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## WORLD ECONOMY & INTERNATIONAL RELATIONS

No 7, July 1988

### English Summaries of Major Articles

18160011a Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNIYYE OTNOSHENIYA* in Russian  
No 7, Jul 88 pp 158-159

[Text] Can the principle of peaceful co-existence be applied to relations between the socialist countries? For a long time the reply was negative. Today this idea seems indisputable. As A. Bovin states in the article "Peaceful Co-existence and World System of Socialism" it was necessary to pass through mistakes, conflicts and crises before it firmly became the basis for practical relations of the socialist states. The author states that the principle of peaceful co-existence represents a complicated political and legal structure, the elements of which are general democratic norms of relations between states (non-aggression, equality, sovereignty and non-interference in internal affairs). One can say that the formation of the world system of socialism in a long process of "docking", of merging the principle of socialist internationalism with general democratic norms, the totality of which forms the real substance of peaceful co-existence. The author describes the role and influence of the Marxist-Leninist legacy, the formation of a principled basis of relations between the socialist states. He stresses that as the world system of socialism raises to a new stage of social development, as the experience of socialist internationalism is enriched the management mechanism of socialist international relations will be improved. This will make it possible to fully realize fraternal cooperation and reduce to a minimum negative consequences of contradictions.

A. Elyanov in the article "Third World Problems of Modernization of Socio-Economic Structures" studies the way the share of agriculture in total employment is diminishing and the tempo of the process, as well as changes in the distribution of the economically active population among different industries and socio-economic sectors. For the sake of clarity the two problems are considered on the basis of data of five developing countries with the largest population and GNP (Brasil, India, Indonesia, Mexico, Nigeria). The noted countries are overburdened by massive segments of population not adequately affected by the process of modernization. It is noted that even under the comparatively high growth rates the traditional pre-capitalist periphery is disappearing very slowly. Modernization of local socio-economic structures is taking place mainly through intermediate and transitional forms where capitalist methods of management are often combined with pre-capitalist ones. The poverty-stricken population is suffering not so much from capitalism itself as from the low level of its development. Existing contradictions between the rapid demographic growth and lessening labour-absorbing capability of modern technology hinders the proper solution

of the problem. The provision of full employment is also hampered by a growing necessity, especially in the 80s to raise the efficiency of national economies. The author believes that partially the difficulties can be overcome by correcting social and economic policies and by a general acceleration of economic growth.

H.-J. Vogel. "Foreign-Policy Philosophy of the SPD". On the 13th of May 1988 Chairman SPD Hans-Jochen Vogel made a report at the Institute of World Economy and International Relations of the USSR Academy of Sciences. He stressed that the acknowledgement of the principle of mutual dependency is by no means tantamount to agreement with the theory of the two systems' convergence. Europe should learn a new dynamic form of pluralism as an alternative to the relations of antagonism. Such pluralism may become a creative socio-political element of law and order in Europe. Proceeding from the aforesaid Vogel set forth the stand of the SPD, leading to the peaceful future of Europe. The prominent political leader in particular emphasized that the policy of mutual respect of each other's interests demands maximum cooperation in political, economic, scientific, technological and cultural spheres and such a minimum of military potential which could guarantee adequate defence. He focused on the necessity of building bridges between the East and West. Stability of their relations, he said, should be not only a means but a political aim. SPD Chairman also pointed out that the European problems of security, economy, environment, human rights and culture can be solved only in atmosphere of trust and readiness for cooperation. Disarmament should always be considered in the context of the policy of security and foreign policy.

Yu. Vasilchuk in the article "Cooperation and Socialism" focuses his attention on both theoretical analyses of the world wide development of the cooperative movement and practical importance of cooperative movement for the scientific technological progress. The essence, genesis and economic functions of the cooperative social ownership of the working people and its unit-individual ownership are examined. The author also considers urgent economic and legal problems and stock forms of civilized cooperator's sector and the vital importance of mass development of cooperatives in the USSR. He describes the difficulties of the present day cooperative movement, faced with the opposition of the bureaucratic and monopolistic structures. Have we any reserves for the restoration of a dynamic economy? asks the author and answers in the affirmative: the Law on Cooperation in the USSR is called upon to build conditions for a new stage of development of the Soviet society for the restoration of the advantages of socialism. The core of the new document is the recognition of the cooperative market sector as an equal component part of the single national-economic complex of the country. Accordingly, the foundation for its mass development, for the mobilization of the vast reserves of economic growth is laid down. It is evident that through cooperation it is possible to find not only a solution of large scale economic

problems but also important social and political ones connected with the satisfaction of the everyday needs of the families and democratisation of society as well.

In the article "It Is Not Easy Thing Paying Off the Past" (Argentina experience) I. Zorina and V. Reznichenko share their impressions of a trip to the country searching a road to a democratic system. The authors ponder over problems of authoritarianism and democracy which in their opinion are comparable with the deepening in the Soviet press of discussions on perestroika and democratization. Zorina and Reznichenko analyse the experience of the Argentine society which but recently broke off the authoritarian legacy and contemplate over the fate of democratization and glasnost in the USSR asking what can guarantee the irreversibility of the process. The authors recall their talks in Buenos Aires with people who survived the gloomy period of authoritarianism and are now fighting for the democratization of the society. Democratization in our time, the authors state, become an universal demand. This problem is particularly acute in the developing countries. The experience of their development in the last few decades adds to the fact that even if authoritarian regimes are able for a certain period of time to provide economic growth they in the end turn into a brake for historical development, leading society into an impasse.

E. Pletnyov in the article "Perestroika in the Light of World Economic Relations and Economic Theory" concentrated on the fact that the radical economic reform in the USSR is dictated both by the vital demands of planned development of the national economy and by the need for more effective foreign economic ties. It is intolerable that despite the sound positions of the first socialist state in the world in the field of production and its great intellectual potential the USSR plays a modest role in world trade, financial and banking operations, license and patent exchanges investment and production cooperation, high/tech cooperation etc. The underestimated role of foreign economic relations in the practice and in political economy can be explained not only through objective reasons. Theorists, well masked but firm adherents of economic autarchy are responsible for that too. The tasks of the economists dealing with foreign affairs is to contribute to inculcation of progressive foreign experience into the management practice for the advance of perestroika. This is how E. Pletnyov puts this question. He seeks to find such ways of fundamental improvement of economic ties of socialism that would intensify the impact of perestroika on the fates of world socialism and consequently the world economy as a whole.

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### **Bovin On Peaceful Coexistence in World Socialist System**

18160011y Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian No 7, Jul 88 pp 5-15

[Article by Aleksandr Yevgenyevich Bovin, IZVESTIYA Political Commentator: "Peaceful Coexistence and the World Socialist System"]

[Text] Is the principle of peaceful coexistence applicable to relations among socialist countries? For a long time the answer was no, it is inapplicable. In supporting this position, usually reference was made to the fact that socialist internationalism was the main regulator of relations among socialist countries and that, in principle, there could be no war between them, for which reason their "coexistence" is peaceful by definition.

After the events on Damanskiy Island and the Sino-Vietnamese conflict, it was being said that these were merely "isolated," and "exceptional" cases which could not be used as data for theoretical conclusions. However, the interconnection between those "cases" and theory is more dramatic. A single, an isolated "case" which does not fit the existing theoretical framework makes changing or widening such framework necessary.

Including the principle of peaceful coexistence in relations among socialist countries also could be substantiated by more general considerations. The point is that it is not reduced to nonaggression and nonuse of force but that it is a complex political-legal structure, the elements of which are the general democratic standards governing relations among countries (nonaggression, equality, respect for sovereignty, noninterference in domestic affairs, and others). The principle of socialist internationalism cannot be implemented or freed from a variety of deformations if its existence, its role in the system of international relations of a socialist type, are not based on the firm foundation of strictly observed general democratic standards.

Today this thought seems obvious and unquestionable. However, many long years had to pass, errors had to be made and conflicts and situations of crises had to develop before it could become part of the theory and a foundation for practice. We can say that the establishment of the world socialist system is a lengthy process of coupling, of paralleling the principle of socialist internationalism with general democratic standards, the sum total of which constitute the real content of peaceful coexistence. Internationalism does not restrict or replace peaceful coexistence but supplements and enriches it.

Now, after the question has been formulated and so has the answer to it, in its general outlines, let us consider the problem in greater detail.



I

The establishment of the essential foundations of relations among socialist countries followed three main directions. First, anything which was inconsistent with the nature of socialism and contradicted socialist legal awareness and the principle of internationalism, was excluded. Second, the new socialist principles and standards of international relations were drafted and formulated, to one degree of accuracy or another, on the basis of the doctrine of proletarian internationalism and the experience in international relations within the revolutionary movement. Third, bourgeois-democratic standards were adapted to the new conditions. Whereas the formulation and intensification of the principle of socialist internationalism led to a drastic demarcation between the new (socialist) type of international relations and relations of the old, the bourgeois type, the new real meaning which was instilled in bourgeois-democratic standards and their conversion into general democratic standards brought to light the link, the continuity in the development of the system of universal international relations.

As is frequently the case in history, the actual process proves to be more complex than the theoretical concepts about it. This applies, fully and entirely, to the shaping of socialist international relations and the development of their essential political-legal foundation. The study of the process itself is a rather difficult task. Protruding "sharp angles" frequently threaten to tear the fabric of a study and to weaken the persuasiveness of general concepts. Another influential factor is that the study itself, along with its target, are not separated by any whatsoever noticeable historical distance which, in turn, does not always contribute to the proper correlation between the current, the politically topical evaluations of a given situation and theoretical conclusions of a fundamental nature. Finally, we must not fail to take into consideration the fact that a scientific study must be consistent with the requirements of political sensitiveness. However, the difficulty of the problem under consideration should not frighten but, rather, draw the attention of the researcher.

For understandable reasons, the founders of Marxism approached the question of the nature of relations among socialist countries in its most general aspect. Under socialism, K. Marx wrote, relations among countries will be regulated by the same simple standards of morality as those prevalent among people. F. Engels considered the independence of each nation a mandatory prerequisite for "peaceful and conscious" cooperation in the struggle for common objectives. Nonetheless, it was obvious to the leaders of the world proletariat that relations between proletarian countries would exceed the framework of democratic principles and concepts and, by virtue of their very nature, would be based on the principle of proletarian internationalism.

Both Marx and Engels realized the entire complexity of the dialectics of the national and the international and of the specific and the general in the workers movement.

They realized that the workers movement, international in nature, develops within the national framework, within the lines of individual countries. For that reason it cannot fail to adapt to the specific conditions of a given sociopolitical environment. It cannot fail to experience the influence of a steady set of feelings, concepts and traditions related to its affiliation with one nation or another. The problem of internationalism, the problem of combining the efforts of the different detachments of the working class is reduced, essentially, to properly taking into consideration in both theory and practical policy the complex and contradictory interconnection between national and international factors. This concept demanded the waging of a firm struggle both against pseudorevolutionary cosmopolitanism and a militaristic attitude toward national interests as well as against the efforts to remain locked within "one's own" country, placing specific interests above the common interests of the international proletariat.

As the living soul, the leading principle of relations among socialist countries, socialist internationalism is a development of proletarian internationalism under new historical conditions, inseparably linked to the international labor movement, and an intrinsic element of revolutionary scientific theory.

One of the few documents in which the new Soviet system formulated its concept on the nature of relations among socialist countries was the VTsIK resolution denouncing the Brest-Litovsk Treaty. It reads as follows: "True peace among nations can be based only on principles consistent with fraternal relations among working people of all countries and nations, and which were proclaimed by the October Revolution.... Relations among the peoples of Russia, Germany and Austria-Hungary, based on such foundations, would not only be relations of peace but would also constitute an alliance among the toiling masses of all nations in their struggle for the creation and strengthening of a socialist system on the ruins of the system of militarism, imperialism and economic slavery."<sup>1</sup> The principles mentioned here and which are consistent with fraternal relations and the alliance among working people of all nations are those of proletarian internationalism, which should become the foundation for cooperation among socialist countries.

Let us note the formula "not only relations of peace." It means that peaceful relations, "peaceful coexistence," if you wish, was assessed as something self-evident, axiomatic, not requiring any special analysis or special proof. Possible clashes were considered not on the level of relations among countries but rather of the correlation between national and international factors in the policies of the individual countries.

V.I. Lenin did not live to see the appearance of a system of socialist states. However, as a person who thought in terms of categories of the global socialist revolution, from its very beginning he considered socialism a profoundly international phenomenon. We find in Lenin's works thoughts and remarks which, greatly anticipating

their time, were and are guidelines in understanding the complexities in the development of global socialism and the establishment of relations among socialist countries. The new society, he wrote, is an "abstraction which will become reality only through a series of a variety of imperfect specific attempts at creating one socialist state or another." In explaining this thought, V.I. Lenin emphasized that "it is only through a series of attempts, each one of which, taken separately, would be one-sided, and would suffer from a certain inconsistency, that an integral socialism can be created out of the revolutionary cooperation among proletarians of all countries."<sup>2</sup> At the time that Lenin said this, these words had no real practical content, for such a content could be invested in them only by history. It is only now that we can evaluate the entire essential heuristic significance of Lenin's formulation of the problem.

Assuming the leadership of the Communist Party in a country inhabited by more than 100 nationalities and ethnic groups, V.I. Lenin paid tremendous attention to the principles of relations among nationalities. Thinking of the ways of developing the socialist alliance among nations, he wrote: "We want a **voluntary** alliance among nations, the type of alliance which would not tolerate any coercion by one nation over another, an alliance which would be founded on the greatest possible trust, on the clear awareness of fraternal unity and an entirely voluntary accord. Such an alliance cannot be achieved immediately; one must work for it, displaying the greatest possible patience and caution in order not to damage the cause, not to create mistrust, and so that mistrust, which remains after centuries of oppression by landowners and capitalists, private ownership and hostility caused by divisions and redivisions be eliminated."<sup>3</sup> Following is another classical concept: "Our experience developed within us the inflexible conviction that it is only by paying tremendous attention to the interests of the individual nations that the grounds for any conflicts, reciprocal mistrust and the threat of any sort of intrigues can be eliminated, and that the type of trust, particularly between workers and peasants speaking in different languages, can be created, without which any peaceful relations among nations or any whatsoever successful development of anything that is valuable in contemporary civilization would be absolutely impossible."<sup>4</sup> Therefore, voluntary participation, fullest possible trust, greatest possible patience and caution, and paying tremendous attention to the interests of the different nations were, according to Lenin, the political (and psychological) prerequisites for "peaceful relations" among free nations and, therefore, prerequisites for brotherhood and association among them.

Before such prerequisites could become the living fabric of international relations of a new type and gain political existence in the system of socialist countries, however, they were tested by history within the framework of the Union of Soviet Socialist Republics. The establishment of the multinational socialist state was a complex process. There was no one to learn from. Various

approaches, positions and viewpoints clashed with each other. Feelings of Great-Russian chauvinism and nationalistic trends were apparent. Despite his illness, Lenin participated in and guided the discussions. On the day of the opening of the First Congress of Soviets of the USSR he began to dictate his famous notes "On the Question of Nationalities or autonomizing." Lenin's fundamental idea was that it was necessary to distinguish between "the nationalism of oppressing and oppressed nations, the nationalism of a big nation and that of a small nation." Internationalism, Lenin wrote in this connection, "must consist not only of observing formal equality among nations but also of an inequality which would allow the oppressing nations to compensate more for the inequality which develops in actual life. Whoever fails to understand this fails to understand the true proletarian attitude toward the national problem...."<sup>5</sup> Again and again Lenin insisted on "strict caution," "attentiveness," "tractability and gentleness" toward national minorities and "small nations."

On 6 July 1923, the day the USSR Central Executive Committee enacted the USSR Constitution, *IZVESTIYA* wrote: "We are giving the peoples the world over a new model of sensible governmental structure.... With the founding of the Union of Soviet Republics we are giving the international proletariat a new model, we are defining a new experience which, unquestionably, will be used by future worker-peasant governments...." Indeed, when they were formed, these governments relied on the Soviet experience. This experience played a tremendous positive role in the process of shaping the global socialist system, on the level of solving problems of nationalities within each country and on the level of organizing relations among sovereign socialist states.

## II

Virtually all of these problems began to appear only during the second half of the 1940s and beginning of the 1950s, when a new type of international relations began to be established. Proletarian, socialist internationalism was the ideological-political foundation for the rapprochement among countries which had taken the path of socialism. It was implemented, above all, in the form of comprehensive aid and support which the Soviet Union gave to the young and still shaky people's democracies. However, at that time both practice and theory were substantially deformed by Stalinism.

Turning to scientific publications and political documents of the first post-war decade, what strikes us is the prevalence of simplistic, lightened concepts on the laws and nature of relations among socialist states. The following approximate system developed: a common ownership system, a single class in power and unified ideology, hence unity of interests and policies, absence of conflicts and contradictions, inviolable friendship, etc. In this case, willy-nilly the significance, the real importance of standards of reciprocal relations such as, for

example, equality, noninterference, respect for sovereignty, and so on, were suppressed. It was theoretically clear that they would continue to operate and that it was precisely under socialist conditions that they would not be formal stipulations but become truly meaningful. These standards were codified in all treaties regulating relations among socialist countries. In practice, however, the emphasis was on ideological-political commonality, on monolithic unity and infallible friendship among fraternal countries, rather than on principles which emphasized their autonomy and equality.

In theory, such a "reliance" should not have existed. The theoretically inviolable friendship should be organically combined with equality. The point was, precisely, that a historical and social process on the level of principles and theoretically transparent abstractions exists only in textbooks whereas in fact, in life, it operates as the activities of classes and parties, the activities of personalities in power, who shape the political course and who not only formulate the principles but also implement the practical interests, based on their experience and their own understanding of events. Such experience and understanding are by no means always coincidental. Nor are practical interests. This creates real grounds for the appearance of gaps between ideals and reality and between principles and practical action.

