperialism and changing in a direction propitious for themselves the international capitalist division of labor" (8). At the start of the 1980's, I. Dyumulen believes, the process of the restructuring of international economic relations at first slowed down and then came to a halt altogether (9). The most important cause of such negative trends has been, perhaps, the intensifying differentiation among the developing countries themselves, the

increasingly pronounced, more organic involvement of many of them in the reproduction processes of the capitalist centers and the convergence of their positions with that of the West. As P. Khvoynik observes, "sitting for a long time on two stools, between two stools all the more so, is extremely difficult, and sooner or later the differentiation of the developing countries must contribute to their demarcation, which, naturally, will be stimulated by imperialism in every possible way" (10).

I believe, however, that the pessimistic view of the problem of an NIEO suffers from one-sidedness, at least. The basis thereof are insufficiently realistic expectations failing to take account in full measure of the harsh reality of capitalism. At the same time, however, if an attempt is made to evaluate the history of the movement for an NIEO not from maximalist but realistic positions, it has to be concluded that the developing countries have as of 1974, in spite of the resistance of the West and the differences in their own ranks, succeeded in scoring considerable successes, although far from in all spheres in which progress has been potentially possible. And, certainly, the most important thing today is consolidating what has been achieved, upholding it against the dangers which have so manifestly come to light in the 1980's and thereby securing the basis for further advance. This applies to practically all the main points where changes to the benefit of the emergent states have appeared. And there are many such points: it is believed that the "package" of the developing countries' demands pertaining to a new economic order will incorporate at least 9 main questions and 72 less important points (11).

Undoubtedly, the movement for an NIEO has contributed to the achievement of positive results in such fields as: 1) unconditional international recognition of the emergent states' sovereignty over national resources and on this basis a sharp increase in their share of revenue from the sale of their resources on foreign markets; 2) the redistribution over more than a decade of approximately 2 percent of national income created annually in the West in favor of the oil-exporting developing countries, which since the fall in the world liquid fuel price in the mid-1980's has, of course, declined noticeably, but remains appreciable; 3) the creation of new international institutional structures for lessening the destructive impact on the economy of the developing states of market fluctuations in the price of raw material commodities; 4) the establishment on the markets of the Western powers of a preferential (albeit frequently violated) system for imports of products of manufacturing industry from "third world" countries; 5) expansion of the sources of their financing via intergovernment channels and the adoption of certain international measures pertaining to a partial settlement and an easing of the seriousness of the debt problem; 6) certain changes in the behavior of the TNC expressed in their more active participation in the realization of national development programs and closer partnership with local capital, which, naturally, has accelerated the influx of new equipment and technology in the developing countries from

outside; 7) the marked expansion of cooperation between developing countries themselves and the strengthening of integration trends in various regions of the "third world"; 8) finally, a certain strengthening of these countries' influence in international trade and currency-finance institutions—the GATT, IMF and World Bank.

Among the most painful setbacks of the emergent states and the movement for an NIEO it is possible, we believe, to attribute the protracted fall in the current decade of the world price of commodities of the raw material group; certain relapses into protectionism in the West; the slowing of the influx of capital from outside via government and private channels; the continuation in the main world financial centers of high interest rates and the unabating debt-payment difficulties; finally, the absence as yet of an international code of behavior of the TNC and the failure to realize numerous plans pertaining to the development of interstate channels of the transfer of technology in favor of the emergent countries. But, evidently, the biggest setback in this time has been the lack of real progress in the business of disarmament, a reduction in the military spending of the leading world powers and the channeling of some of the resources thus released into the economic and social needs of the "third world".

### III

There have been many reasons for the deterioration in the developing countries' position in the 1980's. To speak of domestic ones, the most acute cause, perhaps, in terms of its consequences has been the imbalance of the economic and social policy of many developing states, the inordinate level of their unproductive expenditure and the low and, at times, negative economic returns from frequently very costly capital investments in projects whose priority nature has been highly dubious. Among the external causes paramount significance was undoubtedly attached to the 1980-1982 economic crisis which encompassed the world capitalist economy. However, the destructive impact of world economic trends has not been confined in the current decade just to cyclical factors. The profound structural shifts and the changes occurring today in the world capitalist economy are also acting in many of their manifestations against the developing countries, making more difficult the removal of the consequences of the crisis and holding back the rate of growth of their economies. The effect of structural world economic factors is virtually beyond the developing countries' control. Here also prospects of development, specifically, of overcoming the present recession, which has given rise to such pessimism concerning their future in general, depend to the greatest extent on the possibilities of the expansion of constructive international cooperation in the solution of the most serious global problems of the present day.

International initiatives for the purpose of imparting new impetus to the developing countries' economic progress and helping overcome the slowdown in the growth rate which has begun to show—at least as far as the world economic conditions of their development are concerned—are essential. New initiatives cannot be engendered from the spontaneous flow of events: they must be **organized** at the international level, including government bilateral and multilateral forms of economic assistance and the stimulation of assertiveness in various fields of private enterprise.

A question of exceptional importance is the restoration of the flow to the "third world" of investment capital from foreign sources of financing. In the 1970's-start of the 1980's the net annual influx of capital into the developing countries was at the level of \$40 billion, in 1982 it had declined to \$10 billion, and in 1983 it had dried up altogether. In 1984 the influx of capital was replaced by an outflow thereof of \$12.5 billion, and in 1985, of \$31 billion (12). Nor has there been any improvement in the situation in either 1986 or 1987. Particularly disturbing trends have been observed in the sphere of the extension of credit along government and private channels: whereas official gratis subsidies remained all these years at the \$11-14 billion level, the net influx of all types of credit, which had constituted \$31 billion in 1980, was replaced by a net outflow thereof of \$41 billion in 1985, and the net outflow per the "direct private investments" column amounted in 1985 to \$4 billion.

Thus it may be said that today it is no longer the West which is financing the "third world" but, on the contrary, the "third world" which is financing the West. If there is no change, before the end of the 1990's the developing countries will be spending on servicing their foreign debt up to 5 percent of their GDP, which constitutes a very high value given their present accumulation norm of approximately 25 percent of the gross product.

The said trends afford many Soviet experts serious grounds for highly disturbing conclusions. N. Karagodin and A. Elyanov, for example, consider a resumption on any in any way significant scale of the net influx of capital along external financing lines unlikely: "The diminution in the influx of financial resources from abroad has brought to an end, as it were, the period when the emergent countries were able to avail themselves relatively extensively of foreign loan capital" (13).

I believe, however, that in the long term this problem will appear somewhat differently. Times are changing. General interdependence in the world economy is increasing, and today the West (approximately 20 percent of whose exports go to the developing countries) has an objective interest no longer just in the primitive exploitation of the resources of the "third world" but also in its accelerated economic progress since this has become a condition of the stable progress of the West

itself. As French President F. Mitterrand has emphasized repeatedly, currently "helping the third world means helping ourselves emerge from the crisis" (14). The conversion of the developing countries from an object of financing to a source of financing of the leading capitalist powers does not correspond to the West's fundamental interests. Where, considering the current seriousness of the mutual competitive struggle, will the developed capitalist states find a substitute for "third world" markets if the developing countries continue to be forced to take the path of the utmost limitation of their imports?

Many people in the West undoubtedly recognize that the present deterioration in the external conditions of the development of "third world" countries must be overcome, primarily, trade restrictions removed and external sources of financing expanded. Indicative in this connection is the position of experts of Trilateral Commission, which is known for its influence—F. Bergsten (United States), E. Davignon (Belgium) and I. Miazaki (Japan). An imperative, they emphasize, is a joint response by the West "in at least four spheres: 1) the surmounting of the slide toward protectionism which is being observed and a further opening up of markets as a result of a new round of trade negotiations; 2) liberalization of the credit policy of official institutions, specifically export credit agencies and multilateral development banks; 3) the granting of sufficient new consortium credit from Western commercial banks, in amounts, possibly, appreciably in excess of those which are envisaged by the Baker Plan; 4) various institutional innovations for the purpose of an increase in the present collective possibilities of financing and protection against recurrent violations thereof; an expansion of the compensation financing fund (CFF) in the IMF in order to compensate for a future rise in interest rates; use of the existing powers of the CFF to compensate the oil-exporting developing countries for the losses from exports thereof at reduced prices; use of an appreciable proportion of the \$20 billion of World Bank liquid assets to accelerate the payments on loans already granted debtor countries per programs approved by the bank; a significant new issue of special borrowing rights in the IMF" (15).

At the same time it is obvious that the West has not yet formulated a constructive position in respect of the following three central questions of the debt problem and, correspondingly, the external financing of the developing countries. These are, first, the level of interest rates in the United States, which remains too high for the debtor countries, second, the possibility of the writing off of an appreciable part of their debt and, third (which is, perhaps, of the greatest significance today), the removal from international economic life of such an anomalous phenomenon as the conversion of the United States into the biggest international debtor. And whereas there are still at the present time some hopes as yet for a propitious development of events in respect of the interest rate level and the possibility of a reduction in the

debt, as regards the unhealthy transfer of financial resources from the entire capitalist world to the United States the situation remains uncertain in the highest degree.

Yet the United States is even now swallowing up, according to various estimates, 10-12 percent of the savings of the rest of the capitalist world, which under different conditions could be used to expand the financing of the developing countries. Such "international blood-letting" is the result of the budget policy of the present U.S. Administration. And today essentially the entire world community has a most direct interest in this policy finally being a healthy one. "The U.S. federal budget deficit, which has been caused primarily by the giant growth of military spending," Academician G. Arbatov emphasizes, "has become a global problem" (16). It is here that a truly global, responsible approach which would take account of the vital interests of all countries is essential.

The most responsible figures in the West understand that the need for joint action is not only pressing, it is overdue. As the well-known American banker F. Rohatyn observes, "in order to promote growth in the third world the United States, Japan and West Europe should formulate a concerted aggressive plan of a restructuring of the debts of and a significant influx of new capital into the debtor countries" (17). An inalienable part of such an approach objectively has to be some satisfactory solution of the problem of the massive outflow to the United States of financial resources from the rest of the capitalist world.

However, problems of external financing, granted all their importance, are nonetheless of less significance for the developing countries than questions of international trade. Even in the purely quantitative respect exports, via which an average of one-fourth of their GDP is realized, cannot be compared with the receipt of financial resources from outside, which constituted even on the eve and at the outset of the 1980's approximately 2.5 percent of their gross product. In this connection attention is called to such a phenomenon of recent years as the pronounced reduction in the emergent states' trade and payments deficit. Unfortunately, this reduction is occurring thanks not so much to the growth of their exports as a reduction in imports. In the light of this great significance is attached to the prospects of the export from the developing countries of products of manufacturing industry (which already constitute over one-half of their total exports) and, correspondingly, the conditions of their access to the markets of the developed capitalist states.

I believe that the objective basis for protectionism in the leading centers of capitalism is narrowing. As V. Sheynis observes, "the so-called 'reindustrialization' of the centers will in the long term continue to shape objective conditions for the growing transfer, to the key countries of the periphery, in any event, of middle, and not only

lower, stories of industry. However this process is impeded by market difficulties, it is essentially irreversible.... A rise in the level of the productive forces and a certain standardization of the economic structure with similar enterprises functioning in the center is occurring and will inevitably continue in affiliates of the TNC located in the developing countries" (18).

It is here, if we stick to the soil of reality, that the main possibilities of the receipt of new technology in the developing countries lie. The TNC account for up to 90 percent of world technology trade, and turnover between the TNC and their affiliates in the "third world" accounts for one-half of it, what is more. This by no means signifies, of course, an underestimation of the potential significance of such nontraditional sources of technology as the creation proposed by some people of several world technology centers or "knowledge banks".

It is the "decrease" in the low-technology sectors and the three centers' increased need for imports of their products which prompts the thought that the possibilities of a revival of protectionism in the United States are objectively limited. As American economists emphasize, "these are dangerous times for the supporters of free trade. Pressure in support of the adoption of protectionist measures either in individual sectors or in trade legislation as a whole is just as considerable as in any other period in the postwar era. But both the nation and those who are looking to derive some benefit from protectionist measures would be making a serious mistake in yielding to this pressure. Just as mistaken are the proposals for trade laws to be used as means of industrial policy in respect of declining sectors" (19). These considerations hold good with respect to other Western countries also. The profound structural reorganization currently taking place in the main industrial centers of capitalism is objectively increasing the developing countries' chances of the new negotiations in GATT promoting not a strengthening but a weakening of protectionism in the West.