The initial warnings to the effect that principles may differ from practices was the conflict in relations with Yugoslavia, which broke out in the spring of 1948. Unfortunately, the heavy oppression of Stalinism, the heating up of passions, the then prevalent and by no means creative atmosphere, and the overall underdeveloped nature of the theory of socialist international relations prevented a meaningful study of the reasons for the conflict and the possibility of learning from it lessons of universal validity.

The normalizing of Soviet-Yugoslav relations, which was initiated in the mid 1950s on the initiative of the CPSU Central Committee, emphasized the fundamental significance of general democratic standards in relations among socialist states. This was right and relevant. However, since Soviet-Yugoslav problems were considered an "isolated case," their solution at that time did not influence the general concepts on the nature of relations among countries within the socialist system.

Yet the situation within that system was worsening. A clear contradiction existed. On the one hand, the Soviet Union and the CPSU were doing everything possible to prop up the positions of socialism in the people's democracies and unite them within a fraternal community. Proceeding from its international obligations, our country willingly shared experience, helped to train cadres and to develop economy and culture, and supported its friends in the international arena. On the other hand, the inertia of the Stalinist period retained its influence; the principle of equality was violated, the specific nature of

the fraternal countries was not always taken into consideration and no proper attention was being paid to a growing feeling of national self-awareness. All of this greatly harmed fraternal relations among socialist countries. Hurts and irritations accumulated behind an external "monolithic" appearance; grounds were provided for the revival of nationalistic elements and manifestations of anti-Soviet moods.<sup>6</sup>

The 20th CPSU Congress indicated the need firmly to abandon erroneous methods in the area of relations among socialist countries. However, the implementation of this course met with difficulties. It was necessary to surmount the inertia of customary means of work and to reinterpret a number of seemingly self-evident concepts. The Hungarian events of 1956 proved that under the conditions of restraining objectively matured changes and the lagging of the political leadership behind the requirements of the time the situation could get out of control and assume the nature of a crisis. In addressing the Seventh MSZMP Congress, J. Kadar said that the errors of the previous Hungarian leadership "essentially consisted of ignoring Hungarian specifics and national features...."<sup>7</sup> And, as events were to prove, this did not apply to Hungary alone. The automatic and frequently imposed duplication of Soviet experience and belittling the principle of equality caused difficulties in both domestic policies and relations among socialist countries.

In order to deal with these difficulties and to correct errors, they had to be understood. New questions, which had never been previously encountered by the revolutionary movement, had to be answered. Briefly, such questions may be reduced to the following: How to combine the national and governmental interests of individual socialist countries with the interests of the entire system? How to coordinate the different interests of the individual socialist countries? How to channel into the bed of socialist internationalism the tempestuous stream of national self-awareness and national pride related to successes in building socialism?<sup>8</sup>

Therefore, theoretically as well as practically, the problem of establishing and maintaining stable reciprocal relations among socialist countries became a problem of sensibly combining national with international interests and interweaving internationalism with the strictest possible observance of general democratic standards or, in other words, the principle of peaceful coexistence. In this area there are no systems and stereotypes suitable for all times. The art of politics lies precisely in the fact that in each specific case, based on the thorough study of the existing situation, to make decisions which would properly combine international with national interests and objectives. In order, as Lenin said, to "work one's way up" to a truly solid and voluntary alliance among nations, time and patience are needed and so is ability, in each specific case, to take into consideration the interests of a given country and those of the socialist community as a whole.

The 30 October 1956 Declaration of the Government of the USSR on the foundations for the development and further strengthening of friendship and cooperation between the Soviet Union and the other socialist states was of the greatest possible significance in normalizing and improving the situation in the global socialist system. "Many difficulties, unsolved problems and straight errors had appeared in the course of the establishment of the new system and of the profound revolutionary changes in social relations," the declaration stated, "including in relations among socialist countries, and violations and errors which belittled the principle of equality in relations among socialist states." The 20th CPSU Congress, the Soviet government declared, firmly condemned such violations and errors and "set the task of systematically implementing the Leninist principles of equality among nations by the Soviet Union in its relations with other socialist countries. It proclaimed the need for taking fully into consideration the historical past and features of each country which has taken the path of building a new life."<sup>9</sup>

The declaration emphasized that the socialist countries can build reciprocal relations only on the basis of the principles of full equality, respect for territorial integrity, state independence and sovereignty, noninterference in reciprocal internal affairs, observing the principles of proletarian internationalism, fraternal cooperation and mutual aid. Essentially this was the first document on such a scale to provide an expanded description of the unbreakable ties between socialist internationalism and principles of the general democratic nature. The Soviet government proclaimed its readiness to discuss jointly with the governments of the other socialist countries steps which would ensure the further development and strengthening of economic relations among them, with a view to eliminating any possibility of violating the principles of sovereignty, mutual benefit and equality in economic relations.

The declaration of the Soviet government was met with satisfaction by the fraternal countries. Talks were held and new agreements were concluded on its basis between the Soviet Union and the members of the socialist community. In the course of these talks relations among socialist countries were largely cleansed from deformations, encrustations and rough spots which had developed for reasons of a subjective nature. The general democratic foundation for such relations was strengthened although, as we now see, insufficiently.

The first stage in the history of the world socialist system drew to an end at the turn of the 1960s. Within it, this system developed as a permanent factor in world politics. Gradually, awareness was developed of the difficulty of coordinating national interests among socialist countries and between them and the common interests of world socialism. Problems, trends and moods which, judging by everything, would parallel the further expansion of the geographic frame of global socialism, became apparent within the lines of this stage.

It was realized that internationalist and truly fraternal relations are impossible unless based on the strict observance of the general democratic standards of relations among countries. The sum of these standards, as we said, is essentially identical to the principle of peaceful coexistence. It is its inner content and its political-legal structure. However, this fact was not scientifically established for reasons which, I believe, were less theoretical than psychological. For peaceful coexistence was conceived above all as the antithesis of nonpeaceful coexistence, as military conflicts and wars which seemed inconceivable, impossible and incredible when applied to relations among socialist states.

Typical of that period is the following view expressed by N.S. Khrushchev: "When we speak of coexistence we have in mind coexistence between socialist and capitalist countries. These forces oppose each other and antagonistic contradictions exist between them. In order for such contradictions not to lead to war one must coexist.... In short, the objective of the principle of coexistence is the prevention of war.

"As to the socialist countries, there are no antagonistic contradictions, struggle and hostility among them....

"That is why it would be hardly accurate to apply the word coexistence' to relations among socialist countries. Relations among them are governed by the principles of friendship, mutual aid and proletarian internationalism."<sup>10</sup>

Attempts were subsequently made to incorporate the principle of peaceful coexistence within the system of socialist international relations. It was claimed, in particular, that the principle of internationalism "appears" to include the principle of peaceful coexistence. However, even this rather timid assumption was strongly opposed by some scientists. Their arguments were as follows: It is "impossible" to agree with such a claim for the reason alone that the principle of proletarian internationalism is higher. It is a revolutionary (socialist) principle and cannot encompass the content of peaceful coexistence for the simple reason that this content organically includes the principle of nonaggression, which is unacceptable and totally inadmissible in relations among countries within the world socialist system."<sup>11</sup> Once again, however, history proved that it has its own views as to what is admissible and what is not.

Alarming symptoms of growing differences between the largest socialist countries—the Soviet Union and China—began to be detected as early as the end of the 1950s. In April 1960 the Chinese leadership formulated its views more or less openly. An argument broke out, which developed into a lengthy and sharp hostility.

The problem of peaceful coexistence we are considering was most directly related to the ideological and political conflict which flared up. This was not only because Moscow and Beijing assessed differently the nature of

the policy of peaceful coexistence between capitalist and socialist states but also because, for the first time in the history of world socialism, situations had appeared in which coexistence among socialist countries was no longer peaceful.<sup>12</sup> The seemingly inconceivable, impossible and incredible armed conflicts between countries belonging to the world socialist system became reality.

Naturally, armed clashes between countries belonging to the world socialist system are an anomaly and contradict the nature of socialism. However, as practical experience indicates, in actual historical practices the "nature of socialism" does not exist by itself, in its primordial theoretical purity. The development of socialism in one country or another could be accompanied by profound deformations of different types, including deviations from the socialist "standard" in foreign policy. The range of such deviations could reach limits beyond which military conflicts and armed clashes become possible. Naturally, armed conflicts between socialist countries are an extreme maximal and, we hope, exceptional case. However, it is not a question of the number of such conflicts but of the essential possibility, of their "conceivability," which provides grounds for theoretical summations which are needed not only in order better to understand the past but also to prepare us to meet the future which, as always, is fraught with not always pleasant surprises....

We have learned a great deal in the time since the 20th CPSU Congress. Relations among socialist countries have become significantly smoother. The Warsaw Pact and CEMA have become more full-blooded and richer. The common ability to separate essential from secondary facts, not to dramatize current (and developing) differences, and self-critically to evaluate one's own activities has increased. Theoretical studies of the global socialist system, the laws governing its development and the principles governing socialist international relations have been raised to a higher level.<sup>13</sup>

Naturally, each country has its own problems and immediate tasks and its quite different level of viewing such problems and tasks. However, there is also something common: the gradual growth of negative development trends and, correspondingly, the need to leave behind us the model of "early socialism," and to create an efficient national economic system, to assert socialist pluralism in politics and to restore the creative potential of Marxist-Leninist ideology.

The Yugoslav communists were the first to look for new ways. They were followed by the Hungarians. The events in Czechoslovakia and around Czechoslovakia and the intensified conservative moods in the superior echelons of the Soviet leadership restrained but did not stop the process of change. By the end of the 1970s China engaged in a radical reform. A radical, a revolutionary perestroika in the Soviet Union started in the mid

1980s. New approaches to the organization and functioning of socialist society are being sought by the other members of the community.

All of this is having a beneficial influence on socialist international relations. The democratization of social life and glasnost, which is becoming increasingly stronger, are contributing to the strengthening of informal, truly comradely discussions and constructive consideration and solution of problems which hinder the development of socialism. Economic intensification should increase the efficiency of integration processes. Reciprocal study of experience, successes and failures, and a growing awareness of the inevitability of variety in assessments and solutions contribute to better reciprocal understanding and, therefore, strengthen the foundations of international relations of a new type.

The contemporary understanding of the fundamentals of relations in the socialist world, based on the summation of 40 years of practical experience, was clearly formulated by M.S. Gorbachev in his report "October and Restructuring: The Revolution Goes On." In his words, the acquired experience "enables us better to structure relations among socialist countries on the basis of universally acknowledged principles. This means unquestionable and full equality, responsibility on the part of the ruling parties for affairs in their own country, patriotic service to their people, concern for the common cause of socialism, respect for one another and a serious attitude toward what our friends have achieved and tried, voluntary variety in cooperation and strict observance of all principles of peaceful coexistence. It is precisely on this that the practice of socialist internationalism is based."

Today the socialist world is in a state of upsurge and motion, in the search for new forms of organization of social life. Although not without opposition, the dogmatic utopia of a problem-free and noncontradictory world is becoming part of the past. The new levels of social progress and the development of socialism in width and depth bring about new problems as well. At the same time, by virtue of the effect of a number of durable objective and subjective factors, old difficulties and contradictions could be repeated.

The further rapprochement among socialist countries, based on fundamental socioeconomic, sociopolitical and cultural parameters will take place and their interdependence and unity will increase with the development and strengthening of global socialism and the successful solution of its internal problems. As new countries enter the socialist orbit, the third world countries above all, the effect of "disparateness" or "dissimilarity" will be reproduced and conditions would remain for differences in national interests and the appearance of diverging opinions, difficulties and contradictions of all kind.

The first trend is the main, the basic and decisive one. It is precisely this trend that determines the high road of development of world socialism. It is precisely it that creates conditions for the all-round development and systematic implementation of the principle of socialist internationalism, which is the leading, the constituent principle of international relations of a new type. As to the second of these trends, it reflects, if you wish, the "opposition of the environment," and the heterogeneity, the unevenness inherent in the establishment of world socialism on a global and regional scale. Whereas the first trend encourages the strengthening of cohesion and unity, the second contains the possibility of a temporary weakening of unity and the possibility of making errors which lead to violations of normal relations within the global socialist system.

Several factors operate and will continue to operate in this area. Let us begin with the fact that the establishment of a system of international relations of a socialist type, which is a lengthy process exceeding the range of the foreseeable future, is not only a complex but also an "eternally" new problem, the various alternate solutions of which cannot be tested in advance under laboratory conditions. This problem is solved in the course of practical activities, in which no guarantee from blunders and errors exists. As a rule, the people are limited by their experience, convictions and biases. The appearance of new problems and situations with which past experience is unfamiliar could lead to taking false steps and making wrong decisions which could complicate reciprocal understanding among socialist countries.

The fact that the countries which are starting on the socialist path are on different levels of economic and social progress, have different social structure and different traditions and experience in the revolutionary movement is of tremendous importance. These circumstances cannot fail to leave a mark on the needs and specific interests of the socialist countries. That which is convenient and advantageous to some could be unsuitable to other. The objective noncoincidence of interests on one problem or another and the clashes which appear in this connection could be worsened by the way such interests are reflected in the policies of the ruling parties, if such policies are inconsistent with the actual state of affairs.

Conditions for distorting the principles of socialism and for all kinds of right-wing and "left-wing" deviations are created also by the economic and social backwardness of many countries which are building (or will be building) socialism, and the considerable preponderance of petit bourgeois and marginal strata and population groups as well as the lack of democratic traditions.

It is also important to bear in mind that socialist relations among nations are not created out of thin air. They are preceded by periods of national oppression, hostility, quarrels and mistrust among nations. Before relations among nations become clean and clear, free from suspicion and encrustations and from all weeds

which had grown in the past, one must replot this age-old layer. This, however, cannot be achieved within a short time, the more so if recurrences of nationalistic feelings make their way into the ruling parties and their leaderships.

These objective and subjective factors could intensify nationalistic aspirations. Once the latter become dominant, albeit for a while, grounds appear for sharp clashes.

Finally, we cannot fail to take into consideration the influence of imperialism. Whereas in the past our class opponents relied on "throwing back" socialism, today they have changed and "enriched" their strategy. Now they not only rely on force but also on the restoration and strengthening of nationalistic views. Through all means at their disposal the imperialists are trying to encourage "centrifugal trends" in the socialist system and to promote mistrust and alienation among the countries within it. Under these circumstances, which will remain even under conditions of detente, it is particularly important tirelessly to strengthen the ideological and political unity within the socialist community, systematically to coordinate the foreign policy of the fraternal countries, invariably guided by the principle of socialist internationalism and standards of a general democratic nature, including the principle of peaceful coexistence.

As the world socialist system reaches new levels of social development and as the experience in socialist internationalism is enriched a mechanism for governing socialist international relations and their control will be developed and improved. This will enable us to make the greatest possible use of the potential of true fraternal cooperation and respectively to minimize the negative consequences of contradictions and misunderstandings. At all levels of the foreseeable development of the principle of peaceful coexistence, however, general democratic standards of reciprocal relations will remain the foundation for the cooperation among fraternal countries, the only possible foundation on which the structure of socialist internationalism will rest.

#### Footnotes

1. "Dokumenty Vneshney Politiki SSSR" [Documents of Foreign Policy of the USSR], vol I, Moscow, 1957, p 566.
2. V.I. Lenin, "Poln. Sobr. Soch." [Complete Collected Works], vol 36, pp 302, 306.
3. Ibid., vol 40, p 43.
4. Ibid., vol 45, p 240.
5. Idem., p 359.
6. See "O Kharaktere Otnosheniy Mezhdru Sotsialisticheskimi Stranami" [On the Nature of Relations Among Socialist Countries]. Moscow, 1964, p 6.

7. J. Kadar, "Izbrannyye Stati i Rechi" [Selected Articles and Speeches], Moscow, 1960, p 502.

8. See Yu.V. Andropov, "Leninism Is an Inexhaustible Source of Revolutionary Energy and Creativity of the Masses" ("Izbrannyye Stati i Rechi", Moscow, 1984, p 76).

9. "Mezhdunarodnyye Otnosheniya i Vneshnyaya Politika SSSR. (Sbornik Dokumentov. 1871-1957 Gg.)" [International Relations and Foreign Policy of the USSR (collection of documents, 1871-1957)]. Moscow, 1957.

10. N.S. Khrushchev, "Za Prochnyy Mir i Mirnoye Sosushchestvovaniye" [For a Lasting Peace and Peaceful Coexistence]. Moscow, 1958, pp 106-107.

11. N.M. Minosyan, "Pravo Mirnogo Sosushchestvovaniya" [The Right to Peaceful Coexistence]. Rostov, 1966, p 179.

12. In an attempt to stabilize the situation, on 8 July 1970 the Soviet government suggested to the government of the PRC to draft and conclude an agreement on mutual nonaggression. On 15 January 1971, on Soviet initiative, the question was raised of immediately concluding between the USSR and the PRC a treaty on the nonuse of force or threat of force in any form whatsoever. Both suggestions were rejected ("Istoriya Vneshney Politiki SSSR. 1947-1976" [History of Soviet Foreign Policy, 1947-1976]. vol 2, Moscow, 1977, p 563.

13. This problem has been developed most extensively in the monograph by A.P. Butenko "Sotsializm Kak Mirovaya Sistema" [Socialism as a World System] (Moscow, 1984). The author names the principle of peaceful coexistence among the principles which regulate relations among socialist states (pp 203-204).

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### Contradictory Results of Third World 'Modernization'

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[Article by Anatoliy Yakovlevich Elyanov, doctor of economic sciences, head of a department of the USSR Academy of Sciences IMEMO: "Problems of Modernization of Socioeconomic Structures in the 'Third World'"]

[Text] Among the multitude of indications of the modernization of a backward society, the most material, it

would seem, are changes in the nature and structure of employment for the extent of connection of the local gainfully employed population with different types and forms of production (or the economic structures representing them) cannot be determined without this. Two sections of such changes, which, despite their close interdependence, coincide far from fully in time and space, are at the focus of our attention. Not only the dynamics but also the trajectory to a large extent of individual countries' social development are ultimately connected with them. The first section characterizes the pace and direction of the erosion of agricultural employment as a result of the social division of labor and technical progress. The second shows the changes in the structure of distribution of the gainfully employed population by sector, structure and type of economy differing technologically and socioeconomically.

Both these sections are studied on the basis of material of five very big countries (Brazil, India, Indonesia, Mexico and Nigeria, the population of each of which at the start of the 1980s amounted to a minimum of 70 million, and the gross domestic product, to \$80 billion) burdened as a consequence of the size of the population with big social blocks in absolute terms which have essentially remained untouched by modernization or have been affected by it very inadequately. All these countries differ appreciably among themselves in terms of level of productive forces and scale, forms and depth of participation in the international division of labor and also in terms of cultural and historical characteristics. The difference in the very size of population is palpable also. An analysis of the socioeconomic changes occurring there together with the specific features of the countries in question enables us to better portray the problems, difficulties and prospects of this process throughout the developing world.

## I

The most important directions of the reorganization of archaic socioeconomic structures includes initially the relative and, as of a certain moment, absolute reduction in agrarian employment forming the first principle of the traditional, nonmarket or semi-subsistence forms of economy. This is an uneven process and develops under the impact of two basic groups of factors. Some of them, primarily the growth of agricultural labor productivity and the deterioration in the conditions of small-scale peasant farming, are "ejecting" surplus manpower from the agrarian sphere. Others operating in other spheres of economic activity which promise higher income, more personal freedom and so forth and, as a whole, a more varied and attractive life are, on the contrary, "attracting" it.

It is customary to consider the reduction in the proportion of persons employed in agriculture, which in the major developing countries had by the start of the industrial revolution amounted to two-thirds to three-fourths of the gainfully employed population, a most



important indication of the transition to so-called modern economic growth being synonymous, essentially, with expanded reproduction or, rather, the type thereof which, despite all kinds of slumps in business conditions, provides over the long term for a relatively rapid rise in

the overall development level. For this reason, using data characterizing the changes in the sectoral structure of employment of these countries (see Table 1), we examine primarily the dynamics and scale of the outflow of manpower from agriculture.

Table 1. Sectoral Structure of Employment (%)

	1950	1960	1970	1980	1985
Brazil					
I	59.8	52.1	44.9	31.2	27.6
II	16.6	18.3	21.8	26.5	28.1 <sup>1</sup>
III	23.6	29.6	33.3	42.3	44.3 <sup>1</sup>
Mexico					
I	60.4	55.1	44.1	36.6	32.5
II	16.8	19.5	24.3	29	31 <sup>1</sup>
III	22.8	25.4	31.6	34.4	36.5 <sup>1</sup>
India					
I	78.4	74.1	71.8	69.7	68.1
II	8.1	11.3	12.5	13.2	14.2 <sup>1</sup>
III	13.5	14.6	15.7	17.1	17.7 <sup>1</sup>
Indonesia					
I	79	74.8	66.3	57.2	52.8
II	6.3	7.6	10.2	13	14.5 <sup>1</sup>
III	14.7	17.6	23.5	29.8	32.7 <sup>1</sup>
Nigeria					
I	77.2	73.2	71	68.2	66.5
II	7.5	9.9	10.5	11.6	12.3 <sup>1</sup>
III	15.2	16.9	18.5	20.1	21.2 <sup>1</sup>

I = agriculture; II = industrial sectors: extractive and manufacturing industry, power, gas and water supply and also construction; III = services: transport, communications, trade and services proper.

<sup>1</sup> Preliminary estimate.

Estimated from "Economically Active Population. Estimates and Projections, 1950-2025," ILO, Geneva, 1986; "Production Yearbook, 1986," FAO, Rome, 1987.

The fact that, despite the substantial overall size and comparatively high rate of natural increase in the population, the resorption of agrarian employment in all the countries in question, except for India, is proceeding more intensively than in the "third world" as a whole, where in the period 1950-1980 it declined from 75 to almost 60 percent or by one-fourth approximately,<sup>1</sup> merits attention primarily. In Brazil and Mexico this has mainly been the result of the comparatively high dynamics of economic growth. In Indonesia, on the other hand, and, particularly, in Nigeria the main catalyst of the change in the employment structure was the oil boom, which also served to boost an increase in the rate of their economic development.

Generally, the sphere of nonagricultural economic activity in all the major countries is expanding continuously (albeit at different speeds). However, this process is in entirely different phases there. Even Indonesia and Nigeria, where the movement of labor resources from agriculture in the postwar decades was relatively palpable, had by the end of the 1970's attained merely to the level

which Brazil and Mexico had reached three decades earlier. Meanwhile the two latter countries themselves, having made an abrupt leap forward, had in the mid-1980s directly approached in terms of the relative significance of nonagricultural employment the postwar standards of the developed capitalist states. This has brought them to the frontier where, together with a decline in the relative significance of agricultural employment, the conditions are emerging also for a reduction in the absolute numbers of those employed in the agrarian sphere.

While correctly characterizing the basic trends and overall order of magnitudes, the adduced estimates of the changes in the sectoral structure of employment of the large-scale developing countries can hardly, for all that, serve as entirely dependable grounds for far-reaching conclusions. Nonetheless, it may be affirmed, proceeding from them, that a real, albeit quite modest (no more than 4-5 percent, evidently), reduction in absolute employment in agriculture had already occurred in Brazil in the 1970s. The erosion of agrarian employment



hasslowed somewhat here in the 1980s in connection with the deterioration in economic conditions. The absolute decline therein has as a result come to an end also. But given an improvement in the economic situation, it is perfectly reasonable to expect the prevalence of the trend which had emerged earlier. Mexico also is relatively close to this frontier. While by no means downplaying the significance of an absolute reduction in agrarian employment for the surmounting of a kind of "underdevelopment threshold," it should, however, be borne in mind that the necessary prerequisites for this are formed on the periphery of the world capitalist economy in a historical context entirely different from what obtained in the now-developed states.

Industrialization and the formation of diversified economic complexes in the major, as in the other, developing countries have developed given an incomparably higher level of world development and also of the international division of labor, into which they had already been pulled as suppliers of agricultural and mineral raw material. The start of the industrial revolution here essentially coincided with the unfolding of the S&T revolution in the industrially developed states. While objectively expanding the possibilities of an upswing of economically backward countries, the S&T revolution is at the same time increasing the gap between the state of local and world productive forces, thereby making the use of these possibilities more difficult.

A considerable quantity of these difficulties is connected with the increased complexity of production engineering itself and the unprecedented increase in the role of embodied labor. Thus, according to certain estimates, capital investments in the production of producer goods per workplace had grown more than 80-fold in Britain and France in the 1950s compared with the first half of the 19th century.<sup>2</sup> Considering the general trend toward an intensification of the capital-worker ratio, it may be assumed that the cost of a workplace in the corresponding, as, incidentally, in other, sectors of manufacturing industry has increased even more. The growth thereof has been based on an appreciable increase in the rate, not to mention the bulk, of capital investments and has been accompanied by a manifold increase in social labor productivity, particularly in connection with the development of the S&T revolution. All this, superimposed on the socioeconomic conditions of the former colonies and semicolonial territories, is having an extremely contradictory impact on their development.

Assimilating modern technology, these countries are bypassing a number of phases of technical progress and thereby making appreciable savings in time and resources. However, the labor-saving nature of the new technology is largely complicating and delaying the switch to nonagricultural types of economic activity of a tremendous block of local manpower. Demand for manpower is increasing particularly slowly (compared with production) in the most dynamic factory-plant industry inasmuch as it is furnished with incomparably more productive equipment than was

the case in the period of the industrialization of the now-developed states. Yet the labor resources of the developing countries are, on the contrary, in connection with the demographic explosion, growing at an accelerated pace. As a result of these vari-directional trends the relative labor-absorbing capacity of the industrial enterprises (as of a number of other subdivisions of the economy also) of the developing countries employing modern technology has proven much lower than that which was in the past typical of the now industrially developed states. Thus under conditions where agriculture accounted for 42 percent of the economically active population, manufacturing industry of the United States (1880) diverted to itself 48 percent of the rest of the work force, of Italy (1950), 52 percent, France (1921), 57 percent, and Sweden (1924), 60 percent, but of Latin American countries (1969), only 31 percent.<sup>3</sup>

Such are the facts. However, the impact of industrialization on employment is in no way exhausted merely by the creation of new jobs in manufacturing industry itself, with whose development this process is ultimately associated. An additional need for manpower arises in sectors of the economy which are related to it as a ramified system of direct and feedback economic relations grow up around a young industry. As far as direct relations formed on the basis of supplies of industrial products to other sectors are concerned, their influence on employment in these sectors is quite ambivalent. Providing for material-technical reequipment and prompting the growth of the consumer sectors, such supplies contribute to the creation of new jobs there, but in increasing the productivity of live labor, they reduce relatively their need for manpower.

The main factor of an increase in employment in related sectors is, perhaps, the feedback of manufacturing industry created by purchases of the source material (raw material, semimanufactures) and services which it needs. Of course, for some types of industry it is sometimes of no significance how and under what conditions these materials and services are produced. A substantial quantity thereof is secured in the developing countries by archaic processes, and industrial purchases in backward spheres of the economy are far from always accompanied, what is more, by the transition of the latter to more progressive forms of the organization of labor. But with the increase in these purchases there is an expansion of the sphere of action and influence of the industrial capital functioning in developing countries and a growth of the scale of the subordination thereto of the local precapitalist periphery. Simultaneously in the sectors supplying industry with source material and services there is also growing demand for manpower, the dynamics of which are in inverse proportion to the pace of their modernization.

Approximate quantitative estimates of the increase in employment in the major countries thanks to manufacturing industry feedback may be obtained with the aid of intersectoral balance sheets, proceeding from the relationship of the increase in source material and services reaching industry in the form of intermediate

products to the increase in its gross output. Granted all its shortcomings, this valuation procedure makes it possible to take account of the sharp structural changes in current

industrial consumption, which are particularly characteristic of the initial stages of a break with the one-sided colonial structure of the economy (see Table 2).

**Table 2. Estimated Increase in Employment in the Nonindustrial Sector of Major Countries Stimulated by the Development of Manufacturing Industry (%)**

Mexico	India	Brazil
1950-1960 = 13	1951/52-1973/74 = 17	1959-1970 = 30
1960-1970 = 27	1973/74-1979/80 = 24	
1970-1975 = 14	1951/52-1979/80 = 21	
1950-1975 = 17		

Calculations of S.V. Zhukov, research fellow of the IMEMO, from data of intersectoral balance sheets.

As follows from the material of the table, manufacturing industry of the countries in question provided for one-eighth to almost one-third of the increase in aggregate manpower in the sectors of the economy related to it. And in India, what is more, which has the lowest level of development of these countries, the stimulating impact of manufacturing industry feedback on employment was more intensive than in Mexico and comparable with the situation of the 1960s in Brazil. This together with the diminution in the following decade in the role of industry as a catalyst of employment in Mexico permits the assumption that modern manufacturing industry actively creates new jobs primarily in the period of the intensive structural reorganization of the backward economy, when a broad range of new industries and sectors is created practically simultaneously. With the establishment, however, of the foundations of a diversified complex and the increased industrial maturity of the national economy, this impact diminishes.

The reduction in agrarian employment in the major, as in the majority of the other, developing countries is occurring in contradistinction to the developed capitalist states when they were at the start of modern economic growth to a far greater extent thanks to the incorporation of the economically active population in services than in industrial sectors. And in terms of the relative significance of persons employed in this sphere, what is more, Mexico has come very close, and Brazil has exceeded even, the average level which had been attained by the developed capitalist states in 1970, although the two are still quite far from this level in respect of all other socioeconomic indicators.<sup>4</sup>

The type of development whereby services begin in terms of proportion and number of persons employed only in time to catch up with the industrial sectors is hardly reproducible now on the periphery of the nonsocialist world. The reshaping of the block of agrarian employment in the tertiary sector is in the channel of world trends moving to the forefront scientific and information production and various types of service subject to ever increasing diversification. The socioeconomic maturity of the contingents of the population enlisted in services of the said, as of other, developing countries should not, of course, be exaggerated. But it can hardly be doubted that a transition from traditional to modern forms of socioeconomic existence is being

effected within the framework thereof more rapidly and intensively than in agriculture. After all, the very separation of a tertiary sector from the hitherto nonarticulated traditional complex concentrated around agricultural activity presupposes an extension of the social division of labor, a considerable growth of social mobility, a change in the type of settlement pattern, the formation of social relations of a new type and so forth.

So the profound and irreversible changes in the distribution of employed persons between the basic sectors of the economy in the countries in question have in fact coincided with the start of their modern economic history. Each of these sectors has, accordingly, come to acquire more modern outlines.

The growth of agricultural and total aggregate production, which has stimulated the erosion of agrarian employment, has in the major, as in the majority of the other, developing countries been extremely uneven, affecting different areas thereof far from identically. Some of them have developed more rapidly than others, others, more slowly, and yet others have stagnated or been wound down even. As a result the switching of labor resources to nonagricultural types of activity has been associated to a considerable extent with the development not only of modern but also intermediate or transitional forms of production (both in terms of level of provision with equipment and nature of the production engineering processes they employ and in terms of type of social organization of labor). For this reason the said changes in the sectoral structure of employment represent some average, which is taking shape from several components pertaining not only to the modern but also the traditional and intermediate sectors of the local economy.

## II

The absence of statistical data prevents a precise line of demarcation being drawn between the sectors or, more precisely, structures in the economy of the major developing countries. For this reason they are distinguished mainly by type of technology employed, which, in K. Marx's apt observation, together with man's active attitude toward nature, reveals "the direct process of production of his life and at the same time his social living conditions."<sup>5</sup>

The transformation of socioeconomic structures in these, as in other, developing countries is proceeding in three main directions. First, as a result of the formation and development of a more or less wide spectrum of modern forms of economic activity forming the framework of the capitalist structure, including its state-capitalist modification. Second, as a consequence of the emergence of all kinds of intermediate socioeconomic structures, on the basis of the growth of some traditional forms of production into small-scale commodity, and the latter into capitalist, production included. Third, in the course of the partial reorganization and certain "contemporization" of the traditional production-mode structures and their increasingly extensive and diverse involvement in the common channel of economic life based on commodity-money relationships and association thus with the system of expanded reproduction taking shape here.

Reflecting the progress of the productive forces, the transformation of socioeconomic structures is itself as a consequence of the changes accompanying it in the motives of economic activity having an active reverse impact on production. However, the scale of this impact is confined directly to the sphere of the capitalist production mode and the intermediate forms of the economy adjoining it. As far as the precapitalist periphery is concerned, the impulses born of the changes in the correlation of supply and demand with which the motivation of economic decisions is largely connected are penetrating thither, as Soviet India experts rightly observe, in distorted, extremely weakened form.<sup>6</sup> In addition, the perception of these impulses is being made more difficult by the profound backwardness and high persistence of its constituent components.

Of course, the changes in the sectoral structure of employment in question have been brought about by a particular restructuring of the forms and methods of the organization of social labor and, consequently, the social and class nature of society. But by virtue primarily of the

particular features of technological and demographic development, this restructuring is markedly lagging behind, as shown above, the changes in the material productive forces. An evaluation of the actual changes and the level of modernization which has been attained is thereby made appreciably more complex.

In most general form these changes may be ascertained by way of the correlation of the growing capitalist production mode with the stagnating precapitalist periphery. And in order to get a better idea of the results and prospects of the reorganization of the block of archaic traditional structures which still persist it is expedient, where possible, to also take into consideration the transitional and intermediate forms of the economy. However, such an analysis is complicated by a lack of statistical data. Although it is obvious that agriculture constitutes the nucleus of the traditional sector, its production-mode structure does not coincide with the sectoral structure. Even in the most developed Latin American countries the capitalist transformation of the majority of macrosectors is still far from complete. Within the framework of each of them there are together with capitalist more or less sizable blocks of traditional, not to mention intermediate or transitional, forms of production. Overlapping one another, various modes and forms of production form highly odd combinations, whose general configuration is determined on the one hand by the development level which has been attained and, on the other, by the specific features of each country. Under these conditions the correlation of the three basic forms of the economy may be determined only with the aid of all kinds of estimates and the completion of an overall picture based on discrete data, employing the method of reconstruction of the whole by the parts or, on the contrary, its decomposition into individual components.

If we take ECLA estimates as a basis, we see that the production-mode structure of employment in the major Latin American countries has undergone appreciable changes in the past three decades (see Table 3).

**Table 3. Correlation of Different Sectors in the Employment Structure of Latin American Countries (%)**

Years	Agriculture		Nonagricultural types of economic activity	
	Modern sector	Traditional sector	Formal <sup>1</sup> sector	Informal sector
Latin America				
1950	22.1	32.6	31.8	13.5
1980	13.2	18.9	48.5	19.4
Brazil				
1950	22.5	37.6	29.2	10.7
1980	12.4	18.9	52.2	16.5
Mexico				
1950	20.4	44.0	22.7	12.9
1980	19.2	18.4	40.4	22.0

<sup>1</sup>Including data pertaining to extractive industry, which were not classified by the ECLA experts. Compiled from CEPAL REVIEW, United Nations, ECLA, Santiago, Chile, December 1984, p 105.

It is essential, however, to bear in mind that the sectors portrayed in the table are not, of course, direct analogs of the basic production modes. The so-called modern and

formal sectors in fact constitute in their totality the nucleus of the capitalist production mode, while the traditional sector imbibes the precapitalist formations.

The informal sector<sup>7</sup> does not, however, fit within this framework.