But whereas in respect of the manufacturing industry of "third world" countries the structural reorganization in the West could produce undoubtedly positive results, in respect of the traditional sectors of their economy things appear considerably different. S&T progress and the effect of uncontrollable market forces are jeopardizing the prospects of exports from the emergent states of many types of mineral and agricultural raw material and even fuel. The main possibilities of an improvement in "third world" countries' position in the traditional sectors lie today, probably, not in political and diplomatic action but in the production sphere itself, a reduction in production costs as a result of new capital investments, a growth in the amount of available equipment and increased labor productivity. It is possible that in the light of the new structural trends in the world capitalist economy certain traditional sectors of the economy of

the developing countries are altogether condemned in the more or less near future to disappear, and the "third world" has to come to terms with this.

"The domestic agrarian policy of Western countries has reduced the possibilities for efficient producers of exporting their products," G. Johnson (United States), P. Lardinois (Netherlands) and K. Hemmi (Japan) observe. "The concern in the evaluation of our domestic agricultural policy—to the extent that it is limiting profitable exports of agrarian products from the developing countries—is perfectly legitimate, although usually ignored" (20). In world sugar trade, for example, the main factor of supply and pricing has now become the level of labor productivity in the agriculture and refining industry of the United States and the leading EEC countries, where the bulk of the production of sugar beet and corn sweeteners is concentrated. The present world price for sugar is lower by a factor of two than the cost of the production of cane sugar even for its most profitable producer among the emergent states—Malawi (21). In the mineral raw material sphere most indicative in this respect is the sharply intensified threat in the West currently of the supplanting of copper in many most important sectors of industry, which were for decades the main consumer of products of the Copper Belt countries in Africa, Chile and certain other developing states.

Even the prospects of oil exports, to switch to the power engineering sphere, are becoming increasingly less radiant from year to year. It is a question not only of an expansion of liquid fuel production outside of OPEC and the energy-saving policy in the leading capitalist states. Hopes that the industrial progress of the developing countries would lead to a marked growth of world energy consumption and thereby compensate the petroleum exporters for the present fall in the world demand for oil are evidently unwarranted also. Present-day S&T progress cannot bypass the industry of the emergent states which is springing up, even less such a costly sector of their economy as energy industry. Yet, as the West German expert K.-H. Preuss observes, even now "a quantity of energy is being consumed on Earth as a whole as would be sufficient to satisfy all world energy requirements, and at a level, furthermore, which corresponds to the level of its consumption in the FRG, if only this energy were used consistently and rationally and also distributed more evenly" (22).

#### IV

The question of the impact of world structural processes on the development prospects of the traditional sectors of the economy of the developing countries is a truly world problem, and the need for the discussion of measures to solve it on a collective and international basis is becoming increasingly obvious. Left to its own devices, the market in both power engineering and other raw material sectors, in I. Seyfulmulyukov's apt observation, "gives the wrong 'signals' to investors" (23). Only

a world action strategy and world concerted efforts can solve this problem on the basis of some compromise between the industrial and developing countries, the new and old sectors and between the imperative demands of S&T progress and the need to reduce to a minimum the losses therefrom for the traditional industries, on which the well-being of significant numbers of the population of the "third world" have depended for so long and continue to depend.

There is no doubt, however, that as long as the danger of thermonuclear war and the present degree of mistrust in a world torn by political contradictions continue, the practical prospect of a solution of other global problems of the present day will remain in doubt, however serious they have become. There is an inseparable connection between the policy of constructive peaceful coexistence and the possibility of securing a comprehensive improvement in living conditions for all mankind. Annual world military spending, which has approached \$900 billion, is almost equal to the sum total of the developing countries' debt, and this spending is considerably in excess of all present expenditure in the world on education and health care. The threat of the destruction of everything living on Earth engendered by imperialism and the insane waste of the labor and talents of tens of millions of people for destructive and not creative purposes is a question which today directly affects the vital interests of all peoples, of the developing countries no less, furthermore, than of the industrially developed states.

A dangerous new trend—a growth of spending on arms in the emergent countries themselves—intensified in the 1970's and developed further in the 1980's. Their share of world military spending grew from 6.2 percent in 1965 to 17.2 percent in 1985. A most important part here was played by the instigatory policy of the United States and a number of its West European allies, which are taking advantage of the chauvinist ambitions of the leaders of some developing states to increase their influence on their policy and accelerate arms exports. The developing countries now account for approximately two-thirds of arms imports in the world, and 20 of them are already themselves producing modern types of weapons—missiles, aircraft, tanks and ships.

"Despite the differences in the level of development between individual countries," Paris' LE MONDE DIPLOMATIQUE observed, "the general 'arms culture' is spreading. This 'culture,' which is being implanted extensively by the United States, is imparting to imperialism a new characteristic: following colonialism based on military occupation, following imperialism with a 'democratic face' represented by the TNC and following imperialism in the sphere of culture represented by the mass media, a hegemony based on 'arms culture' is coming to light" (24).

The present scale of the emergent countries' military spending is, aside from anything else, an impermissible luxury for states in which approximately 500 million

persons are chronically hungry and over 1 billion are malnourished, in which approximately 40 percent of the population cannot satisfy their most elementary vital requirements and in which basic development problems such as industrialization and an upsurge of agriculture and the elimination of the vast unemployment, illiteracy and mass disease have in practice not yet been solved. It may be said with confidence that the vast majority of developing countries is in need not of an increase in spending for military purposes and arms imports but precisely the reverse. Military spending, specifically, is a principal factor of the formation of their huge foreign debt; approximately 20 percent of their total overseas borrowing has been spent on military needs, that is, as much as for productive investment purposes.

There are estimates according to which a reduction in the proportion of military spending in the GDP of the entire world of 25 percent by 1990 and subsequently of 40 percent by the year 2000 would produce an increase in the growth rate of the world economy of approximately 1.5-2 percent per annum, which for the developing countries would mean an approximate doubling of the rate of their economic growth observed in the first half of the 1980's. Halting and turning back the arms race would mean in the period of the 20th century remaining even securing the material possibilities for the practically complete satisfaction of the reasonable requirements of all mankind in respect of food, accommodation, education and health care, and securing them, what is more, on the basis of the achievements of science and technology at its disposal at the present time, not to mention the prospects of new S&T solutions and discoveries. The resources spent currently on arms in just one year would be sufficient, for example, for the construction of 100 million apartments annually, that is, comfortable accommodation for 500 million persons, or the construction of up to 1 million schools, in which approximately 650 million could be taught. According to a number of estimates, it would be sufficient in order in the course of several years to have done, in the main, with starvation in the world, the most dangerous diseases and illiteracy to transfer for these ends 8-10 percent of current annual expenditure on arms.

An undoubted positive trend of recent years has been the developing countries' increased attention—which is reflected, specifically, in documents of the nonaligned movement—to problems of general peace and disarmament. The cooperation of the socialist and emergent states in securing a political basis for real progress to be made in this sphere is becoming increasingly close, which corresponds to the vitally important interests of both the entire world community and the peoples of the "third world". As pointed out in M.S. Gorbachev's 15 January 1986 statement, "the reverse order of things—disarmament for development—should come to replace the principle of armament instead of development imposed by militarism."

The events of the 1980's have shown as clearly as can be that there are many points of contact where the correctly

understood, long-term interests of the West, the developing countries and the socialist states may create a basis for the formulation of some outlines of a world action program and world strategy of cooperation in the solution of the most acute global problems of the present day. The Soviet Union has, as is known, put forward the concept of the creation of an all-embracing system of international security, a most important component of which is a program of economic security. This program essentially extends to all spheres of international economic life, where the existing order of things is impeding the progress of the developing countries. And there is every reason to think that in the future actions within the framework of the movement for an NIEO and the struggle for international economic security will be linked with one another increasingly closely for the good of general peace and in the interests of the prosperity of all countries.

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### Modernization of Chinese Economy, Foreign Trade

18160001d Moscow MIROVAYA EKONOMIKA I MEZH DUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 87 (signed to press 17 Aug 87) pp 38-49

[Article by A. Salitskiy: "The PRC: Search for an Optimum Foreign Economic Strategy"]

[Text] At the end of the 1970's the PRC embarked on the path of profound transformations, the main purpose of which is the creation of an economic mechanism providing for the gradual modernization of the productive forces and the alignment of the country's scientific and technical potential with modern requirements. The accomplishment of this task has required a significant expansion of relations with the outside world, which in the years of the "cultural revolution" were seriously damaged.

Since the Second CCP Central Committee Third Plenum (1978—Ed.), the CCP Central Committee decree concerning reform of the economic system (October 1984) observes, "the policy of expanding relations with the outside world... has successfully justified itself in practice. We will continue... to actively expand the scale of technical-economic exchange and cooperation overseas,

establish business in the special economic regions in every possible way and open up even more coastal port cities to the outside world. The use of foreign capital investments and the attraction of foreign entrepreneurs to our country for the creation of joint ventures based on Chinese and foreign capital and for the joint management of enterprises and the creation of enterprises entirely from their own investments—all this also is an essential useful addition to our country's socialist economy" (1).

Within the framework of the so-called "open door policy" in China a number of measures which have markedly enhanced the role of external factors in national economic development has been implemented. This policy has summoned into being new directions of foreign economic activity and also contributed to the dynamic growth of trade with other countries. Transformations in the sphere of foreign economic relations, the practice of domestic economic support for them and the search for optimum paths of the country's participation in the international division of labor constitute a subject of constant attention on the part of Chinese scholars and are being discussed extensively in the scientific press. The achievements and problems of the "open doors policy" are determining to a considerable extent the course of the economic reform and having a direct impact on the study and assimilation of foreign experience and the introduction to progressive models of technology. This idea is invariably emphasized in the works of Chinese specialists assigning the accelerated development of foreign economic relations a principal role in the socioeconomic progress of the world's most populous country.

The PRC's economic relations with foreign partners are distinguished by appreciable specific features. At the same time the 8-year-plus experience of Chinese organizations' cooperation with foreign businessmen, banks and international economic organizations is of considerable interest from the viewpoint of an improvement in the foreign economic policy of the socialist countries and the introduction of new forms and methods thereof.

### I

The basis of the PRC's foreign economic relations is foreign trade. The average annual rate of increase therein in 1981-1986 was high—10.5 percent—and the volume grew from \$20 billion in 1978 to \$73.8 billion in 1986, which is the equivalent of approximately 20 percent of the gross value of the industrial and agricultural product. In the 1980's trade as a whole has been of a balanced nature, however, by the middle of the decade the rate of increase in exports—the main source of currency proceeds—had slowed. Their increase in 1984 constituted 10 percent (imports, 37 percent), but in 1985, 4.7 percent (54.2 percent). In 1985 the balance of trade ended with a large deficit of almost \$15 billion. In 1986 the situation

improved somewhat—the deficit was reduced to \$12 billion thanks to an increase in exports of 12.8 percent, and in imports, of only 1.6 percent (2).

The geographical distribution of the PRC's foreign economic relations is characterized by the high proportion of states and territories of the Asia-Pacific region. They account for approximately 70 percent of Chinese trade

and the overwhelming proportion of noncommercial transactions. China is rapidly developing relations here with West Europe, countries of the Near and Middle East and, in recent years, the socialist states. In turn, the relative significance of trade with the PRC is particularly great for Japan, Xianggang (Hong Kong), the ASEAN countries and also Australia.

Table 1. Individual States' Share of the PRC's Foreign Trade in 1985 (%)

	Commodity turnover	Exports	Imports
Japan	30.5	22.2	35.8
Xianggang and Aomin	17.5	27.1	11.3
United States	10.6	8.6	11.9
FRG	4.6	2.7	5.8
Singapore	3.3	7.5	0.6
USSR	3	3.8	2.4
Brazil	2	1.6	2.3
Canada	2	0.9	2.7
Australia	1.9	0.7	2.7
Italy	1.7	1.1	2.1
Britain	1.6	1.3	1.8
France	1.4	0.8	1.7
Romania	1.3	1	1.4

Source: GOUQI MAOYI No 4, 1986, p 59.

The sharp imbalance in China's trade relations with the developed capitalist countries (see Table 1), which is not compensated by the surplus in trade with Xianggang, Aomin and also the developing states, calls attention to itself. As a result the current correlation between the PRC's exports to and imports from capitalist countries is impeding the development of foreign trade with them, forcing a reduction in imports.

The problems of an expansion of exports became in the period 1985-1986 topics of serious discussion in economic publications. The articles contain many interesting assessments of the results, problems and prospects of the "open doors policy" and also practical suggestions for an increase in the currency and national economic efficiency of foreign economic relations. A principal path of an increase in currency proceeds is, Chinese economists believe, an improvement in the export structure.

Currently industrial products constitute more than one-half of Chinese exports, products of light industry, approximately 40 percent, what is more (3). Nonetheless, this is considered insufficient. Low prices, Chinese specialists emphasize, under the conditions of the quantitative restrictions which affect a considerable proportion of commodities from the PRC on the markets of developed capitalist countries no longer justify themselves as a means of competitive struggle and an increase in currency earnings. What is more important in the majority of cases is the conformity of the commodities to the

tastes and habits of the mass consumer and modern packaging, design and so forth. The main task is an improvement in quality and the assimilation of new export commodities. Chinese economists see its accomplishment in a growth in the number of specialized enterprises and shops (providing for approximately 30 percent of official purchases for export) and a rise in the engineering level of local industry, which accounts for 15 percent of the product exported abroad.