As distinct from the traditional sector, the informal sector has been brought into being by modern economic growth. Together with particularly archaic forms of production differing little in terms of technical level and organization of labor from traditional forms, it incorporates fully or partially intermediate, that is, small-scale commodity and early-capitalist, forms also. But inasmuch as employment in both the traditional and informal sectors is seen by the ECLA experts as partial,<sup>8</sup> it is reasonable to assume that, nonetheless, the most primitive, including sporadic, forms of production and employment are preponderant in the informal sector.

Some experts believe that the emergence in the developing countries of an informal sector has been brought about essentially by the incapacity of the modern forms of the economy (owing to their comparatively high capital-intensiveness) for absorbing the rapidly growing volumes of manpower. There is here, as in the case of the movement of manpower into services, a considerable degree of truth. However, no type of commodity, that is, market-oriented, production may develop, as is known, without social need assuming the form of effective demand. Pertaining, undoubtedly, to the urgent needs is that of work being found for significant masses of the unemployed or partially employed population of the developing countries. But as distinct from that embodied in actual effective demand, this need can only partially be realized on the basis of the spontaneous market mechanism, under the impact of which the various processes of the informal sector in fact take shape.

It is not only, therefore, and not so much, perhaps, a question of the limited labor-absorbing capacity of production which is more or less modern from the technical-economic viewpoint. The principal factor conditioning the functioning of the informal sector is for all that, evidently, the existence on the national market of the major, as of other, developing countries of demand which for this reason or the other is not catered for or cannot be catered for by this production. A certain, and in respect of a number of items, considerable, quantity of the goods and services produced in the informal sector (where extensive use is made of unskilled, semiskilled and irregular personal and family and wage labor) becomes a part of the consumption fund of certain, low-income primarily, strata of society employed in the modern sector of the economy. The system of subcontracts, on the basis of which some enterprises of the informal sector work to this extent or the other on commissions of modern firms, testifies to this also. This procedure ensures for the former a relatively guaranteed sales market, and permits the latter to make economies in variable capital.

This far from exhausts the heart of the matter, however. In catering partially for the employment of those whom modern production cannot absorb, the informal sector

serves as a kind of shock absorber, albeit quite contradictory, of the explosive situation which is being permanently recreated in connection with rural migration and the high rate of natural population increase. At the same time it in fact represents a rung of the ladder, albeit very shaky and unreliable, of the incorporation in the swirl of economic life of the vast "surpluses" of semi- and completely unskilled manpower. In this sense the informal sector may be regarded, evidently, as a factor contributing both to the socioeconomic integration of local society and its transition from traditional to modern forms of existence and development. Considering this, it is most likely possible to speak of some degree of social efficiency thereof.

Of course, the mass of the factories emerging in the informal sector and employers relying on their own and family labor and those using hired manpower inevitably comes to grief. But others emerge in their place, in even greater numbers, as a rule. The striking hardness or, rather, survivability of the informal sector, as a particular type of production, of course, is ensured by at least three factors. First, the existence of permanent demand, which, owing to its small scale and territorial and temporal discreteness, is, as a rule, of no appreciable interest to the more or less large-scale modern enterprises. Second, the capacity of the informal sector (as a consequence of maximum proximity to the consumer) to adjust flexibly and opportunely to all changes on local markets. Third, the extreme cheapness of the manpower employed there, which, owing to hopelessness and a total lack of rights, is forced to content itself with the most primitive work and social conditions.

Thus the informal sector incorporates a substantial amount of small-scale, backward urban production based mainly on manual labor and tool productive forces. We would note in passing that, oriented primarily toward the needs of the poorest strata of the population and using their economically active nucleus, that is, semi- or totally unskilled manpower, such production also exists to this extent or the other in the industrially developed capitalist states. However modest its share of the aggregate product, it represents everywhere an inalienable component of national economic complexes and as such performs a number of important functions.

The informal sector is highly heterogeneous in terms of its socioeconomic composition. The labor resources employed here occupy an intermediate position between those working in the modern sector and the masses of unskilled working people at the very bottom of the social pyramid. Despite the instability of economic situation and the absence of social security, the monetary income of the small businessmen of the informal sector is sometimes higher than the wages of a number of categories of workers of the modern sector. Under these conditions some of these workers endeavor to set up their own business. The results of a survey conducted at small (less than 10 employees) businesses of various sectors of Brazil's textile industry testify, for example, to

the results of such a transformation: "The owners of the small businesses are usually skilled workers who have left their jobs at the factory and set up their own business inasmuch as this affords them a higher income and greater independence. As distinct from the street traders, these businessmen are not marginals, who are endeavoring to hold out until they find permanent work. On the contrary, they represent enterprising, technically and organizationally competent workers who aspire to secure for themselves a higher living standard compared with their colleagues at the factories."<sup>9</sup>

All this, it would seem, not only testifies to the particular possibilities of the further "grass roots" growth of capitalism in the countries in question but confirms once again the existence and development in the disintegrated society of the former colonial and dependent countries of integration trends and numerous transitional phases between the top and the foot of the social pyramid. The very pyramidal structure and perceptible social stratification can hardly, however, be smoothed over here at the same pace at which the capitalist transformation of the economy has taken and continues to take place.

An analysis of the data of Table 3 makes it possible to reveal one further fact deserving of attention. If we abstract ourselves from the fact that in the composition of both the modern (and formal) and traditional (and informal) sectors there are more or less significant impregnations of intermediate and transitional forms of production and employment, we see that in the period 1950-1980 the proportion of persons employed in the modern sector of the economy of Latin American countries grew as a whole by approximately one-seventh (from 53.9 to 61.7 percent). Yet in Brazil and Mexico the rate of movement of the economically active population into modern production was noticeably higher than in the region as a whole: the proportion of persons in the modern sector of the first of them grew by one-fourth (from 51.7 to 64.6 percent), of the second, by almost two-fifths (from 43.1 to 59.6 percent), although remained somewhat below the regional proportion. The development of capitalism in these countries was, consequently, distinguished by the greatest dynamism. The difference between them, however, is that in Brazil the increase in manpower in the modern capitalist sector was secured thanks to the nonagricultural sectors to the extent of 93.6 percent, whereas in Mexico, 74.6 percent.

Nonetheless, the outflow of manpower from the agriculture of these countries markedly exceeded the absorption capacity of modern production in other sectors. As a result considerable numbers thereof moved into the informal sector, the relative significance of which in the overall numbers of the economically active population not encompassed by modern forms of economic activity and frequently "content" merely with partial employment rose in Brazil by a factor of 2.1 (from 22.2 to 46.6 percent), and in Mexico, by a factor of 2.4 (from 22.7 to 54.5 percent). Inasmuch as in terms of proportion of persons employed in agriculture, as also in terms of the

relative significance of traditional forms of activity of economic activity in this sector, both countries had by the start of the 1980's reached an approximately identical level, the comparatively (with Mexico) modest growth of the informal sector in Brazil was brought about by the more extensive spread there (in connection with the higher rate of economic development) of modern types of nonagricultural activity.

It would evidently be advisable, considering the relative nature of the categories employed, to compare the above calculations and estimates with a three-sector model taken from another source and emanating from the division of the economy of Latin American countries into modern, intermediate and traditional sectors.

It follows from data pertaining to the region as a whole that at the end of the 1960s the modern sector was superior in terms of labor productivity to the traditional sector by a factor of 28.8, and to the intermediate sector by a factor of 5.5.<sup>10</sup> In connection with ECLA's switch when characterizing Latin American countries' socioeconomic structure to a four-sector model and the lack of production information, linking the two models fully is practically impossible. However, considering the general growth of the capital-worker ratio, given localization of this process mainly within the framework of the modern sector of the economy, it is perfectly reasonable to assume that the gaps in the productiveness of all three sectors in the period that has elapsed since that time have to have increased appreciably, primarily thanks to the increased productiveness of the modern sector, furthermore.

Superimposing this three-sector model on the four-sector model geared to 1970, it is possible to ascertain the approximate proportions in which the intermediate sector disintegrates into modern (including the formal sector) and nonmodern (represented by the traditional and informal sector) types of economic activity. It transpires that on the frontier of the 1960s-1970s approximately four-fifths of all so-called modern types of production per the four-sector model were in fact represented by intermediate forms. At the same time, however, the four-sector model attributed to modern types of activity only 13.2 percent of all persons employed in the intermediate sector, and to the nonmodern types, correspondingly 86.8 percent.<sup>11</sup>

However conditional the concepts employed in an analysis of the changes in the socioeconomic structures of the developing countries, the proportions ascertained on the basis thereof nonetheless confirm that the growth of the informal sector there is connected not so much with the conservation of backwardness as with the extension of the development process. Only on this basis is it possible to gradually overcome the heterogeneous and disintegrated nature of the local society, which were essentially born of nothing other than the decomposition of the

traditional precapitalist structures (and not the growth of capitalist structures, as this is sometimes portrayed, given a cursory view of things).

In connection with the scarcity of data it is even more difficult estimating the scale and depth of the socioeconomic transformation of the major Asian and African

countries. A certain idea of the course of this process in India is afforded by material characterizing the development of the so-called organized sector, which is essentially a synonym for and analog of the formal or modern sector, and of the unorganized sector, which incorporates, together with traditional, intermediate forms of the economy also (see Table 4).

**Table 4. Correlation of Production and Employment in the Organized and Unorganized Sectors of India's National Economy (%)**

Sector	1960/61		1970/71		1980/81	
	I	II	I	II	I	II
Organized	5.6	7.8	27.5	9.7	33.4	10.4
Unorganized	74.4	92.2	72.5	90.3	66.6	89.6

I = production; II = employment.

Estimated from "Census of India 1981, Series One. Paper 3. Provisional Population Estimates. Workers and Non-Workers," New Delhi; "Economic Survey. Government of India, 1974-1975"; "...1981/82"; "National Accounts Statistics of India 1960/61-1974/75"; "...1970/71-1981/82".

Despite the difference in criteria by which the organized sector in India and the modern (formal) sector in Latin American countries are distinguished, they both differ markedly from the rest of the economy in terms of labor productivity, although in India the level thereof in the organized sector is not that high owing to the inordinately swollen machinery of state and the inflated lists of staff of enterprises of the public sector. The inordinate (compared with actual requirements) employment, while formally expanding the framework of the modern sector, as it were, is in fact holding back its growth. As a result the overall rate of reorganization of the backward socioeconomic structures based on their association with the development process is being held up also. According to Soviet India experts' approximate estimates, no more than 30 percent of the gainfully employed population was, despite the markedly accelerated development in the country of small-scale commodity and petty capitalist production, for all that, employed in the modern and intermediate forms of the economy in the latter half of the 1970's.<sup>12</sup>

### III

The motley and multistrata nature of the socioeconomic structure of the developing countries is manifested not only at national economy level but also within the framework of all its basic subdivisions. Manufacturing industry is, perhaps, distinguished by particular heterogeneity. Together with the growth of machine production in its most diverse forms and combinations the

rudiments of technically more intricate types of production symbolizing the onset of the era of S&T revolution are already taking shape on the one hand and, on the other, a more or less substantial block of virtually the most primitive forms thereof based on antediluvian "equipment" and manual labor continues to develop in the majority of countries here. Thus in India, despite the palpable change in the development of factory-plant industry, heavy industry included, at the start of the 1980s the unorganized sector represented by so-called nonqualifying industry was still catering for more than one-third of total output (see Table 5). It is significant also that the relative supplanting of the lowest forms of small-scale industry in India did not accelerate but, on the contrary, slowed and came to virtually a complete halt in the 1970s. This is a natural result of the appreciable strengthening of the engineering base of the unorganized sector. It is sufficient to say that in terms of the dynamics of capital investments it has in the past three decades considerably outpaced the organized sector. As a result the unorganized sector's share of total industrial investments in the 1970s (in current prices) grew to 29 percent compared with 14.4 percent in the 1960s and 7.9 percent in the 1950s.<sup>13</sup> The changed correlation of the organized and unorganized sectors in manufacturing industry has been brought about largely by changes in the state's industrial policy. But the very adjustment of this policy and the greater attention to the unorganized sector were conditioned by the need to apply the brakes somewhat to the degradation of small-scale production intensified by the high rate of demographic growth.

**Table 5. The Organized and Unorganized Sectors in India's Manufacturing Industry (%)**

Sector	1950/51		1960/61		1970/71		1980/81	
	I	II	I	II	I	II	I	II
Organized	52.2	—	59.6	24.8	65.2	30	65.4	—
Unorganized	47.5	—	40.4	75.2	34.8	70	34.6	—

I = production; II = employment.

Estimated from "National Accounts Statistics of India" for the corresponding years; "Statistical Abstract of India 1980," New Delhi, p 334; "A Technical Note on the Sixth Five Year Plan," July 1981, New Delhi, pp 148, 151; "Census of India 1981. Series One. Paper 3. Provisional Population Estimates. Workers and Non-Workers," p 185.

As a result of the elevation of the unorganized sector in terms of growth rate to the organized sector level there has been a marked increase in the overall labor-absorption capacity of India's manufacturing industry: whereas in the 1960s industrial employment here grew only 6.3 percent, in the 1970s it grew 49.4 percent. And over 30 percent (2.6 out of 8.3 million persons) of the aggregate increase in employment in the last decade was secured, furthermore, by cottage industry, which in terms of technological and socioeconomic characteristics pertains to the traditional precapitalist sector.

An even more significant part is played by precapitalist forms of production and employment in Indonesia's manufacturing industry. Thus in the mid-1970s cottage industry here accounted for 13.5 percent of the end product and 79.5 percent of manpower employed in manufacturing industry. With regard for small-scale industry, to which pertain enterprises with a number of employees of up to 20 persons, the bulk of whom are evidently part of (albeit not exhausting) the intermediate sector, these indicators amounted to 21.6 and 86.5 percent respectively.<sup>14</sup> Also meriting attention is the fact that small-scale industry's share of the manufacture of products is as yet showing a tendency to a grow here: according to available estimates, it increased by a factor of 1.5 (from 10 to 15 percent) in 1979/80-1983/84 compared with 1974/75-1978/79.<sup>15</sup>

Of course, the socioeconomic characteristics on the basis of which industrial enterprises may be incorporated in the modern capitalist, intermediate or traditional categories depend on more than just the numbers of employees. But under developing countries' conditions, given the absence of other data, it is possible with the aid of this criterion to separate, if only approximately, small-scale commodity (with remnants of subsistence-patriarchal) production based wholly or mainly on family labor from capitalist production existing mainly or exclusively thanks to the exploitation of hired manpower.

In connection with the preponderance in the major, as in the majority of other, developing countries of large families employment of up to four-five persons may be taken as a conditional line of demarcation between these two categories of industrial enterprises. And in order to if only approximately ascertain the scale of the prevalence in manufacturing industry of intermediate forms of production and employment we shall avail ourselves of the same indicator (less than 20 employees per enterprise) on the basis of which Indonesia's small-scale industry was separated from medium-sized and large-scale industry. In accordance with these criteria, manufacturing industry of Brazil and Mexico appears as follows (see Table 6).

**Table 6. Structure of Employment in Manufacturing Industry of Brazil and Mexico (%)**

Year	Number of employees				Over 50
	1-4	5-19	20-49		
Brazil					
1959	8.6	15	11		65.6
1970	7	14.6	12.7		65.6
1980	4.6	14.6	14.1		66.7
Mexico					
1960	18.7	8.9	18 <sup>1</sup>		54.4 <sup>2</sup>
1970	12.6	10.4	19.2 <sup>1</sup>		58.2 <sup>2</sup>
1975	11.2	9.3	17.1 <sup>1</sup>		62.4 <sup>2</sup>

<sup>1</sup>20-99; <sup>2</sup> over 100.

Estimated from "Statistical Yearbook of Latin America. 1984," New York, 1985, pp 170-171.

Of course, the industrial enterprises of the two Latin American countries cannot, as a consequence of their higher level of development, even given equal numbers of employees, fail to differ from Indian and Indonesian enterprises. But the nature of the differences between them may be determined only by taking as the basis

similar criteria. Particularly indicative in this respect are the enterprises with less than five employees representing to a considerable extent precapitalist-type small-scale production. Their overall numbers have grown everywhere. They grew 20 percent in the period 1960-1975 in Brazil, for example.<sup>16</sup> But as a consequence of the higher

level of capitalist development the relative significance of this group of industrial employment in the Latin American countries was incomparably lower and has declined much more rapidly than in the major Asian developing countries.

At the same time, however, Brazil has noticeably outpaced Mexico in terms of the scale and dynamics of the supplanting of precapitalist forms of industrial production. These differences are connected to a considerable extent, evidently, with specific forms of the development of manufacturing industry. One is struck, specifically, by the fact that the proportion of enterprises with a number of employees ranging from 5 to 19, among whom intermediate types of production are particularly widespread, is greater by a factor of 1.5 in Brazil than in Mexico, while there are, on the contrary, 2.5 times fewer traditional-type enterprises employing up to 4 persons. On the other hand, the positions of the modern sector in Brazil's manufacturing industry have strengthened mainly as a result of the increase in the number of comparatively small enterprises with a number of employees ranging from 20 to 49, but in Mexico primarily on the basis of those employing over 100 persons. Proceeding from Brazil's experience, it may be assumed that, despite the considerably lower development level, measures to strengthen small-scale production in the industry of India and Indonesia will also, evidently, expanding the social base of the current political regimes there and at the same time the general field of development, contribute to the accelerated growth of local capitalism "from below".

So despite the acceleration of socioeconomic transformation, as result of which the proportion of the modern capitalist and intermediate sectors in production and employment has grown, in Brazil and Mexico significant masses, and in Indonesia, Nigeria and, particularly, in India, the bulk of the population, are, as before, associated with the stagnating traditional structures. Nor is there any hope, what is more, of any rapid and easy solution of this problem in the future. And it is not only and, perhaps, not so much even a question of the "natural" lagging of the restructuring of production relations behind the development of the productive forces. The main reasons for this are to be found, as shown above, in the specifics of the technological, demographic and socioeconomic processes which are unfolding on the periphery of the world capitalist economy.