The "trade—industry—agriculture" chain proposed by Chinese specialists merits attention among the measures geared to an improvement in the sale on foreign markets of light and food industry products. This implies the creation of an economic mechanism whereby foreign trade companies familiar with the conditions of foreign markets become the main "regulators"—orders from them (and also the imported materials and equipment necessary for fulfilling them) go to industry, which, in turn, adjusts for the agricultural enterprises the quotas for the production of this type of raw material or the other.

Among the acute questions of the organization of foreign trade is the level of coordinating work. Since 1979 the right to conduct foreign trade transactions has extended to a wide range of companies under the jurisdiction of sectoral ministries, provinces and cities and also to individual industrial enterprises. This increased assertiveness in the search for export resources considerably.

However, in time problems connected with the decentralization of foreign economic activity came to light. Thus companies of different jurisdiction are competing with one another increasingly often on the foreign market, which is leading to a lowering of the price of many of their commodities and a growth in the number of export transactions which are unprofitable for the industrial enterprises.

Such a situation brought about the adoption of measures to increase centralized control and introduce the practice of the issuing of export licenses. Nonetheless, there are, as before, in Chinese publications many articles containing arguments in support of the stricter regulation of the export policy of individual economic entities. Thus an article by the well-known economist Xiue Muqiao, specifically, emphasizes the need for a reduction in the number or companies involved in foreign economic transactions and also the establishment of a lower limit of export prices in respect of a number of commodities. He also mentions the unsatisfactory results of the work of the offices of a number of import-export companies in Xianggang. Aside from the inordinate numbers of them, there are frequent instances of these branches avoiding the payment of taxes, engaging in all kinds of currency machinations and so forth (4).

An important role in an acceleration of the growth of exports is assigned price levers. Chinese economists are calling attention to the fact that the current situation in the sphere of export and import commodity pricing does not correspond to the task of stimulating exports. For enterprises fulfilling quotas for the production of export commodities it frequently proves unprofitable to sell above-plan products on the foreign market since the proceeds in yuan are lower than given sale of the said commodities on the domestic market. This fact and also an analysis of the correlation of the domestic and world prices of export and import commodities are leading Chinese specialists to conclude that the pricing mechanism which exists in the country is oriented to a greater extent toward import substitution than the stimulation of exports. Without this situation being overcome and without a strategy of the simultaneous development of exports and imports underpinned by practical measures and transformations a significant increase in the contribution of foreign economic relations to economic development seems to them barely feasible (5).

A stimulating effect on exports is achieved partly given a lowering of the exchange rate of the yuan in relation to foreign currencies (the exchange rate was lowered on the last occasion in the summer of 1986). However, this measure alone, evidently, is insufficient, the more so in that it is fraught with inflationary consequences. The partial exemption of export enterprises from taxes compensated by a growth in the state's revenue from the sale on the domestic market of import commodities at higher prices may perform a certain role.

But decisive significance, perhaps, will be attached to successes in the assimilation of new commodities and markets and an active quest for additional opportunities to market industrial products. The PRC's foreign economic strategy is oriented toward a gradual reduction in exports of the proportion of raw material commodities and fuel, primarily oil. At the same time, however, the successes of agricultural production have created a base for a rapid growth of the export of agricultural raw material and food—corn, cotton, raw silk, rice, vegetables and fruit. The emphasis here is being put on an increase in the extent of processing of the products and the approximation of their quality to the level of world standards.

Considerable changes have affected the PRC's import policy in the 1980's. At the start of the decade there was a significant reduction in imports of complete-set equipment, and a transition to diverse forms of technology imports—imports of licenses, engineering-consultancy services and so forth—was gradually discerned. There was an expansion of the range of sectors receiving imported technology and materials. Aside from heavy industry, they now include light and food industry and also agriculture. The significant reduction in imports of food and agricultural raw material has a factor conducive to the development of foreign economic relations.

At the same time, however, certain import trends are causing Chinese specialists concern. Owing to the dispersal of import functions among an extensive list of companies and the absence of due coordination, the practice of importing insufficiently modern equipment, purchases at overstated prices and excessive imports of consumer goods competing with local products have spread. The Chinese press is mentioning the need for a strengthening of planning and centralized principles in the acquisition of foreign technology and equipment and the strict monitoring of import transactions on the part of the Ministry of Foreign Economic Relations and Trade.

Currency savings and the accelerated exports of finished products and technology imports are the main features of the present stage of foreign trade policy. In 1986 the PRC, having cut back appreciably on consumer goods imports, expanded technology purchases. The increase in exports was achieved given a reduction in exports of oil and petroleum products and the decline in the price thereof. The proportion of mineral fuel in the value of Chinese exports declined from 26 percent in 1985 to 15 percent in 1986.

## II

A central question of the PRC's foreign economic strategy is the problem of the attraction and use of foreign investments. Since the enactment in 1979 of the law on joint ventures they have been assigned an important part in the modernization of the economy and the development of foreign economic relations. The elaboration of

the legal basis of cooperation with foreign entrepreneurial capital is being completed currently. Its activity in the PRC is regulated on the basis of more than 80 laws and decrees. The conditions of this activity were being consistently liberalized right until recently: the rate of profits tax and rent was reduced and the timeframes within which the joint ventures were exempt from the payment of taxes (fully or partially) were periodically extended.

Preferential tax and customs conditions operate in four special economic zones (special economic regions)—Shenzhen, Zhuhai, Shantou and Xiamin. Since 1974 tax privileges have extended to the territory of 14 coastal cities. A law permitting the creation of enterprises based entirely on foreign capital was ratified in April 1986.

The "use of foreign investments" concept applied in the statistics and the press of the PRC incorporates an extensive range of agreements, whose object is the participation of a foreign partner in economic activity. Aside from the capital of completely foreign and mixed (joint-stock) enterprises, the capital investments of a foreign party in various nonstock forms of cooperation also pertain to the "investments" here. The latter include "management" and "service" contracts, "production sharing"-type agreements, license deals combined with rental agreements, compensation contracts and so forth.

Of the sum total of capital investments of foreign businessmen of \$4.6 billion (as of the end of 1985), joint ventures account for no more than 20 percent, and enterprises completely controlled by foreign companies, for less than 10 percent. Thus nonstock, "new forms of investments," which are being used increasingly extensively by monopoly capital in relations with developing countries, predominate (6). Another specific feature of joint enterprise in the PRC is the leading role of Xianggang firms (approximately 70 percent of investments).

The dynamics of the influx of foreign entrepreneurial capital were characterized by its rapid growth in 1984-1986 (more than \$5 billion compared with \$1.5 billion in 1979-1983). Sectoral distribution is distinguished by the high (over one-half) proportion of resources channeled into nonindustrial spheres—international tourism, trade, public catering, services and municipal construction. Approximately \$1.5 billion has been attracted into the exploration of the shelf oil deposits and also coal production. The remaining investments have been concentrated in manufacturing industry. As a rule, the objects of cooperation here are light industry and household electronics enterprises obtaining technology, raw material, units and components of foreign production for fixed deductions from profit.

Evaluating the results of joint enterprise, Chinese specialists put among its positive results the appearance of a number of modern industries distinguished by high labor productivity and the quality of the goods and services. The joint ventures are serving as a kind reference point for Chinese industry in the manufacture of products

corresponding to progressive requirements, in the organization and management of economic activity, providing well-paid jobs and in the training of worker and employee personnel. Developed commercial-industrial areas in the immediate vicinity of Xianggang and Aomin (the special economic zones of Shenzhen and Zhuhai), which are contributing to the strengthening of the PRC's economic relations with these territories of vital importance for the country's foreign economic relations, have arisen practically from scratch.

At the same time joint enterprise has led to the appearance of a number of problems, and, evidently, the calculations of the initiators of the "open policy" have not been justified in all respects. As of the latter half of 1985 many critical observations have been expressed in the Chinese press about the existing practice of attracting entrepreneurial capital.

A principal difficulty is providing the enterprises with power, fuel, transport and skilled personnel. The attraction of foreign investments required, as anticipated, of the Chinese side major outlays on the preparation of the necessary infrastructure. However, in a number of cases they have appreciably exceeded the planned expenditure, particularly in the special economic zones. For example, in Shenzhen, where approximately \$800 million of foreign capital had been invested as of the end of 1985, expenditure on capital construction was in excess in 1980-1985 of 6 billion yuan (7). These resources were mobilized only to the extent of one-fourth from local and provincial budgets, the remainder coming in the form of centralized subsidies and bank credit.

The low quality of many Chinese-made commodities and their failure to conform to international standards are making appreciably more difficult the provision of the joint ventures with the necessary components, which have to be purchased on the foreign market. The foreign investors themselves frequently have a direct interest in this. As a result approximately one-third of the joint ventures which have been set up has been incapable of producing currency profits. The special economic zones, which have been geared to a considerable extent to an export orientation, imported more in 1984-1985 than they exported and were forced to attract currency credit of the Bank of China of the order of \$600 million. The situation was made worse by the fact that as a consequence of insufficient supervision on the part of the central authorities the channels of joint enterprise in this period were frequently used for extra-plan imports of production and consumer goods, which led to significant currency losses (8).

This was the main reason for the regulation of the activity of the joint ventures introduced in 1986. It was demanded of them that they balance their currency accounts: enterprises which had exhausted the currency quotas were prohibited from transferring profits abroad. Joint enterprise was limited or suspended in a whole number of sectors for which foreign technology had

already been imported in sufficient volume (the manufacture of picture tubes for color television receivers, refrigerators and other household appliances). Foreign capital is not being admitted to sectors in which state enterprises and foreign trade companies have begun to experience difficulties in selling on foreign markets (garment industry, for example).

The creation in the service sphere of joint ventures oriented toward domestic demand: film processing, taxis and so forth has virtually come to a halt. The construction of hotels is being limited. Additional benefits were introduced in the fall of 1986 for enterprises working for export. They have been granted, specifically, a 3-year 50-percent reduction in profits tax if no less than 70 percent of products are exported to foreign markets.

The regulatory measures have led to discontent on the part of some investors. The emergence and settlement of the conflict at the joint venture involving American Motors (a plant producing automobiles with enhanced cross-country capability in Beijing), which was temporarily refused the possibility of importing spares from the United States, had extensive repercussions in the Western press. All this was reflected in the volume of new investments in respect of which agreements had been reached in 1986. They were almost halved compared with 1985. At the same time, however, there came to be among the firms enlisted in cooperation more major companies oriented toward the creation in China of export industries, and 76 percent of foreign investments was channeled into industry (only 45 percent in 1979-1985) (9).

In its present state joint enterprise is not yet an important source of modern technology capable of significantly substituting for customary imports thereof. Both the low level of the investment of foreign capital in industrial enterprises and the very terms of the production cooperation contracts testify to this. Via this channel the PRC receives, as a rule, not the latest but to a considerable extent standard, officially approved technology. The role of the Chinese side is frequently confined to the assembly of the finished product from the components and parts of the client, that is, incorporation in the production process at its final stage. Only 40 percent of the technology applied at the joint ventures in Shenzheng is, Chinese specialists estimate, "comparatively modern," and only a negligible proportion thereof corresponds to the demands of the 1980's (10). The imported component is excessive and the average added value indicator is low in the product of the joint ventures owing to the limited role of the Chinese side. Thus currency and technology problems are proving to be interconnected here.

Joint enterprise in nonstock forms and "contract relations" are being seen increasingly in the PRC as not conforming to the task of a rise in the engineering level of the economy to modern requirements. There is a marked endeavor on the part of Chinese organizations to attract

large-scale capital for the formation of joint ventures in order to create in the foreign partner a long-term interest in the successful functioning of the facility and the joint use of the most modern methods of production and at the same time to gain access to his marketing network. Practice has shown the expediency of cooperation with foreign companies in the modernization of operating enterprises (although foreign investors are as yet reluctant to consent to this).

A significant proportion of the contradictions at the time of the creation of joint ventures ensues from the aspiration of foreign businessmen to maximize the appearance of products on the domestic market, which is encountering the natural opposition of Chinese organizations intensified on account of the exacerbation of the currency problem. This will evidently be a principal obstacle in the way of an expansion of the influx of foreign investments. An appreciable increase in the scale of joint enterprise based on a further liberalization of the legal conditions of the activity of foreign companies in the PRC and a reduction in rent, taxes and the wages of Chinese personnel is hardly possible.