A particular role belongs to such a factor as the "non-conjunction" of the demographic situation and the demands of technical progress. This is an exceedingly important, but by no means the sole factor holding back the switch of the gainfully employed population to modern forms and types of labor. The relatively slow resorption of unproductive and partial employment is also associated to a considerable extent on the one hand with the very phenomenon of backwardness and the

capitalist nature of the socioeconomic transformation which these countries are experiencing and, on the other, with the actual content of their economic policy.

The transition of the agriculture of the major developing countries to modern methods of production which has begun has affected relatively faintly the vast traditional periphery. Brazil and Mexico are, perhaps, a certain exception in this respect. And the expansion of the semi-modern and modern sectors has usually been accompanied, what is more, by a relative and sometimes absolute deterioration in the situation in the traditional sector. Together with the savage commercial-usurious and commercial exploitation, this has been facilitated in some cases by the buying up of land from the poor and very poor peasants or their forcible expulsion from the areas they occupied and, in others, by the continuing parcellation of peasant holdings and the increasing pressure of the agricultural population on the land. Nonetheless, given the limited opportunities of urban employment, many rural migrants are in no hurry to sever their ties to the village, which assure them on the basis of continuing traditional relations certain guarantees of survival.

By virtue of the said factors, the process of depeasantization in the countryside of the major Afro-Asian and, partially, Latin American countries differs appreciably from what took place in the past in West European countries and Russia. It is entailing here not only and at times not so much the ruin and supplanting of low-capacity farms as an absolute deterioration in the conditions of production on farms of this type as a result of the continuing growth of the farming population. This particular feature of agrarian evolution is manifested most distinctly in the densely populated countries with comparatively small (per capita) land resources suitable for agriculture, which has been shown by a group of Soviet scholars in the example of India.<sup>17</sup>

At the same time the reorganization of backward national economic structures in these countries is, despite the relatively developed production of the means of production, being undertaken, for all that, to a considerable extent on the basis of the use of imported equipment and technology created for different socioeconomic conditions. There is thereby an acceleration of the growth of the capital-worker ratio and, correspondingly, a reduction in the labor-absorbing capacity of the modern sector. The orientation toward more technically intricate, capital-intensive forms of production than required by the overall correlation of labor and capital resources in these countries is connected also with the inevitable growth in line with the development of capitalist forms of production of competition on the domestic market. They are being pushed in this direction also by the urgent need to strengthen their positions on the world market.

Such an orientation is being facilitated, additionally, by the unprecedentedly high degree of concentration of individual income shifting aggregate consumer demand



toward more capital-intensive (expensive and high-quality) goods and services than those which could be a part of the general consumption fund given an analogous level of per capita income, but its more even distribution.<sup>18</sup> At the same time the tilt in the direction of capital-intensive technology reducing the need of the nontraditional sectors of the economy for labor resources has been brought about to a certain extent by the growth in the cost and price of manpower, which is caused not only by economic but also sociopolitical factors, specifically, the action of the demonstration effect, the increased professional and class organization of persons working for wages in the struggle for their rights and so forth. Together with this the trend toward economies in variable capital in the modern sector is frequently nurtured by a relative reduction in the costs of capital resources as a result of privileges determined by the state in respect of imports of wanting equipment, low (compared with the free market rate) interest on loan capital, the artificially high rate of exchange of the national currency and so forth.

The increasing discrepancy in labor productivity levels is being accompanied by an increase in the differences in the incomes of persons employed in the modern and nonmodern sectors of the economy. Vast, growing masses of the population connected with archaic production are practically deprived of an opportunity to enjoy the fruits of economic progress. It is they primarily who are eking out a truly miserable existence, experiencing an acute shortage of the most essential things in life and suffering from disease, ignorance and chronic malnutrition.

Despite the limited nature and slight comparability of the data characterizing the socioeconomic structures of the major developing countries, an analysis thereof makes it possible to draw several conclusions of a general nature. First, the traditional precapitalist periphery, even given a comparatively high rate of economic growth, is being absorbed relatively slowly, as a rule. Second, the formation of modern forms of employment is lagging markedly behind the growth of the corresponding types of production. Third, local structures are being modernized mainly, if not exclusively, by means of the establishment of so-called intermediate forms of economic activity in which capitalist methods of management are frequently combined to this extent or the other with precapitalist methods. For this reason the increase in the gap between the modern and traditional sectors and their polarization characterize merely one aspect of the socioeconomic transformation taking place in the "third world". The other aspect thereof consists of the growing diversity of intermediate and transitional forms of production and employment, which reflect the specifics of the capitalist evolution of each country individually. Fourth, paraphrasing the well-known words of K. Marx, it may be said that the vast masses of the population of the former colonies and semicolonial territories remaining in the snares of poverty are suffering not only and not so much, perhaps, from capitalism itself as from its insufficient development.

Thus the problems of the coexistence of socioeconomic structures differing in nature and methods of perfecting the transforming role of the modern sector—without the destruction of other types of production providing a livelihood for millions and tens of millions of people for which (types of production) there is as yet no replacement—will for a long time to come remain very serious, although the correlation is changing constantly in favor of modern industries. This applies also to such relatively developed countries as Brazil and Mexico, not to mention Indonesia, India and Nigeria.

Of course, a shift of accents in a state's socioeconomic policy, the advancement as the priority task of the utmost increase in productive employment and the consistent pursuit of such a policy could accelerate the modernization of archaic socioeconomic structures and, consequently, the introduction of the broad masses to more modern forms of economic activity. However, owing to objective factors, the possibilities of such an acceleration are quite limited. In addition, the urgent need for the fuller and more productive use of the available manpower is coming into acute conflict with the main driving motive of capitalist enterprise—the endeavor to maximize profits, which cannot fail to accelerate the growth of the capital-worker ratio in the modern sector.

But it is not even a question of an endeavor to maximize business income. This endeavor in fact represents merely a particular instance of the objective need for the utmost increase in the efficiency of local national economic structures, which has been revealed particularly distinctly in the 1980's in connection with the sharp deterioration in the general world-economic situation. A particular role in easing this contradiction could be performed by an acceleration of economic growth inasmuch as with an increase in the rate thereof the opportunities for an increase in productive employment expand. Obviously, only on such a basis is an extension of the processes of socioeconomic modernization possible.

#### Footnotes

1. Estimated from "Economically Active Population Estimates and Projections, 1950-2025," ILO, Geneva, 1986.
2. See N.P. Shmelev, "Problems of the Economic Growth of Developing Countries," Moscow, 1970, p 50.
3. R. Prebish, "Change and Development—Latin America's Great Task. Report Submitted to the Interamerican Development Bank," Washington, 1970, p 30.
4. The employment in developing countries' tertiary sector, unprecedentedly high for the level of the productive forces which has been attained, is frequently associated also with a significant increase in the capital-intensiveness of modern production. But an unfounded

conclusion as to its inordinate inflation is drawn here. The groundlessness of this conclusion ensues if only from the fact that the extent of the per capita production (and consumption) of services is determined, for all that, not by the strength of the manpower employed in this sphere but by the structure of effective demand.

In terms of its functions the service sphere is considerably less homogeneous here than in the developed states. It is a motley conglomerate of various types of economic activity, which, like the primary and secondary sectors of the economy, is further divided into modern, traditional and intermediate or transitional types. The main thing is that the socioeconomic patchiness of services should not overshadow their active and, in tendency, evidently growing, role in the modernization of local society. For more detail see S. Zhukov, "Services and Economic Growth in the Developing Countries" (MEMO No 4, 1988).

5. K. Marx and F. Engels, "Works," vol 23, p 383.

6. See "Traditional Structures and Economic Growth in India," Moscow, 1984, p 246.

7. Although pre-industrial productive forces and their characteristic forms of the social organization of labor are considered the main indication of the informal sector, for simplicity's sake the enterprises constituting it are usually determined by number of employees. In the majority of cases it is customary to attribute to this sector enterprises with up to 5 employees, more rarely, up to 10. This criterion has, until recently, in any event, very likely worked more, it is true, with respect to industry than services. However, at the present stage of the S&T revolution, which is affording tremendous additional opportunities for the development of small-scale production, the situation is changing. A different, more dependable criterion for ascertainment of the informal sector or its division into two subsectors incorporating technically primitive and entirely modern processes is obviously essential.

8. In accordance with the ILO concept, also pertaining to the partially employed is the part of the gainfully employed population whose income, even given a full work day, does not as a consequence of exceedingly low productivity ensure the official minimum wage. It should be borne in mind also that owing to differences in the source base of the estimates the data on the sectoral employment structure of Table 3 do not fully coincide with the indicators of Table 1.

9. H. Schmitz, "Manufacturing in the Backyard. Case Study on Accumulation and Employment in Small-Scale Brazilian Industry," Totowa, 1982, p 11.

10. Calculated from "Income Distribution in Latin America," United Nations ECLA, New York, 1971, pp 27, 37, 136; LATIN AMERICAN RESEARCH REVIEW No 2, 1983, pp 20-21.

11. Calculated from CEPAL REVIEW, United Nations ECLA, Santiago, Chile, December 1984, p 105; LATIN AMERICAN RESEARCH (sic) No 2, 1983, pp 20-21.

12. See A.P. Kolontayev, "Dynamics and Structure of Employment of the Indian Population," Moscow, 1983, p 176; "Indian Economy. Sectoral Analysis," Moscow, 1980, pp 303-304.

13. Estimated from "National Accounts Statistics of India, 1976," New Delhi, pp 38-39; "...1978," pp 132-133; "...1980," p 34.

14. Estimated from "Prospects for Industrial Development and for a Capital Goods Industry in Indonesia," vol II, UNIDO/IS. 479/Add. 1. 20 July 1984, p 81.

15. A.B. JACARTA, 23 April 1982.

16. Estimated from "Anuario Estadístico do Brazil. 1964," Rio de Janeiro, p 85; "...1981," p 359.

17. See "Traditional Structures and Economic Growth in India," pp 199-213.

18. See "The Developing Countries: Economic Growth and Social Progress," Moscow, 1983, pp 379-380.

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**FRG's Vogel on SPD Foreign Policy Philosophy**  
*18160011z Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 88 pp 33-39*

[Article by H-J. Vogel, Chairman of the Social Democratic Party of Germany: "The Foreign Policy Philosophy of the SPD"; Dr H-J Vogel presented this article on 13 May as a report in the USSR Academy of Sciences Institute of World Economics and International Relations]

[Text]

## I

Since my last visit to Moscow in 1984 a profound process of renewal and transformation has started in the Soviet Union, and the Russian word "perestroyka" has been added to the German language to describe this process.

My party and many people in the FRG are following this process with great interest and sympathy. We wish success in this policy because it moves to the advantage

of people in the Soviet Union. At the same time we are convinced that its success will also be in our interests and even the interests of Europe and of all peoples.

The policy of perestroika is being combined with the aspiration for "glasnost." This policy also talks of "democratization." With regard to its foreign policy aspect it is promoting a deeper recognition of the interdependence of East and West and of the industrial countries and the developing countries, and also of the interdependence of all mankind as such.

This policy has led to a situation in which the Soviet Union has agreed to comprehensive measures of verification and monitoring within the framework of disarmament agreements, and also to a more positive assessment by the Soviet Union of the fundamental interests and goals of the small and medium-sized states in Europe.

Whoever recognizes the global nature of many problems and who talks about the tasks facing mankind must try to resolve them through cooperation and peaceful settlement of conflict situations. Our common home that is Europe can become comfortable for all of us only when respect is given to the diversity of all its inhabitants in the field of culture, politics and economics, and when the staircases and corridors of that home are open to all those living in it.

Europe needs a new form of pluralism and tolerance. The latter is based not on indifference or apathy but on loyalty to one's own principles—the same loyalty that rejects dogmatism and the habit of using the stereotypical "image of the enemy."

In order to build a peaceful future that brings joy to all the peoples and countries of Europe and a desire to live in it, it is necessary to have the opportunity to conduct within each system an open debate about successes and failures and advantages and disadvantages.

Both Stalinism and the political concepts with which the West responded to it were concepts of antagonism, not pluralism. Sociopolitical tolerance was alien to them because at that time it was considered a sign of weakness. In reality, however, tolerance and the sanguinity stemming from it are signs of confidence in oneself, a sign of strength.

Europe must now learn a new, dynamic form of pluralism—after decades of being accustomed to the status quo of antagonism. Following demolition of the "image of the enemy" and the elimination of antagonisms, peaceful competition between the systems must begin. We are moving swiftly toward a competition between our systems that would free their internal dynamism from dogmatic paths and provide an opportunity to develop the creative reformist forces within the two societies. It is along this path that we would like to achieve qualitative improvement in both systems by

means of reform. This constructive competition is also the goal of the joint document issued by the Social Democratic Party of Germany [SPD] and the Socialist Unity Party of Germany [SED] entitled "The Clash of Ideologies and Common Security."

Our "yes" to the principle of interdependence is not the same as agreement with the theories of sociopolitical convergence of the systems. Europe should adopt the pluralism of different systems and learn to use it. This kind of pluralism can become a creative sociopolitical and peace-asserting element of future European constitutional reality. The Final Act of the Conference on Security and Cooperation Europe has already formulated important elements of its constitution and future peaceful legal order. The relaxation of tension is the path of reform, leading to realization of this peaceful legal order.

In the sociopolitical aspect also, the dogmatic polemic between the systems needs amendment, giving due consideration to reality as it is.

Relative to the social demands of the workers' movement and in the matter of integrating its achievements into its system, capitalism has shown itself to be much more flexible than was foretold by most of its Marxist critics. On the other hand, socialism in the East European states could with the passage of time prove to be significantly more flexible toward democratization trends than many of the critics of Marxism-Leninism have up to now been suggesting. Meanwhile, there is now not only one variety of real, existing socialism but an increasingly broad spectrum of different forms. The broad spectrum of different social orders under capitalism corresponds to this—from the military dictatorships on the South American model to the highly developed democracy of the Kingdom of Sweden.

Different sociopolitical goals and competing social systems will also exist within the framework of a broad European peaceful legal order. But the differences and the competition will be combined with common interests that go beyond the confines of the systems. Priority will be given to new issues that the present ideologies are incapable of responding to satisfactorily. The clash of ideologies will not cease but it will be "trumped" by new problems and attempts to resolve them. Antagonism between the systems will not culminate in the triumph of one of them, nor in convergence. But out of the antagonism that has existed up to now there may arise a qualitatively new pluralism between different social systems.

## II

Whoever wants to overcome at some time the division of Europe should already today be building new bridges between East and West. Stability in their relations is not only a means but a goal of policy. It is the prerequisite for peaceful changes. The bridges must be solid, so that they

can be crossed without risk. Through their intensity and duration, stable relations might improve the very quality of those relations and promote the elimination from both sides of ideas about mutual threat and the "image of the enemy." A policy that gives due consideration to mutual interests requires maximum cooperation in the political, economic, scientific and technical and cultural spheres and the minimum military potential capable of guaranteeing adequate defense capability. It is precisely here that quantity may become quality.

Until there is a non-coercive peaceful legal order, a peace policy requires a security policy that rests on military strength. The kind of security policy that is oriented on the principles that we have formulated: common responsibility, defensive adequacy, and the inability to attack.

The SPD favors FRG membership in NATO. We believe that this is essential for considerations of military-political stability in Europe. Given the existing military-political conditions in Europe, only the FRG's membership in NATO is capable of guaranteeing for our country an adequate defense capability. As we make our proposals, together with other social democratic parties we are trying to convince NATO in general of the need to move on to the second phase of a policy of detente. We advocate a reform of military doctrines that would preserve an adequate defense capability for the two alliances but would at the same time make them structurally incapable of launching an attack—particularly a surprise attack—and of attacking in depth into enemy territory.

The task for military-political cooperation among the countries of West Europe is to guarantee military stability with less military involvement by the United States. Success in resolving this task can not only improve West Europe's political position vis-a-vis the countries of East Europe and promote its self-assertion vis-a-vis the world's leading powers. In the opinion of the SPD, cooperation between the countries of West Europe should also stimulate a deepening of the all-European policy of detente. Simultaneous cooperation between the countries of West Europe within the EEC and the West European Union on the one hand, and within the framework of the Conference of Security and Cooperation in Europe, on the other, shows how in foreign policy and in security policy the process of West European unity can be combined with all-European prospects. We welcome the fact that the Soviet Union is displaying to an increasing degree a constructive and positive attitude toward the European alliance. For our part, we are making efforts to insure that these West European institutions also play a more active part in all-European cooperation.

### III

Europe stands on the threshold of nuclear disarmament. Right from the start, without any kind of stipulations or restrictions, the SPD has supported the conclusion of an agreement to eliminate U.S. and Soviet medium-range

and short-range land-based missiles, and it has welcomed the signing of this agreement as a triumph of reason that offers a basis for greater hopes since a gap has been breached on a decisive sector of the arms race. When in Washington in March I expressed appreciation to leading figures in the United States and the Soviet Union thanks to whom this agreement was concluded. The appreciation that I express again here also relates to those political forces in both alliances that made efforts to guarantee fair consideration of the interests of both of the sides.

We social democrats are focusing attention primarily on the political and psychological importance of this agreement. Instead of fear we now have hope. For the first time the world powers have reached a mutual understanding that peace becomes more stable thanks not to the increasing stockpiling of weapons but their elimination. And at the same time they have agreed on verification procedures that have no equal in terms of scope and accuracy.

This is only the first step. We do not want to rest on our laurels, and we cannot do so. We favor a spread of the process of nuclear disarmament to missiles with a range of less than 500 kilometers. We advocate just as actively the achievement of success in negotiations to reduce conventional weapons and to impose a total ban on chemical weapons. However, continuation of the process of nuclear disarmament should not be made dependent upon results from future negotiations on reducing the potential of conventional weapons in Europe, on which there is still no agreement on their initiation.

Dialogue and cooperation between the United States and the USSR is of central significance for us social democrats. Only along this road is it possible to achieve success giving due and proper consideration to the interests of East and West, and the progress that we, the Germans, need much more than others in order to achieve a gradual weakening and ultimate elimination of the contradictions dividing our continent. Only in this way is it possible to achieve a situation in which the borders between the alliances and the two German states become permeable. Of late, cooperation has also become possible where up to now there was only confrontation. One example might be the agreement on the withdrawal of Soviet troops from Afghanistan. Other explosive regions of the world also need similar forms of cooperation. For example, the Persian Gulf region and the Near East, and also Southern Africa.

### IV

The SPD has long advocated a radical reduction in strategic nuclear arms. We hope that the talks on this issue can soon culminate in the signing of an agreement. We know that there are certain difficulties in attitudes toward verification measures within the framework of such an agreement. We are also aware of the problems connected with military activity in space and its bearing

on the ABM Treaty. But we believe that reasonable decisions will be found. The bench mark here should be what President Reagan and General Secretary Gorbachev agreed during their meeting in November 1985, namely, to make an end to the arms race on Earth and prevent it in space.

V

Like the FRG government, the SPD demands the conclusion of an agreement on the total elimination of chemical weapons, this year if possible. If the signing of this agreement is delayed then a first step in this direction could be the concept of creating a chemical-weapon-free zone in Europe, worked out by us during the course of negotiations with the GDR leadership. Within that zone verification measures as discussed in Geneva could be implemented. In any event, we shall repeatedly raise the issue for discussion in our alliance.

VI

Achieving stability in conventional weapons, from the Atlantic to the Urals, is now of decisive importance in guaranteeing the peace. A reorganization and reduction of conventional armed forces is essential in order to maintain defense capability at a possibly lower level, making both sides incapable of surprise attack or attack in depth into enemy territory.

Even at the party congress 1986 in in Nuremberg we announced the following: "We appeal to the Warsaw Pact countries to make their contribution to joint security. To this end they should first and foremost abandon their strategy of forward defense. We note that the dispositioning of Soviet short-range missiles in the GDR and Czechoslovakia has increased the threat and that the military significance of this measure is at variance with the Soviet Union's statement on non-first-use of nuclear weapons. The Warsaw Pact countries should also limit defense strategy on the forward borders of their own territory. Their armed forces should relinquish their ability to attack in depth into enemy territory and alter the doctrine according to which defense should be made on West German territory."

We are following with special attention the political debate on security issues being conducted in the Soviet Union and we hear an increasing number of voices supporting such change in the structure of the armed forces. We know that corresponding changes should also be made by NATO. A reduction in the Soviet superiority in tanks would certainly be welcomed—and not just in the FRG—as a practical expression of the new thinking in Soviet security policy.

VII

We also insist on a gradual reduction in tactical nuclear weapons in both East and West. Our ultimate goal is to eliminate them totally. We believe that this goal can be

reached in combination with progress in guaranteeing stability in conventional arms. The creation of a nuclear-free corridor in line with the proposal drawn up jointly with the GDR leadership and with which the government of Czechoslovakia has associated itself, could be an intermediate step toward the zero option in this field and simultaneously a measure promoting the creation of an atmosphere of trust and detente.

We proceed from the premise that the talks being held in Vienna among the 23 states will be prolonged and complicated, but here too there is cause for hope. The approach that has now been chosen is better than the one used in the talks on mutual reductions of armed forces and arms in Central Europe. It offers an opportunity to include the specific problems of Central Europe in all-European interdependence. Moreover, these talks are aimed at achieving not a numerical balance in armed forces but rather greater stability and reductions in armed forces and arms that could lead to change in the structure of armed forces and options in military decisionmaking.

If all the states that are to take part in the talks on guaranteeing stability in Europe in the field of conventional weapons would publish detailed figures on their own armed forces and their structure, this could help the process of strengthening mutual trust. However, the start of concrete negotiations should not be made dependent upon this or on new debates about the initial figures.

We have spoken out against those in our country who have heaped up in every way possible one obstacle after another on the road to the dual zero option in the field of medium-range and short-range missiles, suggesting that this will harm our security. Now, after the signing of the INF Treaty, we advocate a third zero option, namely for short-range land-based missile systems (with a range of less than 500 kilometers). Negotiations on this should be initiated as soon as possible. The more nuclear weapons are dismantled, the greater the importance that stability in the field of conventional weapons in Europe will acquire. But we do not want to postpone the further course of the process of nuclear disarmament in Europe until negotiations have been completed on reductions in conventional weapons. We therefore appeal to East and West not to take any steps now to modernize short-range nuclear systems. We would welcome it if the Soviet Union would now unilaterally reduce its superiority in short-range land-based systems.

Even if thanks to this third zero option all remaining U.S. and Soviet land-based systems were sometime in the future removed from Europe (this goal can most probably be reached only if we come closer to total stability in the field of conventional weapons), then it would still not be possible to talk about a Europe free from nuclear weapons. For even in that case both sides would still retain sea-launched and air-launched systems, and moreover the French and British systems would still

be retained. Even after a 50-percent reduction in strategic nuclear systems there would still be enough to satisfy those who advocate the retention of a minimum deterrence potential. We are against using the imaginary danger of further nuclear disarmament as a political lever to block resolution of very important tasks in achieving stability in the field of conventional weapons or to slow down progress in questions of nuclear disarmament.

None of this in any way changes the fact that our ultimate goal remains ridding Europe of nuclear weapons.

### VIII

In all these matters it is ultimately a question of something bigger even than just disarmament. It is a question of the following: that thanks to the positive changes taking place in both world powers, for the first time since the war there has appeared a political chance of moving away from positions whose consequence has been the creation and increasing buildup of the military potential, primarily in Central Europe. During the course of talks between governments, and also conversations between representatives of the working group of the SPD faction in the Bundestag with representatives of the political leadership of your country we want to clarify whether these present proposals can lead to concrete changes, and if so, to what extent? It is our firm conviction that given this we can significantly raise the level of security on our continent and correspondingly reduce the risk for all participating parties, including for the two world powers.

In this connection one final question arises: what steps can be taken jointly by the USSR and the FRG to create a European legal order worthy of the name?

Breakthroughs can and must be made in the disarmament field. However, disarmament must always be considered within the context of security policy and foreign policy. Through disarmament we may today achieve what it was unfortunately not possible to achieve during the first phase of political detente; because the arms race has continued.

It is becoming increasingly obvious that the Final Act of the Helsinki Conference with its three comprehensively balanced "baskets" pointed the right way. We need successes in all fields and an agreed way to act. We need more intensive cooperation that goes beyond the confines of social systems—cooperation that overcomes the walls of state borders and the walls of prejudice and thus makes possible constructive competition between the systems for the good of people and the realization of social and individual human rights.

Europe's problems in the sphere of security policy, economics and the ecology, human rights and culture can be resolved only in an atmosphere of trust and readiness to cooperate.

The four-power agreement is a good example of the positive effect of a fair policy that gives due consideration to the interests of all parties as the result of the first phase of the policy of detente. The inclusion of Berlin (here and hereinafter what is meant is West Berlin—editor) in the policy of detente has met the desire of that city's population and also the interests of all Europeans in the matter of eliminating crises and the danger of war. Berlin should also be included in the second phase of the policy of detente. We hope for and are striving for a situation in which Berlin becomes a positive symbol of the policy of detente, a symbol of the mutual interest in expanding and deepening East-West cooperation.

### IX

We support the Soviet Union's desire to expand business ties with the EEC countries. The many years of trade relations with West European partners have today created a certain basis for trust. This trust should be used both to deepen economic ties qualitatively and expand them quantitatively.

The interlacing of interests, leading to interdependence, can guarantee mutually advantageous economic cooperation between East and West that does not depend on some political conjuncture but is underpinned legally by a network of long-term contracts and agreements. This concept is not only in line with the political aims of the SPD but also the economic interests of both our countries. The intensification of East-West economic relations and expansion of the ties between them in the field of technology can and must exert a positive effect in the sphere of cultural and humanitarian cooperation. We hope that we shall soon manage to conclude an agreement on principles for cooperation between CEMA and the EEC so that no formal obstacles will remain against the expansion of ties between all the East European states and the EEC. This document should also contain an appropriate formulation on Berlin.

### X

The Chernobyl catastrophe showed all the European states that national states are no longer able to prevent the spread of the consequences of damage to the environment from their territory to the territory of other countries, or effectively to protect their own territory against the adverse effects of this kind of damage. Environmental problems testify—like, incidentally, security problems—to the growing inability of states to resolve these questions on their own.

In both the Soviet Union and the FRG ecological issues were until recently subordinated to an unshakable faith in progress. This situation is now changing, both with us and with you. During the debate on our new party program we are trying to provide a qualitatively new definition for the concept of progress.

In the Soviet Union, too, the range of ecological problems is now being actively discussed under the sign of glasnost, and both here and in the FRG initiative groups are playing an increasing role.

The USSR has expressed an interest in exchanging experience and knowledge in the sphere of modern environmental protection technology. To a greater degree than previously the Soviet Union is prepared to conclude international agreements on environmental protection and on broad cooperation in ecological questions. We would like to take advantage of this opportunity, the more so since in the matter of cooperation in environmental protection the interests of both parties coincide as in no other sphere. The SPD wants to continue the dialogue initiated with you on ecological issues.

We must proceed from the territorial status quo in Europe since this is a political prerequisite for the preservation of peace. However, on the political plane Europe should not stagnate in the status quo. More intensive East-West cooperation will improve the security of all peoples and create more favorable conditions for greater freedom and social justice. It will make it possible for people to breathe freely and will fill them with hope. And this is the best thing that politics can do.

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### 'Bureaucratic' Restrictions Strangling Independent Labor

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[Article by Yuriy Alekseyevich Vasilchuk, doctor of philosophical sciences, head of a department of the USSR Academy of Sciences IMEMO: "Joint Labor and Socialism"]

[Text] *"If economic indicators of growth are purged of these factors (the high price of oil and revenue from mass alcoholism—Yu.V.), it transpires that we have had no increase in the absolute growth of national income for practically four 5-year plans, and it had begun to decline even at the start of the 1980s. Such is the real picture, comrades!"*

(M.S. Gorbachev)

The slogans "The Plants to the Workers!" "The Land to the Peasants!" "All Power to the Soviets!" advanced by October were not only propaganda ideas comprehensible to people. **They were the actual, principal goals of the socialist revolution**, its living soul and true purpose. Behind them was the awakening of tens of millions of people as **independent and responsible** creators of the historical process. It was this "human factor" which

secured for socialism the advantage in growth rate (just as it forged the victory over fascism), despite all the absurdities and "discrepancies" and incompetence of most important economic decisions.

The years of the personality cult and administrative economics turned these masses of people into passive "manpower," separated them once again in fact from ownership of the plants and the land and from power in society and engendered as a result a stagnant economy, mass indifference, lack of enterprise and apathy and cynicism and corruption. As a result the ministries and departments responsible for satisfying the population's need for food, consumer goods, products and services with high consumer properties and accommodation proved incapable of performing their duties. For four 5-year plans now the useful product which we have manufactured has been growing purely "statistically" (without regard for the quality of the commodities forming our national income and the cost-to-produce methods of the formation of their "value," without regard for the necrosis of the "increase" in national income in above-quota stocks, passed construction deadlines and so forth).

Is there potential with us for restoring the dynamism of the economy? The average hourly productivity of cooperative workers operating independently is 2-2.5 times higher than at state enterprises of such a type. Supervision is unnecessary, accounting is simpler and better consideration is given to the requirements of the customer and client. Given the leasing contract, which is close to joint labor, the gain in productivity constitutes 30-40 percent on average. The additional labor resources of the family are enlisted in production, and far better use is made of the land and other resources.<sup>1</sup> In neither case is it necessary to make ruinous new hundred billion ruble investments or raise the price of products. It is necessary simply not to prevent people working. This is what people's initiative, their feeling of "I am the proprietor" and the substitution of economic management methods for bureaucratic ones do in the economy!

The "Joint Labor in the USSR" Act (together with the State Enterprise and Individual Labor Activity acts) is designed to create the conditions for this new phase of the development of our society and for restoration of the advantages of socialism. The CPSU Central Committee offered for discussion a truly innovative draft of this act containing many provisions of vital importance for the development of joint labor. A draft which differed fundamentally from the version drawn up in 1987 by the USSR Justice Ministry. At the end of 1987 Soviet scholars convincingly criticized the USSR Justice Ministry's attempt to preserve in the new act the position, lacking legal rights, of the cooperative workers guided and watched over by various authorities. Thus at a USSR Academy of Sciences Scientific Council session chaired by Academician A. Aganbegyan specialists of various organizations called attention to the harmfulness of the articles concerning obligatory supplies and plan

quotas for the cooperatives and the "recommendations" concerning members' pay and income distribution, the bureaucratic procedures "authorizing" and prohibiting cooperatives holding back development of the competitive mechanism and the need for the development of higher, joint-stock forms of joint labor: associations and cooperative banks. Central questions of legal and ideological backing for the cooperative movement and so forth were put squarely.

The new draft took account of what was most important—it protects in manifold fashion and in different spheres and on different issues the self-sufficiency and independence of joint labor and affirms its socialist character and equality in the system of the socialist economy. "The basis, the core, it may be said, of the new document is recognition of the cooperative sector as an equal component of the country's single national economic complex," M.S. Gorbachev emphasized.<sup>2</sup> This lays the foundation for its general development and for mobilization of our economy's huge growth potential. Of course, as in any major law, it also contains contradictory provisions and "reservations," which could be used by zealous administrators to impede the development of joint labor.<sup>3</sup>

M.S. Gorbachev's speech at the kolkhoz members' congress and a number of important scholars and field experts expressed in the course of discussion of the bill entirely new theoretical propositions and specific proposals requiring a restructuring of both our thinking and our practice. I would like to dwell on some of these questions.

#### **Essence and Main Condition of the Development of Mass Cooperation**

In all countries families of working people are engaged in a difficult daily struggle to establish a "start in life" for their children—the world's new generation—and ensure that they live their life honestly and carry this baton forward into the future. It is for this reason that hundreds of millions of people are united today in cooperatives, combining their work time, knowhow and gifts, depriving themselves of free time and venturing their savings and plots of land. This is the most important and fundamental point determining the essence of the cooperatives and the invariability of the policy of complete support for the cooperatives by the communists and other progressive forces of all countries: joint labor serves directly to satisfy the working masses' vital needs in the sphere of appropriation. The other two features of joint labor (in the production sphere) intensify its progressive nature even more. It is not just a question of the production process assuming a collective form. What is more important is that it is organized, managed and controlled by a group of voluntarily amalgamated people itself and is their creation and a democratic form of their free activity. The creativity of the masses cannot be replaced by directives, even the soundest, M.S. Gorbachev emphasizes, calling attention to the importance of

the labor collectives' initiative and spontaneous activity. Third and finally, the product of this labor becomes the property of the working people themselves and is distributed by them as the proprietors on the basis of current legislation and contract relations between them.

To sum up these main, "ideal" features of joint labor directly serving to satisfy the working people's vital interests both in the sphere of production and in the sphere of appropriation (which are at times deformed under capitalist conditions), it is from here that the conclusion concerning its directly social, socialist nature ensues. Of course, joint labor reveals its socialist content fully in socialist countries.<sup>4</sup>

K. Marx saw the joint labor of the workers themselves as the positive, that is, substantive, abolition of the capitalist mode of production "within the confines of the capitalist mode of production itself," a breach in the old form of production and a point of transition to the new form of production.<sup>5</sup> The entire difficulty of comprehending this question amounts to the fact that this breach is made by the **individual ownership** of the working people.

The voluntary nature of joint labor (and violation of the voluntariness principle is a criminal offense under capitalist conditions) means that the ownership of the cooperative voluntarily "takes shape" from the bulk of individual ownership and under certain conditions once again "disintegrates" into individual ownership, exposing it as both its basis and a "cell" thereof.

"...Capitalist production engenders with the necessity of a natural process its own negation," K. Marx wrote. "...It restores not private ownership but individual ownership based on the achievements of the capitalist era: based on joint labor and common possession of the land and the means of production produced by labor itself."<sup>6</sup>

Contemporary cooperative ownership is public ownership whose basis is individual ownership and **which serves this individual ownership**: otherwise the cooperative itself "falls apart". Each working person here subordinates himself to common interests only when the interests of this **each** are provided for. And only as a result of this are the interests of **all** provided for (to the extent that this is possible while still within a capitalist framework). For this reason for an understanding of the essence and dialectics of public cooperative ownership it is essential to see the basis thereof—the contemporary individual ownership of the family and the individual labor activity (ILA) arising on the base thereof.

The family's individual ownership functions under the conditions of the S&T revolution primarily in the form of an increasingly complex household possessing costly accommodation packed with intricate home appliances, electronics and individual transport and using a wide range of convenience foods and services and ensuring the general amenity situation necessary for the reproduction



of complex, active and efficient manpower and a mass of resourceful and enterprising people capable of changing the character and essence of production processes. Only given the presence of such a "human factor" is it possible to secure a culture of production and quality of products and services corresponding to world standards, that is, to secure the development of the S&T revolution.

The household today is a most capital-intensive, energy-consuming and science-intensive sphere of social production, and an unprofitable, "loss-making" sphere for the work individual himself, what is more. Under the conditions of present-day capitalism this is also the most labor-intensive sphere of human activity adding 40-50 percent to the official national income recorded by statistics. And the economic position of the working class today cannot be understood without regard for the quantity and quality of this intra-family labor and the requirements born of it.