The direct currency result of joint enterprise should be of decisive significance. It is as yet small, particularly given cooperation with small and medium-sized firms of Xianggang. Limitation of this direction of joint enterprise is essential also in a number of cases owing to the fact that the enterprises which have been set up are competing with the state foreign trade companies, "knocking down" the prices of traditional Chinese export commodities.

More promising for the PRC are joint ventures with the participation of large-scale Xianggang capital, frequently connected with the TNC and transnational banks. The foreign party, as a rule, is interested in the successful functioning of the joint facilities, which is promoted not only by the joint-stock form of the latter but also the fact that stable business relations with China are seen by this category of businessmen as a certain guarantee of their companies' long-term interests in Xianggang. At the same time China's attraction of firms oriented toward the production of export products is encountering the acute competition of the "new industrializing states"—centers of the expansion of the TNC and TNB in Southeast and East Asia.

Currently joint enterprise may be seen merely as an auxiliary component of the PRC's foreign economic strategy in its most important directions: an expansion of commodity exports and currency proceeds in respect of noncommercial items and also imports of progressive technology. Its role is somewhat greater in the development of the specific set of relations taking shape between the PRC economy and that of Xianggang.

It would be wrong, however, to see the problems and difficulties of the attraction and assimilation of foreign investments as an indicator of the inefficiency or unsuitability of such a form of foreign economic relations for

China. Many negative results should, however, be recognized as an inevitable consequence of the initial—most capital-intensive and to a considerable extent experimental—stage. In time the PRC's policy in this field will become more selective—both from the viewpoint of the technical level of the industries being created and their possible currency returns. The currency control measures, the increase in a number of cases in the lower limit of investments in the joint ventures and benefits to the partner for the transfer of modern technology are geared to this. Many outlines of cooperation, including those providing either for the assembly of products only or their sale exclusively on the domestic market, are already being seen as not corresponding to Chinese conditions (11).

### III

No less important than specific economic results is, we believe, the effect which the forms of economic cooperation with foreign states new to China are having on the formation of domestic and foreign economic policy, contributing directly and indirectly to a revision of outdated methods. In the broad sense the significance of joint enterprise is largely determined by its modernizing influence and the introduction to economic theory of new ideas, and to practice, of modern methods and forms of management. All these, like certain other directions of foreign economic policy established in the 1980's, are interconnected components of an essentially progressive change toward the creative use of progressive foreign experience.

Policy in respect of the use of foreign loan capital, including the credit of governments of certain developed capitalist countries, and also international financial institutions is, in particular, becoming more flexible. Just 10 years ago the acquisition of foreign credit was categorized as "bowing to foreigners," "selling out national interests" and so forth. Since that time not only the use of company credit but also the broad-scale borrowing of financial resources have become firmly established in the practice of Chinese organizations. Initially (end of the 1970's-start of the 1980's) the PRC was oriented mainly toward the acquisition of "cheap" (low-interest) loans from governments and international banks. The Japanese Government and the World Bank were the main creditors.

However, in recent years China has been resorting increasingly often to loans on the private loan capital market, which has been connected to a certain extent with the lowering of commercial bank interest rates. The first large long-term credit from a syndicate of Xianggang banks was obtained in 1986. Bonds of the Bank of China and certain other Chinese organizations have since 1985 been floated actively on foreign financial markets. The country's foreign debt at the end of 1986 constituted \$20.6 billion, its servicing coefficient was put at 8-10 percent, and currency reserves were in excess of \$10 billion (12).

The activity of Chinese banks in Xianggang, where they perform various transactions, including the acquisition of private bank stock, insurance, real estate deals and so forth, has increased considerably. A principal purpose of this activity is the preservation on the territory of high economic conditions and the prevention of a possible outflow thence of TNC and TNB capital in connection with the restoration of PRC sovereignty over Xianggang scheduled for 1997.

A new direction of foreign economic policy is entrepreneurial activity overseas. By the end of 1985 the PRC owned fully or on a several basis 181 enterprises (mainly in the developing countries), in which over \$250 million had been invested. These include restaurants, food industry enterprises and also several mining facilities for the production of iron ore, copper, diamonds and gold. Chinese organizations are also displaying a big interest in the creation overseas of timber-processing factories—with the subsequent imports of their products into the PRC.

Construction work with the participation of Chinese contracting firms is widespread abroad. They employ 31,000 Chinese workers and engineers. In addition, the dispatch abroad of teams of Chinese workers, cooks, sailors, sports trainers and so forth—a further 27,000 persons (as of the end of 1985)—is practiced.

A principal item of the PRC's noncommercial currency proceeds is income from international tourism, which was initiated at the end of the 1970's. In the Sixth Five-Year Plan (1981-1985) income therefrom constituted almost \$5 billion. Inhabitants of Xianggang and Aomin and also ethnic Chinese from Southeast Asian countries constitute the bulk of the tourists. Some of them become repatriates, acquiring in China a home and investing resources in joint ventures, which is encouraged by the authorities. In 1986 income from tourism amounted to \$1.5 billion. However, the Chinese press is expressing concern in connection with the insufficient growth in the number of foreign tourists.

The development of new directions of foreign economic policy has increased the PRC's net income in respect of noncommercial items considerably—\$3.8 billion in 1986.

The intensification of the PRC's relations with other states, acclimatization on a growing scale to active participation in international cooperation in the most diverse spheres and the assimilation of foreign experience cannot be a painless process for a country which in the recent past even was semi-isolated from outside influence. The "open doors policy" has laid bare a number of serious problems, having drawn sharply the boundaries between the new and the old, the progressive and the outmoded. Far from always is its realization in practice on a par with the tasks which have been set. Many serious problems are arising also in connection with the growth of the impact on the PRC's economy of

the changes in the conditions of the world capitalist economy. A specific example is the fall in the price of oil, which has been reflected inauspiciously in China's export proceeds and has jeopardized the prospects of joint enterprise in the recovery of the shelf liquid fuel reserves.

Nonetheless, the growth of the PRC's involvement in relations with the world capitalist economy is not tantamount, Chinese scholars believe, to an increased dependence on the developed capitalist states: "Under postwar economic and political conditions the growth of states' interdependence in the economic sphere does not necessarily lead to an infringement of political independence and economic self-sufficiency. On the contrary, only on the basis of active participation in the international division of labor, which stimulates the rapid development of society's productive forces, is a strengthening of political and economic sovereignty possible" (13). The PRC's foreign economic strategy here is oriented toward a lowering of the level of dependence on individual partners.

This trend is manifested, specifically, in China's aspiration to economic cooperation on a multilateral basis, with the participation of international organizations. It can be traced distinctly in import policy, particularly at the time of choice of the suppliers of technology: the PRC is diversifying its sources as far as possible. Recently this has been expressed in the accelerated imports of technology from West European countries, given a certain reduction in the share of Japan and the United States. Thus in 1985 the main supplier of technology was the FRG, and purchases in France and Great Britain increased appreciably. Chinese economists are pointing to the possibilities of an expansion of technology imports from the "new industrializing states" and also the acquisition of "intermediate" technology in other developing countries.

#### IV

A factor providing for the relatively high rate of growth of the PRC's foreign economic relations in the 1980's was their orientation toward the economy of the rapidly developing Asian states—Japan, the ASEAN countries and also Xianggang. A considerable part was also played by the increase in exports of oil and petroleum products, whose volume in 1985 was almost twice that of 1981. However, in the years to come, evidently, the said factors will no longer be able to exert such a propitious influence. For this reason important means of accomplishment of the task set for the Seventh Five-Year Plan (a 40-50-percent increase in the foreign commodity turnover volume) are diversification of the geography of trade and a search for partners, relations with which could expand at an accelerated pace. Among the prospective markets are the socialist countries, whose share of the PRC's foreign trade is as yet small (little more than 9 percent in 1986).

A palpable advantage of this direction of economic cooperation is the fact that it may be exercised without direct currency expenditure on a commodity exchange basis. In addition, an alleviation of certain other problems of the development of the PRC's foreign economic relations also is possible on the paths of an expansion of relations with other socialist countries. Obviously, at the present time they are more than usually dependent on the trends of world capitalist trade, the negative effect of which it is easier to overcome given planned and steadily increasing commodity exchange with the CEMA countries. Also acute for China is the problem of competition on the world market with the producers of labor-intensive commodities. At the same time, however, there is the mutual complementarity of the economy of the PRC and the economies of the majority of other socialist countries affording new opportunities for a growth of commodity turnover.

A problem which has come to light in the course of pursuit of the "open doors policy" is the unevenness of the participation of various areas of China in relations with foreign states. Benefits therefrom have been derived primarily by the coastal belt. The northeast and northwest areas of the country could, Chinese economists believe, achieve an appreciable increase in the "external contribution" to economic development thanks to cooperation with the socialist countries. There are, specifically, plans for the creation in the northwest of a special economic region like the zones in Southern China.

"The creation of such a region," Chinese specialists observe, "could attract technology and equipment from the USSR and other European states. Industrial stockbreeding and industry for the processing of its products could be created in the region, as a result of which there would be a change in the region's predominantly raw material specialization.... In the wake of a normalization of Soviet-Chinese relations, the region could be a principal transshipment point between Europe and Asia" (14).

The interest in cooperation is mutual. For this reason the PRC's foreign economic relations with socialist countries, primarily the USSR, have in recent years been developing at a high rate. The growth thereof in 1986-1990 also will be accelerated in accordance with agreements which have been concluded. The cooperation will be of an increasingly diverse nature, including trade, which will include border trade, and the modernization of old and the construction of new enterprises in China.

During his visit to the PRC N.V. Talyzin, candidate of the CPSU Central Committee Politburo and first deputy chairman of the USSR Council of Ministers, noted the expediency of the future use of such forms as industrial cooperation, the sponsored processing of raw material, compensation deals, the creation of joint ventures and so

forth. Commodity turnover between the PRC and the USSR is to amount in 1986-1990 to more than R12.5 billion and to have almost doubled by 1990 compared with 1985 (R1.6 billion).

The development of relations between the PRC and the CEMA countries is being accompanied by a growth of mutual interest in the most diverse spheres. Increasingly great importance for the sides is attached here to the exchange of experience of the solution of social, economic and foreign economic problems under the conditions of the implementation of large-scale transformations and reforms in the life of society. Such exchanges between socialist countries are mutually profitable and, what is more, free of a number of the negative ideological features which arise in their relations with capitalist partners.

Chinese economists do not preclude the possibility that in the years to come the growth of the country's foreign trade turnover will slow down somewhat. However, this fact should not, in our view, be seen as an indicator of a lessening of the role of foreign economic factors and the "open doors policy" in national economic development. Even within the quantitative framework which has been achieved the country's transactions on foreign markets contain significant potential for an increase in their modernizing impact on the economy, science and technology. The organization of foreign economic relations is becoming increasingly flexible and diverse, miscalculations and mistakes are analyzed regularly and rectified and achievements are being developed and consolidated.

The bold experimentation in the field of quest for rational forms of an expansion of export production and the assimilation of imported technology and new types of cooperation with foreign partners together with a rise in the level of coordinating and planning work are capable of securing a further improvement in the structure of commodity turnover and creating conditions increasingly conducive to China's participation in the international division of labor and the efficient use of available raw material, labor and technology resources.

It may at the present time even be said that a result of the "open doors policy" has been an appreciable increase in foreign economic relations' contribution to the development of the economy. Despite the modest increase in their share of the country's GNP, economic relations with foreign states are reflecting better the economy's requirements as a diversified complex than was the case in the 1970's, when foreign trade was subordinated merely to the interests of the development of two-three sectors of heavy industry.

The rapid development of China's economy and foreign economic relations in the course of the transformations which are being implemented is becoming an increasingly noticeable component of the international division of labor. "This makes highly pertinent the task of an

extended study of the theory and practice of the PRC's "open doors policy"—an important instrument of economic building and an enhancement of the country's role in the world economy.

### Footnotes

1. "CCP Central Committee Decree Concerning Reform of the Economic System," Beijing, 1984, pp 38-39.
  2. JINGJI RIBAO, 12 January 1986; RENMIN RIBAO, 27 February 1987.
  3. See GUOJI MAOYI No 11, 1986, p 61.
  4. See *ibid.*, No 3, 1986, pp 4-8.
  5. See JINGJI YANJIU No 12, 1985, pp 22-23.
  6. See MEMO No 1, 1986, pp 121-126.
  7. The average exchange rate of the yuan in the said period was \$0.45.
  8. JINGJI YANJIU No 4, 1986, p 55.
  9. RENMIN RIBAO, 7 March 1987.
  10. JINGJI YANJIU No 6, 1986, p 40.
  11. See JINGJI YANJIU No 2, 1986, p 48.
  12. BEIJING REVIEW, 6 April 1986, p 16; FAR EASTERN ECONOMIC REVIEW, 26 March 1987, p 53.
  13. WAIMAO JINGJI, GUOJI MAOYI No 1, 1986, p 19.
  14. KEXUE, JINGJI, SHEHUEI (Lanzhou) No 1, 1986, p 35.
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**Artificial Intelligence, Strategic Stability Linked**  
*18160001e Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 87 (signed to press 17 Aug 87) pp 70-74*

[Article by G. Kochetkov and V. Sergeyev: "Artificial Intelligence and Problems of Strategic Stability"]

[Text] The arms computerization process is attracting specialists' attention, particularly in connection with the start of realization of a whole number of major national and international programs such as the "Fifth-Generation Computer" (Japan), ESPRIT (the Common Market countries) and the "Strategic Computer Initiative"

(United States). However, it is mainly tactical-technical parameters of the possible systems and their economic specifications which are the subject of analysis, in the main. The question of the qualitative changes which will be made to warfare by contemporary information technology, which is increasingly acquiring the features of "intelligence booster," remains on the sidelines here, as a rule.

This bias may be explained partially by the fact that a sharp polarization of the perception of the world by the supporters of different traditions in military affairs is taking place in the period of technological breakthroughs. Concentrated at one pole are the representatives of engineering culture interested mainly in ascertainment of the possibilities of the new types and systems of military equipment, at the other, specialists attempting to understand how the new technical possibilities will influence the accomplishment of set military-political tasks.

Yet the new equipment and technology are not simply additional material means of the achievement of known goals. They are a new world arranged in accordance with hitherto unknown principles. The genesis of strategic and political goals therein will proceed differently.

Particular attention has been attracted to military-strategic aspects of the active introduction of information technology to arms systems in connection with the plans for realization of the "strategic defense initiative". But in this case also discussion concerns mainly problems of technical-economic feasibility, reliability and so forth. The influence of artificial intelligence systems (AIS) on the stability of military-strategic interaction remains practically unstudied. Recognition of the nature of the "new world" and the new military-strategic situation is, as practice shows, proceeding extremely slowly. But it is these problems, it would seem, which need to be studied primarily. For this it is necessary to examine the particular features of the situation which has arisen in connection with the general introduction of information technology to the armed forces in the light of the general trends of S&T progress and its influence on the military-political balance. We shall attempt to summarize the first results of the discussion of these questions by leading foreign specialists.

### **S&T Progress and the Military-Political Balance**

It is necessary first of all to analyze the possible influence of the extensive use of the latest information technology on the structure of the military-political balance. Troop strength, firepower, mobilization potential, state of development of communications and transport, state of the economy and military industry and a number of others are usually attributed currently to the constituents of military strength. This multidimensionality was for a long time a principal reason for difficulties in making a quantitative assessment and comparison of armed forces

with different structures. Finding a balance pertained to the sphere of the high art of military men and politicians and not rational calculation.

The idea of a balance of forces took shape as a result of a lengthy historical process and under the appreciable influence of technical progress. In the period which followed the Napoleonic wars, which to a large extent overturned the ideas concerning the essence and methods of the use of military power, a period marked by a radical change in views on the organization of armed forces (transition from a limited professional army to an "armed people" army), tremendous significance was attached to mobilization measures. With the establishment of new principles of army formation an intensive search for increasingly refined technical means of annihilation began and the arms race arose.

The development of military industry was based to a large extent on the latest scientific achievements of its time. Thus invention of the steam turbine permitted the creation of heavy swift armored personnel carriers, and the appearance of the internal combustion engine, tanks, which led to a weakening of the role of cavalry and, subsequently, is virtual liquidation. Each new such achievement radically altered the basic parameters of the balance of forces which had taken shape between the world powers and led to a new round of the arms race, now being realized within the framework of a different concept of balance.

A revolution in the concept of military power occurred in connection with the appearance of nuclear weapons, more precisely, the formation of the "strategic triad" (ICBM's, missile-firing submarines and strategic bombers). As a result of the intersecting of two lines of the development of technology, namely, the increase in the yield of nuclear weapons and the creation of delivery systems, a weapons system with fundamentally new properties emerged. Nuclear weapons combine tremendous power of destruction with broad strategic potential. In the first and second world wars the main target for military operations were groupings of the enemy's ground troops, aviation and navy positioned in direct proximity to the front. Depth of impact at that time was determined by the operational possibilities of aviation, and overall strategic success was composed, as a rule, of individual successes achieved in battles, engagements and operations.

Strategic nuclear forces have become capable of tackling the basic assignments of armed struggle, and in a short time, moreover, and on the entire territory of the main enemy and his allies. In the prenuclear period strategic goals were achieved primarily by means of mobilization, deployment of military potential and the operational-tactical use of battlefield weapons. The nuclear "triad" has made real the possibility of direct mass destruction throughout the depth of enemy territory and has erased

the boundary between front and rear. And the practical absence of effective means of defense has imparted to nuclear weapons an absolute nature.

All this has led to a total rebuilding of ideas concerning the structure of military power. The sharp reduction in the time of deployment of military operations has reduced practically to nothing the significance of mobilization capabilities and the transfer of the economy to a war footing following the start of an armed conflict. States' military potential has come to be determined primarily by the presence of nuclear weapons and their quantity and the technical sophistication of delivery systems.

This new structure has entailed profound changes in the military-political sphere, primarily a significant increase in the political factor. The absolute nature of nuclear weapons has reduced the nuclear balance equation basically to quantitative and qualitative parameters of the "strategic triad". Doctrines of its use coming to replace one another are based on the idea of the "balance of terror" and represent an attempt to inscribe a qualitatively new military-political situation within the framework of the ideas concerning international political structures inherited from the past. The ideas of the establishment of control over the arms race are aimed at limiting the quantity and halting the qualitative upgrading of nuclear weapons and creating procedures reducing the likelihood of mistaken decisions owing to the incorrect interpretation of the actions of the opposite side.

However, the entire course of events of the past decade has shown that the rate of sophistication of weapons systems threatens to explode the structure of political control constructed per the "deterrence" principle. Nuclear weapons are not only being upgraded themselves but are imparting powerful impetus to the development of all other weapons systems, including control, communications and reconnaissance systems, increasing sharply the demands on the qualitative specifications of conventional weapons—reliability, maneuverability, degree of protection, capacity for accomplishing assignments given a large percentage of losses and degree of coordination of the use of different weapons systems in space and time.

Exceptional significance is attached to the fact that the decision-making timeframe is determined today by a missile's flight time. The discrepancy between strictly political and military decisions is virtually reduced to nothing. The role of the initial period, which could largely predetermine the outcome of the whole war, increases even more. As a result a powerful incentive to the development of control, communications and reconnaissance systems which ensure the most reliable substantiation possible for military-political decisions, given the reduction in the time for their adoption, is created.

Thus S&T progress in the mid-20th century had actually led to a complete change in the possibilities of the parties to a conflict and the transformation of the picture of the world within whose framework military-political decisions are adopted and implemented. Simultaneously the intrinsic logic of development of weapons systems led to the enlistment in this process of the latest spheres of information technology and the emergence of "crossings" of lines of technical development whose consequences are difficult to predict.

### **New Information Technology and the Control Factor**

Let us now examine certain basic, in the opinion of foreign specialists, directions of the application of AIS in the military sphere; if it comes to the point of military operations at the nonnuclear level, under current conditions they will be characterized by increased scale, the participation of various types of armed forces equipped with diverse intricate combat equipment, the high dynamism and maneuverability of the combat operations, their performance under the conditions of the absence of a continuous front, abrupt and rapid changes in the situation and a bitter struggle to seize and hold on to territory. The army thus becomes a complex socio-technical system, that is, one in which integral functions may be performed only by the joint operations of large aggregates of interacting people and machinery. The control of combat operations under these conditions will be immeasurably more complicated.

The possibility of automated control has been revealed in connection with the rapid development of information science and computer technology. The creation on a new basis of comprehensive automated systems has made it possible to ensure the promptitude, stability, concealment and continuousness of the control of troops and weapons. This is leading to a sharp reduction in the time and forces necessary for the organization of battle and permitting an improvement in the interaction and coordination of operations and, as a whole, the enhanced stability of control of the forces and resources of armed struggle. As a result the "control factor" is beginning to play a more pronounced part in the balance of forces equation. It can no longer be considered contemptibly small compared with the nuclear and other purely power factors. A methodology of its consideration upon an analysis of the actual distribution of forces in the world and in individual regions is necessary.

The creation of such a methodology is complicated by the fact that the introduction of "intelligent technology" constituting the basis of the "control factor" under the conditions of the S&T revolution has at different levels of military and political activity clearly expressed specific features. At the highest level it is revolutionizing primarily the gathering and processing of information, affording persons making the decisions an opportunity to compose in an extraordinarily short time a general idea of the global military-political situation. A most

important consequence of the use of AIS in this sphere is the enhanced promptitude of the detection of changes in the military-political situation in the world and, consequently, a reduction in time needed by the political leadership to react to such changes.

In troop control the introduction of AIS is influencing the methods and nature of activity at all three levels: strategic, operational and tactical.

A most important change arising at the first of these levels is the enhancement of the qualitative specifications of strategic weapons, for example, the accuracy of all types of missiles, ballistic primarily. Arms developed along the path of an increase in weapons' maximum range and their power of destruction. However, possibilities of controlling the fired projectile were lost here.

To solve this problem—inasmuch as until recently the intelligence vector was man alone—two technical possibilities existed:

making man part of the weapon's delivery system (aviation). In extreme forms this developed into the creation of aircraft-projectiles and torpedoes guided by suicide pilots; developing projective remote-control systems (radio controlled aircraft-projectiles and torpedoes, anti-tank guided missiles and such).

With the appearance of AIS a third possibility emerged—intellectualizing weapons, that is, endowing operational systems with the capacity of independent selection of targets (in accordance with a certain description thereof) and self-guidance to the targets. The efficiency of the new arms systems has thus been enhanced considerably. The possibility of the incorporation in NATO countries' current military doctrines of conclusions concerning the capacity of arms fitted with artificial intelligence components to ensure the effective destruction of strategic nuclear forces should be emphasized particularly.

Let us clarify this point. The appearance of nuclear weapons in the 1940's made it possible to switch to the destruction of targets over vast areas (the casualty range is proportional to the cube root of the yield of the weapon. With an increase in the yield of the weapon by a factor of 10 to the power 6 to 10 to the power 7 and considering, furthermore, the secondary consequences of the use of nuclear weapons, it proved possible to provide for the destruction of targets on areas of hundreds of square kilometers).

In the WWII period target identification on the ground and firing were extremely inaccurate. Under the conditions of the use of conventional weapons the average

all-around deviation was appreciably greater than the casualty range, which made fire inefficient. For this reason extensive use was made of concentrated artillery and aviation fire.

Considering that the probability of destruction of the target depends on the ratio of the yield of the weapon to the cube of the mean all-around deviation, we see that in addition to an increase in the yield of the weapon there is also another method of appreciably increasing the efficiency of fire—reducing the radius of the mean all-around deviation. And the said deviation, furthermore, exerts a far greater influence than the change in yield. This, of course, requires an entirely different level of knowledgeability about targets' whereabouts and a new quality of guidance-to-target systems.

It is in this direction that a type of AIS of military use is developing. At the present time even cruise missiles fitted with the corresponding guidance systems reliably hit small targets at a distance of thousands of kilometers. A situation is being created wherein an increase in accuracy is becoming the equivalent of an increase in the yield of a conventional warhead to the level of a nuclear weapon. This trend is intensifying in line with the introduction of systems for controlling and tracking combat operations with the use of AIS. Currently this approach is becoming an essential part of the doctrine of use of the U.S. armed forces. AIS are thereby becoming a decisive factor determining the correlation of forces. Specialists allow that a world war could begin with the use of conventional weapons alone and then grow into a nuclear conflict. The saturation of modern weapons systems with electronics could lead to increased instability and a temptation to start operations with "smart weapons" in the hope of putting an enemy's nuclear potential out of action with a preemptive strike by conventional forces.

Another most important aspect of the use of AIS is connected with the control of strategic forces, including space-based ABM systems. Given the current level of development of strategic arms, the time from the detection of an enemy attack to the start of retaliatory defensive measures has been reduced to a matter of minutes, in which it is necessary to analyze a tremendous amount of information. Man is incapable of this. With the help of "intelligent technology" the time could be extended, as it were, thanks to: a) earlier detection by electronic reconnaissance systems using image recognition systems, data base and knowledge base control intelligence systems and so forth; b) the increased speed and reliability of communications, a change in the number of message transformations and so forth; c) the extensive use of expert systems for analyzing the data obtained and formulating decisions and so forth.