The insufficiency of monetary income for catering for the new requirements of family development is today engendering an expansion of commodity production in the families themselves—an expansion of individual labor activity. ILA is the independent economic activity and production and commercial **spontaneous initiative of the able-bodied population** aimed at the production and sale of commodities or services to obtain earned income within the framework of current legislation. The latent or manifest commodity-money form of this activity of the direct producer distinguishes it both from noncommodity activity within the home and from paid labor in the sphere of the cooperative and state sectors.

ILA today forms the main, most general part of the rapidly growing informal sector of the economy.<sup>8</sup> Thus approximately 80 percent of families in the United States were in 1981 engaged in this form of activity or the other in the informal sector, and the scale thereof was most appreciable, what is more, in families with a high income level (and new requirements!). According to the estimates of U.S. economists, in 1976 the informal economy was producing an additional 22 percent of GNP, and in 1978, 33 percent. Even if the growth of its relative significance has slowed in the 1980s (which has to be proven), even so this indicator was in 1988 appreciably in excess of 40 percent of official GNP. If we were to formulate the results of intra-family and individual labor activity not recorded today by statistics, under the conditions of the S&T revolution this would already be almost the same value as national income. Such is the scale merely of unrecorded economic activity directly engendering individual ownership and, consequently, possibilities of the mass development on the basis thereof of public ownership—joint labor. This process of the mass conversion of ILA into joint labor usually undergoes a number of phases.

**Casual ILA**, when services offered and some work performed by an enterprising worker is of an episodic, irregular and even unpredictable nature (the episodic

transportation of companions, casual repairs, various assistance and mutual assistance in looking after the sick or children and so forth). The requirement for registration of such ILA is not complied with, as a rule, and has a number of negative consequences (limits people's possibilities of obtaining services and earnings, creates the population's tolerant attitude toward law-breaking and puts casual earned income on the same footing as illegal income).

**Regular ILA in time away from one's main job** means, as a rule, a huge increase in the work load and a loss of free time brought about usually by the inadequacy of basic earnings for catering for the family's needs. The workman has in his main job already met his economic obligations to society and is at liberty to dispose of his private time, spending it in a form useful to the family and society. This free, additional labor merits particular recognition and support on the part of the state and society. Simplified registration and assistance to and constant popularization of such ILA should serve this end. The economic efficiency of regular ILA in the USSR is manifested, for example, in the fact that the 3 percent approximately of agricultural land which is used produces almost one-third of union production of agricultural crops. The new "USSR Individual Labor Activity Act" has authorized this form of ILA in 30 types of crafts and services. However, the necessity of the annual renewal of permission to engage in ILA and difficulties involving raw material and sales are limiting the development of this sector, breaking up the competitive mechanism and frequently creating for "select" workmen a monopoly position.

In bourgeois society the registration of such ILA serves merely to tax some of this earned income, and not to assist it.

**Permanent ILA as the principal occupation** providing the family's basic steady income is fundamentally different from regular ILA. What happens here is the working people's free, independent, economically expedient use of work time itself in the interests of securing earned income satisfying the family's requirements.

In the 1960s-1970s the S&T revolution appreciably reorganized this mass individual labor activity. Earlier, back at the start of the century, the latter had been organized predominantly on the basis of fundamental petty capital (or on one's own land) and was based on knowhow and skills which had been acquired in purely empirical manner. Such ILA was performed predominantly in the oldest, most traditional sectors experiencing economic difficulties. The cooperatives which grew from it existed as a means of surviving and breaking out of dire want thanks to joint, frequently almost penal, labor.

The new ILA in the 1980s is organized predominantly on the basis of the extensive information and S&T and liberal arts knowledge of the workman, his artistic taste

and understanding of what is beautiful and the laws of fashion and his general culture in dealings with a consumer and client and attention to the opinion of the client and public interests. Its development in new, dynamic spheres (repair of new home appliances, electronics and automobiles, invention, the health care and education spheres and so forth) is facilitating the transfer thither of the necessary volume of labor resources, eliminating commodity shortages and putting an end to the race in prices. Many cultural achievements, S&T discoveries and entire sectors of production sprang to life as a result of this type of ILA. Individual labor ownership close in terms of its reproduction role to the ownership of the worker family and distinguished by the surmounting (often incomplete) of capitalist exploitation while still within a capitalist framework is coming increasingly often to replace self-growing petty capital here. Such ILA is "by tradition" of the 1930s not permitted with us. However, public associations of ILA workmen with their party cells, production pacesetters, competition, exchange of experience and so forth have even been created here in a number of socialist countries.

**Associated ILA**, that is, joint labor, grows out of permanent ILA as a result of the economic expediency of the joint sale of products of provision with raw material, a need to expand the work front, the joint work of specialists of different fields, the cooperation of permanent and temporary workmen, specialists and manual laborers and so forth.<sup>9</sup>

This vital connection of joint labor with individual and intra-family labor activity is revealed particularly clearly in respect of a number of specific types of joint labor. These include the consumers' cooperatives designed to ensure a selection and the quality of the commodities which families need, the housing cooperative accelerating the solution of this most acute social problem, the dacha-orchard cooperative, without which it is difficult today to solve the problem of the necessary recreation of a family with children and so forth. It is becoming obvious that joint labor could be and is intended to be a means of solving not only large-scale **economic** problems of the socialist society but also its most important **social** and at the same time **political** problems associated with the task of direct satisfaction of the constantly growing requirements of the family of the working man.

The high-volume nature of free joint labor is usually constructed on the basis of the mass development of its economic cell—individual ownership—thanks to the voluntary approach and the possibility for it of "releasing itself" from one association, existing in the form of ILA and subsequently joining another and a third association more in keeping with the interests of the family and the workman and the interests of the rapid development of the working individual as the main productive force and creator of the S&T revolution. Such, in K. Marx's words, control of associated individuals over their aggregate production is fundamentally different both from the spontaneous domination over

them of exchange value, money and capital and their "plan-oriented" distribution by sector, sphere and type of activity by a decision "from above". The barriers in the way of the development of permanent ILA not only "desiccate" the environment in which joint labor develops but also create a disastrous compulsion syndrome. The difficult start of our cooperative movement in 1986-1988 has been associated not only with the stressful condition and underdevelopment of intra-family and individual labor activity, the tremendous hassles of everyday life, the lines and the daily transport journeys eating up people's free time and strength and so forth. No less a part has been played up to now by various rules of law and economic measures which have taken shape over decades of the "curtailment" of ILA and the arbitrary limitation of the income of independent workmen and cooperative workers and charges of money-grubbing.

The Joint Labor Act, which differs so strikingly from its first draft prepared by the Justice Ministry, has still not been enacted but on 14 March 1988 (simultaneously with the publication of N. Andreyeva's article) the Ministry of Finance sought the enactment of a USSR Supreme Soviet Presidium edict on a progressive taxation of the cooperative workers' income whereby, in the event of the closure of a wealthy cooperative, almost nine-tenths of the resources it had accumulated were to be confiscated in the form of tax. And the right to close down a cooperative was accorded by law the local authorities which would be the direct recipients of these tax resources. The Supreme Soviet usually automatically ratifies Presidium edicts. But on this occasion the nationwide discussion of the act led to the edict not being submitted for ratification. At the same time a USSR Supreme Soviet decree says: "The procedure and timeframe of the introduction of taxation per a progressive scale of the income of persons working in cooperatives will be determined by legislative instruments of the USSR," that is, by Supreme Soviet Presidium edicts.

"The contribution of our cooperatives is tens-hundreds of times less than in the European socialist countries," the USSR Council of Ministers Bureau for Social Development affirmed.<sup>10</sup> The blame here lies also with our economic science, which has completely ignored the real unity of intra-family, individual and cooperative activity in the process of development of the S&T revolution and their central significance for the growth rate of the economy and the development of socialism.<sup>11</sup>

#### **Economic Functions of the Working People's Cooperative Ownership<sup>12</sup>**

**Individual ownership** assuming the form of cooperative, public ownership secures for itself (that is, the given family collective) the right to participate in determination of work conditions and product distribution. The development of unified individual ownership (and not simply monetary wages under conditions of shortages) becomes thereby a measure of the quantity and quality

of labor performed by a family, that is, a **measure of man's development as the main productive force**. Of course, under joint-labor conditions differences in the value of this ownership (given a fair evaluation of the intensity and quality of labor) have to be incomparably greater than given the egalitarian distribution at the present time. Joint labor enables us to overcome wage-leveling—the main social injustice under socialist conditions. This is a consequence of the first function.

The real quality and completeness of a product or service today depend very strongly on the possibilities of the joint, collective work of "related" specialists, on the combination of the labor of the specialist and his assistants and his "team" (part of which the cooperative needs only temporarily), on joint sales, on joint provision with raw material and so forth. There grows on this basis joint labor of a new type, whose success no longer depends on people's hard labor and the pooling of land or petty capital but on the scientific knowhow and culture of its workmen. In connection with the nonequivalence of people's production role in the new collectives their organization is possible either on the basis of the nonequivalence of the shares and difference in the rights of its (sic) participants or on the basis of the cooperative's hiring of additional workmen. The cooperatives in the West usually employ both these necessary organizational-legal forms of relations between the workmen themselves overcoming wage-leveling and not engendering, up to a certain point, antidemocratism or exploitation.

Voluntary joint labor is, like no other form of collective labor, capable of awakening in the masses the feeling of proprietor, personal responsibility and personal interest and restoring labor morality and diligence forming the main moral principles and economic foundations of each dynamic society which had seemingly been lost forever by some people. It is no accident that problems of the introduction of economic accountability and the collective contract in our industry and the team and family contract in our agriculture are so pertinent today: we are mobilizing this great creative power of the cooperative and its economic and psychological "mechanisms" to strengthen the very foundations of our society and the principles of socialism in the state sector also.

The party's strategy in agriculture is to make the sovkhozes, like the kolkhozes also, "essentially association-cooperatives of financially autonomous contract collectives operating on the basis of the conclusion of contracts with the kolkhoz board and sovkhoz board of directors."<sup>13</sup> How revolutionary this formulation of the question is if today "the kolkhozes and sovkhozes are not afforded an opportunity to dispose of above-plan products and improve local supply."<sup>14</sup> Even above-plan.

The removal of wage-leveling will open the way to new goods and services and new technology and inventions, which today come up against a solid wall. Tremendous potential has been accumulated in our society even today

of creative intellectuals, researchers and specialists, inventors and organizers, people with a keen sense of what is beautiful and connoisseurs and creators of fashion, splendid handicrafts products and highly artistic works in hundreds of spheres of human labor. This medium annually gives birth to hundreds of thousands of inventions, surprise ideas and commodity samples which would embellish the life of any family and any society and enhance the culture and efficiency of our production. The main social injustice for these people is egalitarianism, not in their pay even but in the drabness and equalization of the very content of their activity and the infringement of the sphere of their creativity.

We all know of dozens of cases of these inventions, new machinery and mechanism models and masterpieces of craftsmen's and artistic labor not being put into production or reaching the population. And then many years later reaching us with the "made abroad" tag and paid for in foreign currency. A large-scale enterprise weighed down with orders, mandatory supplies and the need to use particular equipment, personnel or raw material "is in no hurry" to reorganize the work of its shops at the "request" of an inventor. What is most often needed in such cases is the creation of a new, relatively small, "flexible" group of enthusiasts with an opportunity to profit greatly (both morally and materially), but risking serious losses also. It is here that complete economic independence is needed, that joint labor is needed. It is not inappropriate to recall that even under capitalist conditions the giant laboratories and research centers belong to major companies and associations, but the bulk of inventions and innovations is produced by enthusiasts—the organizers of small outfits.

The "Joint Labor in the USSR" Act contains a whole number of articles stimulating the S&T and promotional activity of the cooperatives (articles 26, 28 and others). However, where are the guarantees that the member of a cooperative who is an inventor (just as the artist, modeler and other specialists) will receive in the cooperative effective remuneration for his labor in connection with some in any way serious economic result thereof? A new approach to the entire problem of evaluation of the results of intellectual and artistic work and the problem of "intellectual property" is essential.

**Released from cooperative relationships** in some spheres of production, individual property could be rapidly employed in other, more promising spheres of increased public or producer demand. This is no longer the forcible dismissal of a workman, as at a private or state-run enterprise, but the independent and responsible decision of the cooperative itself. Under the conditions of the free development of joint labor individual property is thereby a **means of the movement of material and financial resources and technical and other knowhow and abilities between spheres and sectors of economic activity** (second function).

The paralysis of this process of the movement of people and resources for the production of utilities most needed by society is manifested as "creeping shortages".<sup>15</sup> Even under the conditions of modern capitalism there is an acutely perceived need for the existence of joint labor and masses of individual workmen together with the giant private and state-owned corporations. It might have seemed that these corporations could do everything better and more cheaply, taking advantage of the superior features of larger-scale production. However, it is in the biggest corporations at the "intersections" with other companies and spheres that big "lacunae," changing rapidly in their commodity makeup, in diverse individualized mass demand have been growing in the 1970s-1980s. The big associations usually simply do not have the time to take these changes into consideration. And the production of small consignments does not for them even pay for itself. Joint labor (together with individual workmen and small private firms) efficiently caters for the production of this "venture sector" of the economy, which does not lend itself to planning (as in the sector of monopoly domination) or programming (as in the sector of large oligopoly associations).

Under our conditions the production and market areas of the economy, which cumbersome associations and ministries do not penetrate and where various shortages come about, are no longer simply "lacunae" but whole seas and oceans. They are a market and, by their very nature, unplanned sector of constantly changing demand in which individualized small-series production is essential. No incantations and decrees can withdraw it from our (as from any other) economy. It is important to see that these shortages not only give rise to profiteering, waiting in line and string-pulling, corrode public morality and so forth. A shortage of one commodity in the state sector pulls with it a shortage of another and then of yet another in the cooperative sector. It is in the state sector that popular commodities come to be "held onto" for exchange, stored and quota'd per the laws of a chain reaction. As a result the growing shortages undermine the entire plan-based management mechanism. The small business flexibly doing away with small-series shortages is lacking with us, and the utmost development of numerous cooperatives competing with one another would mean a struggle for preservation of the principles of the planned economy and against profiteering and lines and against shortages born not only of mismanagement in the state sector but also the impossibility of planning everything in advance.

The basis of our shortages and lines is the cardinal discrepancy between the current structure of employment and the requirements of development of the S&T revolution. If the process of industrialization meant the movement of more than one-third of the working population from agriculture into industry, the S&T revolution means the need for a movement of the same scale of workers into services forming the most dynamic part of the "venture sector". This is understandable inasmuch as the S&T revolution gives rise to a sharp growth of the

significance of the "human factor"—the cultured and knowledgeable workman. It is for the creation of this factor that 60-70 percent of people working in the most important economic centers of the West are employed today in "service work". This is fundamentally restructuring and "civilizing" the rest of the economy.

However, this "civilization of the economy" requires huge capital investments in the social and commercial infrastructure and means an inevitable loss of a substantial part of the personnel for industry. Joint labor facilitates the solution of both these problems: it relieves the budget to a considerable extent of additional appropriations for investments and reduces considerably the loss of personnel by industry in connection with the higher output in the cooperatives and the enlistment in the labor process of retirees, students, housewives and so forth. In addition, at the time of transition to full cost accounting and self-support many enterprises are inevitably discovering a superfluity of manpower. Its efficient and well-paid application may be secured by the working people themselves given an opportunity to unite in new cooperatives, given the removal of bureaucratic roadblocks.

The next function of individual property is the **accumulation of social wealth in the form of "human capital,"** the "human factor," the main productive force of society. Despite the big role here of services, the sole source of this process in any system are individual property itself and the family of the working individual, paying for all services (including free education and health care existing thanks to taxation). This third function is particularly important in the era of the S&T revolution.

It is estimated by American economists that the cost of the reproduction of a working individual (with 2 years of college education) constituted in 1982 even \$237,000 on average.<sup>16</sup> However, this amount includes, aside from material outlays, merely the spent earnings of the mothers of the families and not the entire "value added" and fails to take fully into consideration the housework of the husband and, what is most important, the routine daily labor of the young man himself and his long, increasingly complex work on himself. With regard for all this the estimate should be doubled, at a minimum. In addition, at the present time almost one-half of the youth undergoes a full course of higher education.

The baby boom generations of the first phase of the S&T revolution (the 1960s), when the birthrate exceeded 4 million a year, are now 25 years of age in the United States. Consequently, even granted annual outlays of \$400,000 each, the annual contingent of the population embarking upon its working life contains approximately \$1.6 trillion of accumulated human labor, which is hugely in excess of the scale of the gross accumulation of material wealth.<sup>17</sup>

At the same time a central proposition of our political economy of capitalism (and a central proposition of the corresponding textbooks) is, as before, the proposition of

the era of industrialization that the sole source of accumulation is surplus value. And this being the case, it transpires that the more that is confiscated from the individual ownership of the working people and transferred for investment to the banks and companies, the higher the rate of growth of the economy. And the unions, opposed to this, impede accumulation. It is in fact precisely the opposite, under the conditions of the S&T revolution the main source of the accumulation of social wealth is precisely the full-blooded functioning of individual ownership, on the basis of which ILA and cooperatives grow.

Of course, the development of this process under capitalist conditions becomes possible merely as the result of strenuous class struggle and in itself forms merely the main possibility of transition to a system of civilized cooperative workers and molds the civilized workman.

Under our conditions joint labor, having raised the income of families of working people to a level sufficient for the raising in the families of two children on average, is intended also to accomplish the following central task—formation of the new workman and consumer and transition to S&T revolution. The state sector is not as yet providing for such earnings at the present time.<sup>18</sup> Joint labor and ILA can and should accomplish this task of a growth of earnings to R500-800 a month without an increase in prices inasmuch as the increase in monetary earnings in this system is based not on an increase in the “paper” or overproduced product but on a real increase in the manufacture of competitive commodities, utilities readily purchased by the population.<sup>19</sup>

But the mass development of these spheres of activity to proportions comparable with the “venture sector” of Western countries, where 50-60 percent of persons employed works currently, is necessary for this.