The cycle of control of combat operations might be presented in the following form:

1. Data-gathering	equating to	Reconnaissance and early warning systems
2. Data recognition	“	”
3. Interpretation of facts	equating to	Expert system of control of combat operations
4. Comparison and integration of data	“	”
5. Forecast of situation	equating to	Man
6. Conclusions and assessments	equating to	Expert systems of control of combat operations
7. Formulation of recommendations for action	“	”
8. Decision-making	equating to	Man
9. Control of operations	equating to	Guidance system
10. Control of execution of operations	“	”

In this cycle the controlling subject interacts with the environment, and, furthermore, AIS functions were even recently confined to supporting reconnaissance and early warning systems and guidance-to-target systems. With the development of expert systems there has been an increase in the role of AIS in the control of combat operations. Left to man is mainly the function, which is very hard to automate, of forecasting the situation and ultimate decision-making, while the extraordinarily important functions of interpreting and comparing facts and formulating and evaluating alternatives are left to an increasingly large extent to computers. This use of AIS in the military sphere will lead in the very near future to the development of a number of dangerous new trends which are hard to predict. Politicians of Western countries often rely in their plans not so much on the realities of “intelligent technology” as on its possibilities. As a result an extraordinarily risky situation is being created: circles connected with the military-industrial complex are conducting an active propaganda campaign in support of new weapons systems, and the illusion that technical questions have already been solved and that it is necessary merely to support a political decision on the deployment of the systems is being created in the public deliberately.

But in reality the fundamental study of the use of AIS in armaments has far from been brought to a conclusion, particularly as regards the role of the human factor and political control of the use of the new weapons systems.

Even if the question of technical reliability and feasibility is left to one side for the moment, no less complex and serious problems remain. For example, one such is connected with the fact that the present-day expert systems represent the “skimmed” experience of specialists who actually exist which has been verified in practice and which has proven its viability. In the sphere of military use there is a fundamental difference between expert systems of the lower (for the control of military equipment and weapons systems), middle and upper levels. In the latter case the experience of specialists who actually exist is highly limited or missing altogether. Experience acquired in tests and also with the aid of modeling and games is not adequate to the realities of a hypothetical war. For this reason the value of expert systems of the highest level is relative. The use of expert

systems in such complex socio-technical systems as the planned SDI entails a serious danger. It is connected primarily with two types of inadequacies:

- the possibilities of the parameters of the situation going beyond the limits envisaged in the control system (the increased velocity of the missiles in the boost phase, unduly low launch trajectories and so forth);
- the emergence of scenarios of the development of events not envisaged in the expert system.

An indisputable advantage of the human factor in the decision-making systems remains at the present time man’s capacity for distinguishing and evaluating new surprise aspects in complex situations. In the event of the transition of the combat control system to an automated posture, these advantages would be lost, and in some situations the AIS would be operating in conflict with purely human standards of behavior.

It is clear in practice today even that whatever level of automation is achieved, in the actual systems of the control of combat operations the AIS will, as before, operate in close working contact with people. This raises the most complex question of the interaction of AIS and man—the aggregate intelligence of a group of operators. Its study has been extraordinarily insufficient. But it is clear even today that all probable situations cannot be determined in advance in such systems endowed with “hybrid intelligence,” if only owing to the impossibility of determining man’s behavior.

Man’s behavior in any unforeseen situation is conditioned not only by his knowledgeability but mainly by the system of values and moral and ethical standards operating in society. Ultimately, however odd this may appear, it will be essential to develop a system of machine behavioral standards like Isaac Asimov’s universally known laws of robotics. But inasmuch as it is a question of “hybrid” systems, an inalienable part of which is man, it is standards and rules of behavior common to all mankind which must condition the behavior of such systems in unforeseen situations. And this confronts experts in the artificial intelligence field also with entirely new scientific problems, which at the present time are very far from solution.

Today, with the appearance of progressive information technology, a new channel of the functioning of social standards in the form of a programmed product has been created, and the possibility exists, furthermore, of their alienation in machine's memory and knowledge bases. And which system of standards is embedded in the intelligence systems of the control of complex arms systems is not simply a technical task, as attempts are frequently made to portray it, but a political and ethical task of tremendous importance.

It should be added that even given the removal of all possible technical defects in complex AIS, there is one procedural problem whose importance is being underestimated. It is common knowledge that a central problem in the creation of AIS is that of "comprehension" of the images of the real world and their recognition and the extraction and representation of the meaning of the information received. The majority of models of such comprehension operates with big defects. Given the creation of specific narrowly specialized AIS, these flaws may not exceed the permissible limits and not prevent the satisfactory accomplishment of the set assignments. But the question of how a complex system consisting of a multitude of "nonideal" expert systems would behave remains unresearched as yet. We are far from resurrecting a fear of machines which might rebel against their creators, although this theme has been very popular in the classics of cybernetics. But in connection with the plans for the creation of space-based weapons, control of which is to be exercised with the participation of a multitude of expert systems, the question would seem highly serious.

Thus the use of AIS in the military sphere is at the present time encountering two types of limitations. One of them, connected with the technical imperfection of the existing AIS, may evidently be removed in the foreseeable future with the development of theoretical research in the sphere of cognitive modeling. The other type of limitation, connected with the socio-technical nature of systems of control of combat operations, is unremovable in principle and requires the creation of a system of measures of political control, whose development at the present time is encountering difficulties primarily owing to the position of the United States.

Under the conditions of the incorporation of AIS in arms and troop control systems which has begun preservation of the stability, certainty and firmness of the military-political situation becomes vitally important. The level of military confrontation in the world has become inordinately high. The control of tremendous military machines has grown in complexity. Adequately evaluating the dynamically changing situation, particularly given the emergence of critical situations, has become difficult.

The process of the introduction of computer technology in all spheres of social life is irreversible. However, it can be controlled. At this stage the formulation of the question of banning the use of AIS in arms systems is

encountering considerable obstacles. It would seem, however, that it should more than ever today be a question of curbing a further arms race based on the development of confidence-building measures in all directions. The scientific community's responsibility in elucidating questions connected with the use of the achievements of artificial intelligence and its possible military-political and socioeconomic consequences is extraordinarily great. An objective evaluation of the impact of these resources on the level of international security is essential.

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#### Review of Book on Global Problems

*18160001f Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 87 (signed to press 17 Aug 87) pp 145-146*

[V. Leybin review: "Facing Mankind"]

[Text] In October 1983 some 600 tons of explosives were delivered to the New Mexico desert. The U.S. Defense Department's Nuclear Weapons Agency placed them at the top of a 166-ft high tower 3 miles from the firing range at which in 1945 the first atom bomb was exploded. Just as in antiquity, when various supplies and valuables were left alongside the pharaohs at the time of their burial, trucks, tanks and other military equipment were positioned around this tower. Models of submarines were placed in a water-filled hollow, and instrumentation designed to record what awaits soldiers in the event of nuclear war was installed on dummies.

WWII is imitated more than 500 times a year in the suburbs of the small town of White Oak (Maryland) in a concrete bunker with a 5-ton door, and experiments are conducted to test the resistance of American military systems to X-ray radiation and ascertain every conceivable consequence of a nuclear attack. Specialists study the "firestorms" in Dresden and Hiroshima in the WWII period, analyze the data on tests in the atmosphere, which were conducted at one time, but which are now banned, and conduct experiments on animals to ascertain the impact of radiation on their organism.

This information is adduced in an article by WASHINGTON POST correspondent R. Atkinson in the digest in question.\* Published in the "United States in the 1980's: View From Within" series, it represents a selection of material revealing Washington's basic approaches to the study and solution of present-day global problems. The purpose of the experiments conducted by the Pentagon is to prove that the course of a nuclear war could be controlled, and its negative consequences alleviated. However, W. Arkin, associate of the American Institute

for Policy Studies, emphasizes, "this is something like a kind of nuclear narcotic under whose influence the impression is created that everything can be controlled" (p 41).

Inasmuch as the problem of war and peace and averting the threat of nuclear catastrophe is most acute and urgent it would seem methodologically correct that the first section of the digest is devoted to precisely this. C. Sagan, professor of the Department of Astronomy and Space Sciences and leader of the Planetary Studies Laboratory of Cornell University, examines the long-term consequences of nuclear war, which could lead to a global climatic, biological and ecological catastrophe. On the basis of calculations he reached the following conclusions.

The climatic consequences amount to the fact that there would be a period of abrupt cooling and "radioactive nightmare," which would last several months and, following the fall of fly ash and soot, be replaced by a prolonged period of increased ultraviolet radiation. Biologically nuclear war would lead to the destruction of the agriculture of the northern hemisphere, the preclusion of the possibility of the production of cereals in a number of countries, including the United States, and the lack of potable water. To this it should be added that an increase in ultraviolet radiation on the earth's surface would have dire consequences for marine, ground and other ecosystems. Thus the cold, radioactivity, pyrotoxins and ultraviolet radiation as a consequence of nuclear war would create a real threat of mankind's extinction. C. Sagan concludes that it is essential to sharply reduce nuclear arms and adopt all measures to prevent the unleashing of nuclear war. "Only then may a global catastrophe be prevented" (p 34).

As is known, the "strategic defense initiative" advanced by R. Reagan is being presented as the sole dependable panacea against the threat of nuclear annihilation. In this connection W. Greider, commentator of the magazine *ROLLING STONE*, observes in the article "War and Space" that the desire is to persuade Americans of the magical possibilities of the technology of the future. However, politically the "star wars" program is only diverting attention from the fact that the President's arms control strategy is failing. Technically, on the other hand, this program is "insane" (p 59).

The articles of A. Schlesinger, professor of humanities of the City University of New York, and M. Raskin, scientific associate of the Washington Institute for Policy Studies, discuss the foreign policy activity of the Reagan administration. A. Schlesinger writes about the "cheap attack" on Grenada carried out by the United States in defiance of the UN and OAS charters. R. Reagan demonstrated American power by way of a "surreptitious assault" on the government of a small defenseless country which was an irritant to him, thereby creating an impression of himself as a president constantly reaching for his gun (p 66).

M. Raskin emphasizes that national interests require wise decision-making at the time of various crises, patience and their diplomatic settlement and not the automatic use of weapons. Fascination with military power, huge "defense" budgets, preparations for "star wars"—all this is frequently justified by national interests. However, the scholar observes, it is essential to revise the foreign policy supported today by the Reagan administration. Moral principles should primarily be made the basis of foreign policy. It is essential to lessen the emphasis on armed force and put the emphasis on disarmament and the building of a viable international political order. "If the buildup of military power continues to be the main aspect of our policy of safeguarding national security and if we continue to maintain that war, nuclear strategy, military intervention and subversive actions are the main tools of our foreign policy, we will never be able to revive the ethics which the world values as the highest good and treat war not as an element of policy but as a perversion thereof" (p 72).

The remaining parts of the digest are devoted to other global problems of the present day. The second section, to the attitude of American business and the public toward problems of providing material production with energy and raw material resources, demographic policy and solution of the problem of hunger both in the United States and throughout the world and toward preservation of the environment and development of the oceans. The third section, to the fate of the developing countries and Washington's policy. It is a question here, specifically, of issues connected with ascertainment of the reasons for the economic backwardness of the majority of Asian, African and Latin American countries; determination of the tactics and strategy of overcoming this backwardness; elucidation of Washington's role in the exacerbation of the problems confronting the young states and its response to the demands for the creation of a new, fairer international economic order; disclosure of the content of the United States' political activity in the United Nations, UNESCO and other international organizations geared to the solution of global problems confronting mankind.

As emphasized in the preface, the compilers of the digest endeavored to show the reader the United States' approach to certain global problems and also provide an idea of the debate under way in connection with them in the biggest country of the capitalist world (p 4). However, this has not, I believe, been achieved in full. In fact the material of the first section has been selected such that the accent has been shifted to articles whose authors are critical of the militarization of space, the preparations for nuclear war and the foreign policy of the Reagan administration. Of course, it is useful for the Soviet reader to know the arguments employed by American scholars and journalists who do not share Washington's militarist policy. In this respect the articles contained in the digest merit approval. But it is also important to have an idea of the considerations being expressed in the West in defense of the technical and

political programs oriented toward maintenance of the "philosophy of war". To know them from primary sources and not in interpretation. To know them in order to better understand the entire complexity of the current international situation and the difficulties arising in the way of the struggle for the establishment of lasting peace in the world and the responsibility borne today by each sober-minded person upholding in word and deed the principle of peaceful coexistence on our planet.

Under the conditions of open East-West dialogue it would be expedient to simultaneously publish opposite viewpoints and positions. Then the commentaries which accompany such publications, including that in question, would acquire greater significance and weight.

We would also point to certain lacunae which could easily have been avoided. It is a question of differences between the contents and the main text—the incomplete reproduction of the title of the third section (pp 154, 264) and the omission of the surname (and, elsewhere, of the given name) of the author of the article (pp 170, 264). But these are details. As a whole, the digest, it has to be assumed, will find an interested readership capable of deriving useful ideas for itself both from the original articles of foreign authors and from the preface and corresponding commentary concluding each of the three sections.

It merely remains to add that under current conditions sober-minded people are not turning their back on global problems but facing the world and mankind, channeling their efforts into the accomplishment of tasks connected with the further development of terrestrial civilization.

#### Footnote

\* "Spinoy k globalnym problemam" [Turning One's Back on Global Problems]. Preface and general editing by Candidate of Historical Sciences Yu.Ye. Fedorov, Moscow, "Progress", 1986, pp 264.

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**Book Examines Capitalist Economic-Military Ties**  
*18160001g Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 87 (signed to press 17 Aug 87) pp 147-148*

[O. Peresypkin review: "Generator of the Arms Race"]

[Text] Many studies both in the Soviet Union and abroad have in recent years been devoted to militarism and the arms race. However, the book in question\* is distinguished by the fact that it examines the place and role of militarism throughout the 20th century, within the framework of the highest and final phase of the capitalist formation—imperialism.

In its rudimentary form militarism has existed at all stages of the development of the class-based exploiter society, beginning with the system of slavery. However, never in the past did it assume such proportions and perform such an important role as under current conditions.

The work actualizes the well-known proposition of Lenin's that imperialist militarism is born not of the ill will of individuals or the destructive instinct allegedly primordially inherent in people but the growing concentration and centralization of production and capital and the monopolization of the capitalist economy. It is the industrial and financial giants which have emerged in the final imperialist phase of the development of capitalism which have imparted to the competitive struggle particular seriousness and destructiveness, carrying it over time and again from the purely economic to the military-political plane. In our day the absence of visible armed struggle for a recarving of the world is being replaced by power methods in the policy of the imperialist powers. Militarism has gained a "second wind," as it were, having become an inalienable feature of state-monopoly capitalism at the current stage.

The formation and development of monopolies are analyzed in the book in direct connection with the forms and ways of the development of the productive forces inherent in capitalism. As distinct from many experts who are inclined to regard the S&T revolution merely as a postwar phenomenon, the author relates the first steps of the S&T revolution to the production and industrial use of electric power, the inception of organic synthesis chemistry and the radical improvement in metallurgical production techniques, that is, the technological achievements in production which occurred on the frontier of the 20th century. This is a fitting reminder of the socioeconomic consequences which the new stage of the S&T revolution which has now begun and which has imparted new directions to the arms race could have.

Together with an analysis of monopolization and militarism under the conditions of imperialism N. Chernyshev studies the historical features of militarism itself, reveals the traditions of the latter in individual countries and determines its predominant forms. The historical method which he employs makes it possible to point to the relative continuity of the tasks of the ruling classes and ascertain the main directions of the military-political expansion of imperialist states.

The book adduces numerous data confirming not only the struggle of the monopolies of leading capitalist countries for military orders but also testifying to their active aspiration to cooperation in their name of their superenrichment. Thus at the time of WWI even secret relations were established between British, French and American companies on the one hand and German companies on the other on the basis of cartel agreements concerning supplies of strategic raw material, fuel and

food, an exchange of patents and licenses and the granting of financial services. The same practice existed at the time of WWII also. The author adduces specific examples of these relations, showing that the financial oligarchy has always been of a supranational nature and has been the winner from the preparation and fighting of wars, despite their motives and actual outcome.

The work rightly observes that the first person to "point to the merger of monopoly capital, the machinery of state and the military as a new military-political factor characteristic precisely of the highest phase of capitalism" was V.I. Lenin (p 103).

The rapid process of the consolidation of the national military-industrial complexes of the leading capitalist countries and the formation of an international MIC, the basis of which is the expansionist activity of the transnational industrial monopolies and banks, is a most important conclusion of the study. Serving the interests of the transnational monopolies, the militarists, we read, "undertake to pursue a 'planetary' strategy, that is, denying the sovereignty of secondary capitalist countries and contradicting the constitutional provisions of independent countries of the world. In propounding 'neoglobalism' American militarists are declaring practically all continents a zone of their vital interests" (p 85).

Nor does the author overlook the process of the militarization of science in the West, which has intensified in recent decades, inasmuch as S&T potential has today become a value of a military-strategic nature. A kind of crown of the militarization of R&D under imperialist conditions was the U.S. Administration's decision to embark on the creation of arms systems intended for use in outer space. The book pays special attention to this problem inasmuch as the SDI is one of the West's first large-scale military programs whose implementation is being spurred by the material and military-political interests not only of the American MIC but also the international MIC of the West which is taking shape.

Essentially the disastrous "initiative" has lent vital new impetus to militarism and its material basis—the military-industrial monopolies. It is the assimilation of a new sphere of the arms race which assures the MIC over a minimum of three decades major orders and superprofits practically without a cardinal change in the profile and structure of production.

Analyzing the mechanism of enrichment on preferential military orders within the SDI framework of the monopolies of the aerospace business, the scholar convincingly exposes the myth that virtually all the inventions and discoveries which have formed the basis of this program are of exclusive American origin. The numerous data adduced in the work testify that virtually everywhere possible the United States enlists overseas experience, using for this intergovernmental military-technical cooperation agreements, channels of information of the American TNC and industrial espionage.

The author's thoughts concerning the Eureka Project, which is called in Paris "a peaceful program of the conquest of outer space" and the "antipode" of the SDI, which France put forward in April 1985, are of interest in this connection. In practice this project essentially supplements the latter and increases the summary military-strategic potential of the NATO bloc. As the work observes, "many Western experts agree that Eureka is a method of improving the terms of the conclusion of contracts within the SDI framework and at the same time avoiding direct political approval of this American program" (p 196). As is known, Gen R. Rankin, director of the scientific and technological part of the SDI program, has in fact advocated the amalgamation of the projects (p 199).

The book in question is addressed to a broad readership. But it preserves rigorous exposition and scientific soundness here.

#### Footnote

\* N.F. Chernyshev, "Kapitalisticheskaya monopoliya i militarizm: istoki zloveshchego alyansa" [The Capitalist Monopoly and Militarism: Sources of the Sinister Alliance]. Moscow, "Ekonomika", 1987, pp 208.

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#### Review of FRG Book on National Antiwar Movement

18160001h Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 87 (signed to press 17 Aug 87) pp 151-153

[L. Istyagin review: "The Struggle for Peace and the Costs of Sectarianism"]

[Text] The extensive development of the antiwar movement in the FRG is being accompanied increasingly by the attempts of this current or the other thereof to comprehend and collate accumulated experience and provide its own interpretation of the processes occurring therein and to map out future prospects. From this viewpoint the work of two young authors, Georg Haas-ken and M. Wigbers, "Protest at an Impasse. Social Movements in the FRG," published by the Neue Kritik publishers, possesses the particular feature of reflecting the views of certain groupings of the so-called "autonomous" and "independents".

It is a question of a relatively significant (tens of thousands of active participants), mainly youth, opposition stream with its roots in the traditions of the student protests of the end of the 1960's and which has merged, following a period of enthusiasm for "antinuclear protest" and struggle against nuclear power stations, with

the antiwar movement, but which has not aligned itself therein with either the democratic-left vanguard and the social democrats or the religious believers and the Greens. Despite the entire abundance and dissimilarity of the views of the various groups in this stream, something akin to a common approach to the antiwar movement and an understanding of its tasks has nonetheless been formulated therein, which has been reflected in the work in question.\*

Its strong aspect is the objective evaluation of the actual sources of the acceleration of the arms race and the reasons for the growth of the military threat. In many places of their book the authors point clearly to the fact that there is one and only one such source in the modern world—the policy of the United States and its NATO partners. They do not doubt the peaceful nature of Soviet foreign policy and dissociate themselves from the notorious concept of the “equal responsibility” of the USSR and the United States for the arms race. This theory, in its concealed and “softened” versions included, is emphatically rebuffed. “It is NATO,” we read, “which by qualitative and quantitative measures to build up armaments has always forced the USSR into retaliatory steps.... The purpose has been to force the Soviet Union into a global retreat and ultimately bring about the overthrow of its social system” (p 155).

As G. Haasken and M. Wigbers rightly emphasize, truly unilateral steps in disarmament are being taken only by the Soviet Union (p 157). Proceeding from this premise, they distinctly reject the well-known demand for a “suprabloc approach” in respect of the antiwar movement itself. The pronouncements of the British politician E. Thompson and the West German Greens who are in sympathy with him, who insist on the obligatory nature for peace supporters in the socialist countries to adhere to opposition in respect of their governments, are roundly criticized in this connection. “The concept of a suprabloc antiwar movement,” the work observes, “is not recognized by the majority of anti-imperialist forces in the FRG, and this also applies, what is more, to groupings which can in no way be suspected of complicity with the German Communist Party” (p 133).

The authors share the main slogans of the antiwar movements, opposing the deployment of new American missiles in the FRG. They consider it essential to also block other directions of the race in arms, conventional arms included (pp 162-163). Rejecting the projection to the fore of the slogan of the disbandment of military pacts without the simultaneous implementation of substantial disarmament measures typical of certain other groups, the scholars point, fairly, on the whole, to the vulnerable points of the “defensive alternative” and “social defense” concepts, which allow the preservation of anti-Soviet psychological cliches. This would inevitably create tension and could in the appropriate atmosphere lead not to a dismantling of confrontation but its preservation and exacerbation even with an inevitable consequence in the form of a growth of the military threat (pp 163-165).

At the same time there are in the antimilitarist position of many “autonomous” (to whom belong or, judging by the book, at least, with whom sympathize G. Haasken and M. Wigbers) a number of dubious components or ones which are destructive even for the antiwar movement.

They inveigh primarily against any organized principle in the antiwar movement, emphasizing almost exclusively the actions of local scattered groups. The mere fact of the emergence of large-scale national antimilitarist organizations and platforms is in fact regarded by the work negatively inasmuch as this has allegedly led to the “hegemony of associations” over the mass of participants in campaigns and actions (p 187).

Of course, the authors’ fears connected with the growth of the influence of the SPD in the antimilitarist spectrum of social forces, considering the experience, to a certain extent, of the 1950’s and 1960’s (pp 11-35, 40-42, 44-46), may be deemed to be not without justification. But their assertions that the democratic-left association—the Committee for Peace, Disarmament and Cooperation (CPDC)—which cooperates with the Communist Party, aspires to the “hegemonization” of the movement of peace forces (p 187) is baseless. Moreover, with reference to vanguard forces of the movement concentrated in such organizations as the CPDC charges of hegemonism assume a focus against the very capacity of the antimilitarist movement to formulate and realize a clear-cut policy line. We would add that, besides the communists and social democrats, the authors suspect of propensities toward dictatorship and the imposition of their will leading Christian antiwar organizations, the Federal Union of Defenders of the Environment (ecologists) and the Green Party also. It transpires that only scattered groupings of the motley composition of “autonomous” and “independents” are capable of providing the movement with true reference points and guidelines.

The question thus shifts to the plane of the recommendations which the groups manifestly disposed toward serious concessions to organized anarchism would like to give the movement. It is here that a connection is revealed between the propositions propagandized in the book and the ideology of the “new left”. It is not fortuitous that the authors maintain that “revolutionary consciousness and social utopianism began to penetrate protest potential only with the student movement” (p 182). While the working class and its political organizations (primarily, consequently, the German CP) have allegedly lost the capacity for this “revolutionizing” and “utopianizing”. The authors are clearly unable to understand that the struggle for peace essentially presupposes the attraction of the broadest strata of the population, including those which are far from a recognition of the need for social and political changes. And it is precisely this which the leading “big associations” in the antiwar movement, beginning with the Marxist-Leninist party of the FRG’s working class and the antimilitarist organizations cooperating with it, are trying to secure.

The failure to understand the need for the broad democratization of the antiwar movement is revealed as clearly as can be in the illustration of the specific actions of the "autonomous" groupings and the means and methods they employ. The said groupings invariably found the mass demonstrations, collections of signatures to appeals, polling of the population concerning deployment of the "Euromissiles" and peace marches "too loyal" in respect of the authorities (p 182) and constantly gravitated toward the radicalization of the forms of antiwar protests. Since 1983 they have increasingly come to move to the forefront so-called "civil disobedience actions," including damage to railroads and communications, the stopping of trains and interference at the time of maneuvers. Although some such actions are not without a certain symbolic significance, the trend toward their hypertrophied use has not, as a whole, been justified and has not been supported by other antiwar forces. True, the authors themselves refrain from approval for the most extreme escapades of their colleagues.

Enthralled with the radicalization of forms of protest, many "autonomous" groups have in fact adopted a policy of self-isolation within the antiwar social forces. They have not in practice participated in the formulation of new slogans and reference points of the movement. It is not fortuitous that room has not been found in the work for the problem of the struggle against the "star wars" plans in their American and West European versions. G. Haasken and M. Wigbers are ironic about the "catalogue of demands" drawn up by conferences of antiwar forces (p 192), finding this list unworthy of attention as goals of the struggle. Yet it poses such pertinent tasks of the present day as prevention of the realization of the SDI, a halt to nuclear testing, the elimination of medium-range missiles in Europe and a reduction in military budgets. From the viewpoint, however, of the supporters of increased "confrontation with the state" the specific demands of antimilitarist struggle, as, equally, the need for the masses' adoption thereof, have been a secondary matter, as it were. Whence their endeavor to put the struggle against nuclear power stations on a par with the antiwar struggle and give preference to the first over the second even (pp 63-65, 75).

Conscientiously reproducing facts, the authors cannot conceal the fact that in the measures which have been conducted at the insistence of their political friends the level of participation has invariably been lower than in actions carried out in concert with and with the active support of all the main antiwar currents, including the communists, Christians, social democrats, trade union members and Greens (pp 69, 95, 102-105, 189). The work acknowledges indirectly that excesses involving the use of force have usually only helped the authorities "criminalize the militant groups" (p 189), which has entailed considerable damage to the antiwar movement as a whole also insofar as it has frightened off broad strata of the population.

In the light of the book's overall concept the proposition concerning the "impasse" allegedly reached by the current protest movements in the FRG, primarily the main one—the antiwar movement—is of particular interest. This proposition is just merely in respect of the "radicalization" of the said movements and their movement toward direct confrontation with the existing state, which the authors attempt to impose as goal on the antimilitarist forces. To speak of the actual antiwar movement, however, to which the bulk of the material in the work is devoted, it is by no means at an impasse. Following a period of certain setbacks and fluctuations, brought about to a large extent, incidentally, by the vacillation of the elements disposed toward anarchy, the antiwar movement in the FRG, as in West Europe as a whole, has begun to once again gain momentum.

In the fall of 1986, at the time of the appearance of the book in question, there was a mass antiwar demonstration, which assembled almost 200,000 persons, in Haselbach. Despite the prophecies of the right, the antiwar movement is thus retaining its significance as a paramount political force. It will continue to develop and deepen on the basis of accumulated experience, with the use of the means and methods which it has formulated and tested in the struggle. As far as its participants who have displayed a higher-than-usual proclivity for a radicalization of antimilitarist actions are concerned, as is now obvious, their contribution to the cause of the defense of peace will be the more significant, the greater the extent to which they recognize the need for common united actions.

Despite the manifest contentiousness of many of its evaluations, the work in question is of considerable interest in a cognitive respect. It testifies graphically to the tremendous social, political and ideological complexity of the contemporary antiwar movement and—to a certain extent "contrarily," but no less convincingly for this—in support of the cohesion of the forces therein and their concerted, purposeful actions.

#### Footnote

\* G. Haasken, M. Wigbers, "Protest in der Klemme. Soziale Bewegungen in der Bundesrepublik". Frankfurt/Main, Verlag Neue Kritik, 1986, pp 212.

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#### Brief Reviews, List of Recent Books

18160001i Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 87 (signed to press 17 Aug 87) pp 154-157

[Text] Two days after the victory of the October uprising in Petrograd the NEW YORK TIMES reported: the seizure of power by the Bolsheviks has caused a sharp fall

in the price of shares on the New York Exchange. The majority of businessmen and politicians in the West saw this circumstance as the biggest nuisance caused them by the revolution. There were few who then understood that henceforward there would be an irreversible downward slide of the stock of the exploiter system as a whole. A mass of special institutions now operates in the West whose job is to study every conceivable aspect of the history and contemporary life of the USSR. There are up to 170 of them in the United States alone. The Senate has established a special fund of \$50 million to finance the corresponding research. Over 100 such establishments operate in the FRG.

Ideologues and politicians of the West have invariably regarded and continue to regard all successes of the USSR as a "Soviet challenge" to their system. Research of unprecedented scale in the field of the economic history of the Soviet Union, in which, specifically, the Joint Economic Commission of the U.S. Congress is involved, has been developed.

V.I. Tetyushev's book "Formation and Development of the USSR Economy and Bourgeois Critics" (Second, supplemented edition, Moscow, Politizdat, 1987, pp 271) is devoted to a critical analysis of bourgeois historiography of the socialist transformation of the national economy in the USSR and certain aspects of the development of the Soviet economy in the 1960's-1980's. Concentrating attention on the works of the "classics" of Anglo-American and West German Sovietology of an anticommunist thrust, whose product fills the Western book market even today, the author exposes the attempts to falsify Lenin's plan for the building of socialism in our country and discredit the historical experience of the implementation of socioeconomic transformations conducted by the Soviet people under the leadership of the CPSU. The publication is addressed to lecturers, propaganda workers and teachers of social science disciplines.

The victory of the Great October initiated profound, all-embracing social changes throughout the world. It lent, in particular, powerful revolutionary impetus to all detachments of the international national liberation movement, opening to them new opportunities and prospects. This fact was capaciously, colorfully and strikingly defined by V.I. Lenin: "The ice has been broken... the way is open, the road signposted" ("Complete Works," vol 44, p 150). Under current conditions the growing role of the developing countries in the world requires even closer attention to various aspects of the national-democratic revolution and the contemporary elaboration of its urgent problems. Thus highly pertinent in the political respect is a task which has confronted Marxist thought comparatively recently: not only showing the need for and ways and forms of defense of the already victorious revolution but studying the military aspect of the revolution as a whole, that is, consistently revealing its main military questions. Z.Sh. Gafurov's monograph "The National-Democratic Revolution: Defense of Gains" (Moscow, Glavnaya redaktsiya

vostochnoy literaturny izdatelstva "Nauka", 1987, pp 303) is devoted to the accomplishment of this difficult task. It illustrates in detail on the basis of an analysis of various stages of the national-democratic revolutionary process key questions of the creation and activity of the armed forces and the tasks, composition and basic principles of their formation. Political-philosophical concepts of present-day revolutionary democracy serving as the theoretical basis of its policy in the sphere of military organizational development are studied. While paying particular attention to such activity in the emergent countries, the author emphasizes the tremendous significance for them of military cooperation with the USSR and other states of the socialist community and its need for final victory and security in the face of the counterrevolutionary movement.

A striking example of the social creativity of the masses is the truly popular, anti-imperialist revolution in Nicaragua. The ouster of the dictatorial regime of the Somoza family, the leading role in the smashing of which belongs to the Sandinista National Liberation Front (FSLN), began a new stage in the country's political history. Important transformations in the socioeconomic sphere which have consolidated its foundations have been carried out in the course of the revolution. The property of the Somoza clan and his stooges, which constituted over 40 percent of industry and 30 percent of cultivable land, has been nationalized. A national campaign to wipe out illiteracy is being conducted (prior to the revolution 52 percent of Nicaraguans could neither read nor write).

The process of the country's revival has encountered the bitter opposition of Washington, which is continuing to render the counterrevolutionary forces terrorizing the peaceful population active material, military and political support and to hatch conspiracies aimed at destabilizing the situation in Nicaragua. Bitter psychological warfare combined with shameless, brazen economic pressure has been unleashed against it. For more than 8 years the revolution has been defending itself selflessly and courageously opposing the escalation of broad-scale interventionist operations. The most important stages of the struggle of the freedom-loving people against the regime of the dictatorship, the victories and conquests of the Sandinistas and the incalculable casualties of Washington's state terrorism are narrated in the book by M.F. Gornov and N.Yu. Smirnova "Nicaragua: Land of Sanindo Reborn" (Moscow, Politizdat, 1986, pp 158). Geared to a wide readership, it contains a wealth of factual material gathered by the authors during their stay in the country. Use has been made of numerous documents little known to our readers.

"Problems of Freedom and Human Rights in the Contemporary Ideological Struggle" is the title of a monograph prepared by specialists of the CPSU Central Committee Academy of Social Sciences and the USSR Academy of Sciences Institute of State and Law (Moscow, Politizdat, 1986, pp 319). As the authors show, human liberties and rights mirror the nature of society's

social and political system. It is well known that in the struggle against feudal despotism and tyranny the at that time revolutionary bourgeoisie which came to power proclaimed extensively democratic principles of liberty, equality, fraternity and people's power, declaring itself the spokesman for national, general interests. However, shortly after the establishment of the class domination of the bourgeoisie it was ascertained that these aspirations and goals were in principle alien to it. Not fraternity but bitter class struggle, not equality and freedom but a deepening gulf between the position of the exploiters and the exploited, not people's power but the omnipotence of the capitalists—such was the reality in Western countries. The book studies the ways and means of securing, extending and developing freedom and human rights in the socialist society. The slanderous nature of the propaganda actions and campaigns of the "defense of human rights" conducted by imperialist ideologues and special services is exposed.

Among the important gains of all peaceable, realistic forces is the settlement of relations between the socialist countries and the FRG in the 1970's. There is hardly a country in Europe on the path of the establishment of relations with which there were so many objective and subjective obstacles and on which each step was so difficult. The conclusion of treaties by the Soviet Union, Poland, the GDR and Czechoslovakia with the FRG and also the signing of the four-power agreement by the USSR, the United States, Great Britain and France on West Berlin (1971) were a substantial element of stability on the continent. The fundamental international-political prerequisites for the convening of the Conference on Security and Cooperation in Europe were created. The normalization of the socialist countries' relations with the FRG was a natural result of their consistent implementation of the overall course of the foreign policy of socialism, which combined a firm rebuff of aggression with a constructive policy of the settlement of complex international problems and the maintenance of normal and, where the situation allowed, good, neighborly relations with states of a different social system. This noble, purposeful policy is the subject of V.Yu. Kuzmin's book "Strategy of Peace and Good-Neighborliness. Policy of the European Socialist States in Respect of the FRG and Problems of European Security. 1970's-1980's" (Exec. ed. V.K. Volkov, doctor of historical sciences, Moscow, "Nauka", 1987, pp 272). Problems of the cooperation of the socialist countries and the FRG in the trade and economic sphere and their participation in the solution of humanitarian problems since the All-European Conference in Helsinki are examined. The author reveals the singularities of the formation of the foreign policy of the Bonn leadership in the 1980's and analyzes the strengthening of revanchist trends in the country.

The close interweaving in international economic life of the interests of countries belonging to different social systems and the growth of the influence of economic relations between them on the solution of global problems is a characteristic feature of the last decade. Tasks

of a normalization of economic relations, the establishment of equal relations between states free of any discrimination and their assured economic security are becoming increasingly important and urgent in the current complex international situation. The USSR and the other socialist community countries advocate an expansion of cooperation, which is the material basis of peaceful coexistence. Although this general direction of their foreign economic policy is meeting with understanding in the Western world, it is at the same time encountering on the part of imperialist circles resistance and attacks, to which a special theoretical base is being imparted. The said questions are reflected in detail in A.P. Ognev's monograph "East-West Economic Relations in the 1980's: New Phenomena, Problems and Prospects" (Exec. ed. V.N. Shenayev, doctor of economic sciences, Moscow, "Nauka", 1986, pp 221). The author concentrates attention on the particular features of these relations on the frontier of the 1980's, a study of the economic essence of cooperation on a compensation basis and the evolution of its mechanism and development prospects and also a qualitatively new form of world economic relations—the tripartite economic cooperation of the socialist, capitalist and developing countries. Bourgeois concepts of economic relations between countries with different social systems are critically analyzed.

Inflation is a well-known phenomenon of economic life, and far from a new one, what is more. It was observed back in Ancient Rome and Ancient China. Bursts of inflation brought about the introduction of the "assignats" of Catherine II, which were nonconvertible into silver, "continental money" at the time of the struggle of the English colonies in America for independence, "greenbacks" at the time of the civil war in the United States and the issue of paper assignats in the period of the bourgeois revolution in France. Nonetheless, this well-known phenomenon has still not been sufficiently explained. The reason is that for centuries there has with the change in forms of ownership and types of pricing and monetary systems been a change in the factors, consequences and forms of manifestation of the inflation process. Merely its essence remained unchanged. Of what does it consist? I.B. Nerushenko's book "Theories of Inflation and Anti-Inflationary Policy. Critical Analysis of Bourgeois Concepts" (Moscow, "Nauka", 1986, pp 160) is devoted to an answer to this cardinal question and a critical investigation of corresponding non-Marxist ideological constructs. The author examines the theories of inflation in the context of the basic directions of the West's economic thought. She devotes considerable space to a comparison of the views of the representatives of various schools on this set of problems and also a study of their evolution. The correlation of bourgeois concepts of inflation with the practice of state-monopoly regulation of the economy and the contradiction and groundlessness of economic measures of combating the "ailment" based on the recommendations of Western

theorists are analyzed. It is primarily a question of the monetarist experiment in Great Britain and the practice of "supply-side economics" in the United States.

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