#### **Economico-Legal Problems of the ‘System of Civilized Cooperative Workers’**

Earlier we examined two components essential for the formation of a “system of civilized cooperative workers”: 1) the development of individual ownership and formation of the civilized workman and 2) the mass development of enterprises belonging to the working people themselves. A third, economic-legal, element is the development of the **joint-stock form** of these cooperatives. “Capitalist joint-stock enterprises, like cooperative factories, should be seen as transitional forms from the capitalist production mode to the associated mode.” K. Marx wrote, “only in some the contrast (between labor and capital—Yu.V.) has been removed negatively, and in others, positively”<sup>20</sup> (that is, in the first case, in form only, but in the second, in terms of content). Under capitalist conditions the functioning of the means of production in the form of individual ownership and “conversion itself into the form of stock is still confined to a capitalist framework.”<sup>21</sup> With us the constraining

factor is the practice which emanated from war communism and which still flourishes of the direct command of both state enterprises and cooperatives. And the notion concerning this practice as a rule and advantage of socialism rejected the joint-stock form as “capitalist”. In fact this attitude toward the joint-stock form of the cooperatives was preserved in full in the 1987 Justice Ministry draft. In this connection the propositions of the report discussed at the Scientific Council meeting in the IMEMO (October 1987) emphasized: “2.11. The highest forms of joint labor are by no means its most simplified forms. On the contrary, the highest forms associated with the assimilation of new technology, realization of new ideas, knowhow and research efforts, the intelligent business venturing of one’s own resources and so forth require complex (and not simplified) monetary mutual relations both within joint labor and between it and the tax, financial and other authorities.”

Going on to substantiate the need for the joint-stock form in the propositions, the conclusion that the joint-labor bill drawn up by the ministry would block the development of its highest forms and the modernization of technology from its own resources was drawn. It is very gratifying that the “Joint Labor in the USSR” Act which has now been enacted incorporated basic provisions necessary for the development of joint-stock forms thereof. True, it is here that there is still a whole number of indefinite questions which lend themselves to a voluntarist interpretation and which make more difficult the movement of shares and the mobilization of the population’s resources. The civilizing significance of joint-stock forms of the accounting of production capital is also the fact that this is inseparably connected with the need for modernization of the entire credit-monetary system, restoration of the economic role of independent state and cooperative banks and interest as an indicator and stimulator of the efficiency of investments and economic activity and with an easing of the inflationary pressure of the population’s cash deposits and reserves.

Given the cooperative’s mobilization of its own resources (via the system of shares and stock), prudent and necessary risk means risk “of one’s own money,” and not of resources taken on credit from the state. Such management requires the right of rapid decision-making (without detailed coordination) in questions of pricing, raw material purchases, exchange of economic values, pay and so forth (with, of course, subsequent responsibility for the capital to shareholders and stockholders, and for wages, to the workmen and so forth).

At the same time the “Joint Labor in the USSR” Act requires the coordination of all such decisions with the general meeting, establishes the right for each step of the board and the chairman to be checked as many times as one wishes, and, furthermore, the cooperative’s economic losses entail its leaders’ liability **before the law** (don’t risk it!), big gains being punishable also (“unjust enrichment”). If in the course of things economic measures are necessitated in a sphere not stipulated in the

rules, the rules have to be reconfirmed in the ispolkom, otherwise, a threat of disbandment. Acquiring something or other in the store is possible only in respect of a list of commodities authorized by the ispolkom and so forth. The bill itself contained a palisade of restrictions on the cooperative workers' economic initiative creating the conditions for the administrative control of prices and the imposition of departmental quotas, agrarian-industrial committee official commissions, production plans and so forth.<sup>22</sup> They will inevitably be joined by new sets of instructions and decrees of the departments and local authorities "in the interests of the development of joint labor". Just look at such a notice-threat in ZDRAVNITSA KAVKAZA (January 1988):

"For You, Master Craftsmen!

"Locations for selling consumer goods manufactured by cooperatives and persons engaged in individual labor activity have been set up on the grounds of the market of the Goryachevodskiy community (the "Khlebozavod" stop) by the Markets Administration.

"Market hours: Saturdays and Sundays weekly from 8 am to 1 pm.

"Persons dealing in items at unauthorized points will lose their certificates and patents and will be liable to a fine."

Of course, the cooperative workers would quickly learn to get around all such prohibitions. Of course, the inspectors would quickly learn to uncover all such violations, threatening the cooperative workers with the loss of their certificates and patents and with liquidation. The ispolkom has the right to close down a successful cooperative and acquire almost 50 percent of its capital. The cooperative "may appeal" to the court or higher ispolkom. The amounts of the earnings of the cooperative workers (given their small size and preservation of monopoly position in the district) and the numerous inspectors (burdened with worries concerning the needs of their family) are probably approximately R800 and less than R200 respectively. Not the easiest situation for either side.<sup>23</sup> Measures of strict regulation not only fetter the cooperative workers' activity but create an atmosphere of instability and uncertainty as to the future of the cooperative. Whence the endeavor to "grab what one can" today, even at the expense of a violation of quality standards, high prices and the discontent of the consumers. Here are "civilized cooperative workers" for you! Even today bureaucratic restrictions are "cutting off" many honest people aspiring to individual or collective labor, thereby weakening competition in this sphere and creating "cooperative monopolists" and at the same time a basis for corruption of the administrative machinery.

But all parties (except for the consumer) could, seemingly, be content. The cooperative workers are not threatened by mass competition, the local soviets have

proceeds from the former's income, the Finance Ministry does not need to spend money on the social needs of the localities, enterprises and the State Committee for Labor and Social Questions are not threatened by an outflow of manpower,<sup>24</sup> the trade network has, as before, no competition (unless in the morning hours on Saturday and Sunday), the departments have someone to "use as a model" for price rises, the local authorities are no longer that responsible for inadequate supplies to the population (there is another culprit), the Gosstab preserves the system of the allocation and requisitioning of resources (just try, for example, repairing automobiles and electronics or making furniture if you have neither spares nor wood), the cooperative workers are monitored by constant inspections and so forth. A clear picture, seemingly, of one further dying attempt to civilize the economy (many cooperatives which are already "registered" are still inactive).

However, in practice the situation is totally different inasmuch as the cooperative act (together with the enterprise and ILA acts) really creates an opportunity for the long-urgent movement of one-fourth to one-third of employment into services. The era of shortages, lines and administrative arbitrariness cannot continue under the conditions of glasnost and democratization and under the conditions of the possibility of the transition to individual or cooperative activity with good income. The central issue under these conditions is the legal sphere and the effective guarantee of the cooperative workers' rights—**transition to the socialist state of the rule of law.**<sup>25</sup> Having been put on the agenda, legal reform must in fact inject the enacted legislation into the life of millions.

What is of particular importance here? A well-oiled **system of restitution in full for illegally inflicted material loss** is vitally important for contemporary joint labor. Not only the development of the corresponding legislation but primarily the creation of an economically competent people's court truly independent of outside interference and not bound by decades of accumulated departmental instructions and arbitrary legally binding enactments, which today fetter economic initiatives in the state sector, are essential for this. And the arbitration tribunal acting in place of the court is no longer capable of performing this role, of course.<sup>26</sup> The restoration of legal culture in the state sector itself and the development of this process throughout the economy as a whole (the appropriate changes to the Criminal Code, the Code of Labor Laws and other codes and legislative instruments) are essential. A legal guarantee of the rights and genuine independence of the leaders of perestroika locally is necessary.<sup>27</sup>

The creation of a cultured environment of competing cooperatives and individual workmen, the Europeanization of people's intercourse and the appearance of the streets and cities, stimulation of the labor activity and general amenities of the population—this is a long and

difficult process of the development of whole generations and dozens of years of people's work which cannot be solved by campaigns or instructions to enterprises to each create two or three "in-house" cooperatives. Yet one all-union decree would be sufficient to do away with such an environment. Therefore constitutional assurances and the creation of a body guaranteeing them—a constitutional court—are required here.<sup>28</sup>

The USSR Constitution records the proposition concerning the leading role of the CPSU. However, the "Joint Labor in the USSR" bill said that the party organization "directs the work of the entire outfit" and "exercises control of the activity of the cooperative board (chairman)" (article 5, section 3), that is, directly exercises control of economic activity.<sup>29</sup> Following the nationwide discussion, the Supreme Court withdrew this provision from the act. However, even following this discussion provisions requiring verification from the viewpoint of their conformity with the constitution, section 5 (article 12), for example, establishing the deprivation for life of production rights for cooperative workers with any record of "mercenary crimes," are upheld.

However, the most serious legal problem is the elaboration of effective legislation forestalling monopoly trends in joint labor. In the United States such legislation protecting the consumer has become established as "antitrust" legislation. In Western Europe it is legislation concerning trade and competition restrictions, consumer protection and such. Under our conditions such legislation is of particular significance in connection with the established monopoly position of the bulk of enterprises of the state sector. Thus our industry, "in accordance with the plan," sews 1 blouse per year for every 10 women. A shortage situation, producer diktat and high-price monopoly (up to R50 and more for a simple product) are created. The situation is the same concerning overcoats, comfortable footwear and so forth. And for a high-quality product, what is more, the consumer is prepared to pay much more. As a result in 10 years of a stagnant economy the prices of children's shoes, for example, as of many other commodities, rose 60 percent with a deterioration in the quality of the products.<sup>30</sup> Cooperatives emerging under these conditions would be monopolistic also and would have an opportunity to raise prices yet higher and "economize" even more heavily on quality (responding flexibly to fashion here, the acute mass need of people to eat without standing in line, to obtain the necessary information and so forth).

Of course, antimonopoly legislation protecting the consumer could work when it is a question of the exception, and not the general rule. The decisive factors are for this reason the mass character of the cooperative sector and the creation on this basis of a healthy competitive environment doing away with shortages. This process may be accelerated by way of according the collectives of workmen of many small enterprises the right to decide the question

of transition to a collective contract or cooperative principles of labor with the leasing or redemption of fixed capital. This would lead to society's increased income thanks to the appreciable growth in productivity, an impetus toward the replacement of equipment, a growth of production efficiency and the elimination of unprofitable enterprises and to the actual financial recovery of the state. This proposal (advanced in the propositions of the report at the Scientific Council meeting) has also, in general form, become a part of the act.<sup>31</sup>

It is not inappropriate to recall in this connection that in the capital-intensive sectors of production in the West the creation of the workers' collective ownership of the enterprise is associated with the need to redeem stock for huge amounts. Left social democrats of a number of West European countries put forward programs for such redemption in the 1970s by way of annual obligatory deductions into special funds administered by the unions. It is indicative that no measure of the reformist workers parties then in office evoked such rage among forces of the right. The bourgeois mass media saw this policy of the creation of worker (union) forms of collective share ownership as a threat to the very economic foundations of their capitalist system. Under our conditions such measures would strengthen the foundations of our, socialist, system.

Submitting the new bill to the Supreme Soviet, N.I. Ryzhkov, chairman of the USSR Council of Ministers, emphasized bitterly that we were still inadequately repaying our debt to the peasants: "To be objective, our entire industrialization, science and culture were historically borne by the countryside," but the countryside "remains, for the most part, poor and lacking in amenities." Prosecutors here "are still warm from the reckless struggle against 'unearned' income," the kolkhozes are tremendously in debt—R88 billion—to the banks, and measures have been adopted which "were objectively aimed at killing off the countryside."<sup>32</sup> The new act affords an opportunity for the restoration of social justice in our society.

The new joint-labor act shapes the conditions for the creation of integral systems of interacting organizations of the sectors of cooperative and individual activity, including producer (individual and cooperative) associations or cooperative worker unions controlling the quality of the goods produced and services offered; consumer associations studying the commodities and services and notifying customers of them; associations of persons engaged in individual labor practice (with their party organizations and their pacesetters); and so forth. Forms of the activity of such social organizations overseas are well known and highly effective. An important condition of such success with us is information support, primarily the formation of full-blooded economic statistics.

Cooperative and individual labor activity should be a party concern with its mass information systems, newspapers and journals, its production pacesetters, party



organizations and government awards. This by no means signifies that the administrative methods of running departments and state establishments need to be transferred to this sphere.<sup>33</sup> It is a question of something else entirely—public recognition of the full worth and social significance of any civilized labor of people in a socialist society. This is the historic significance of the "Joint Labor in the USSR" Act.

The international significance of joint labor is generally recognized. Cooperative workers are today organized in the influential International Cooperative Alliance (ICA), which in 1986 incorporated national alliances uniting over 500 million members from 80 countries (350 million in 1972). As distinct from the just as general, but politically discrete international trade union movement, the cooperative workers of different social systems and different political persuasions have for 70 years maintained the tradition of joint international defense of the working people's interests.

Joint labor stands on its own two feet as a really powerful economic force predominantly in the most developed capitalist countries as yet. It consists of tens and hundreds of millions of "civilized cooperative workers," their enterprises, sales networks, banks, personnel training systems, common associations and influential press organs and active people who are sure of themselves.

Our foreign economic relations are as yet oriented toward the major corporations. The new act according cooperatives and their unions rights and opportunities to engage in export-import transactions and S&T, production and other joint activity with overseas organizations directly will obviously permit an expansion of business cooperation with this sector of the world economy also.

Under capitalism joint labor has to conduct an arduous constant struggle against three main enemies. Primarily monopoly associations endeavoring either to ruin the cooperative sector or subordinate the cooperative workers to their power and "crush" them under their affiliates or enterprises. Second, political and even gangster mafias employing any methods to implant at the head of the cooperatives obedient leaders and use these collective businesses in their own political or economic interests. It is significant that the fascist regimes in Italy, Germany, Spain and other countries really smashed up the whole system of cooperative organizations. Third, the state bureaucracy and government officials arrogating to themselves the right to interfere in joint labor's internal affairs and the rules governing regulation of its activity and income distribution. Fine words about public interests here usually conceal the mercenary class interests of the extreme-right and dictatorial types even. For this reason the slogans of struggle against the monopolies, for democracy, against bureaucratism and for social progress and international economic and political

cooperation are closely intertwined in the international cooperative movement. We will now be able to participate even more assertively in this international movement of the masses.

The creative power of joint labor is manifested differently in different production systems and even in different sectors of one and the same system. Seeing these differences impartially, understanding their sources and consequences, correctly evaluating the possibilities and needs of joint labor under different conditions—this is the guarantee of the soundness of adopted decisions and the soundness of the policy line of communists both in our country and overseas. The new act creates the necessary conditions for this.

#### Footnotes

1. See T. Koryagina, V. Rutgayzer, Yu. Sillaste, E. Truve, "The Joint-Labor Act and Chargeable Services" (KOMMUNIST No 6, 1988, pp 97-101).

2. M.S. Gorbachev, "The Potential of Joint Labor to the Cause of Perestroika" (PRAVDA, 24 March 1988).

3. See Ye.M. Primakov, "The Economy and Joint Labor" (PRAVDA, 20 March 1988).

4. See *ibid.*

5. See K. Marx and F. Engels, "Works," vol 25, pt I, pp 481-485.

6. K. Marx and F. Engels, "Works," vol 23, p 773.

7. See *ibid.*

8. According to the estimates of our economists and sociologists expressed at the Scientific Council meeting in October 1987, there were in the USSR in 1984 even 18 million citizens engaged in ILA in this form or the other (T. Koryagina). According to official data, 300,000 persons had authorization for ILA in 1988.

9. The pharisaical methods of "protecting" joint labor in the 1930s amounted to the defamation of this foundation—the individual ownership of the family of the working person—as inevitably, allegedly, engendering not joint labor but only capital. A veil was drawn for this over the organic connection of individual ownership with vitally important, collectivist, proletarian processes of the intra-family activity of the masses.

10. ARGUMENTY I FAKTY No 14, 1988, p 1.

11. It is significant that it was here that the main disagreement between the scholars who prepared the discussion of this question in the Scientific Council lay: joint-labor specialists (G. Faktor, N. Lushina and others)



considered it unnecessary to simultaneously discuss the question of the household and intra-family labor, that is, the question of individual ownership.

12. Ascertainment of the economic functions of the working people's cooperative ownership requires initially an analysis of the "ideal case"—the situation of the mass and equal development of joint labor. The scale of the tasks which lie ahead today, at the time of the conception of the "system of civilized cooperative workers," is even more obvious against this background.

13. M.S. Gorbachev, "The Potential of Joint Labor to the Cause of Perestroyka" (PRAVDA, 24 March 1988).

14. PRAVDA, 19 April 1988, editorial article.

15. See V. Popov, N. Shmelev, "Anatomy of a Shortage" (ZNAMYA, May 1988, pp 158-183). The authors rightly show the impossibility of the administrative solution of the problem of the optimum distribution of workmen and resources between different industries under the conditions of a developed economy. However, they reach as a result the conclusion that the independent movement of workmen between spheres is fraught with the danger of "price rises and not always justified income differentiation." The costs of insufficient development of the economic mechanism play the part of organic shortcomings thereof here. Is this not used to justify measures to regulate the economy and equalize "unjust" income?

Freedom of trade makes it possible to have done with the shortage, that is, price rises.

16. See "America in Perspective. Major Trends in the United States Through the 1990s," Boston, 1986, p 14.

17. Earlier phases of this process were examined by Yu.A. Vasilchuk, "The S&T Revolution and the Working Class Under Capitalism," Moscow, 1980, chapter four; "Particular Features of the Accumulation Process in Developed Capitalist Countries," Moscow, 1978; "Development Levels and Trends of the Main Capitalist Countries," Moscow, 1977.

18. Even the comparatively high earnings of a shop chief and leading engineer (R300 and R230 a month) with two children go predominantly on food, clothing and necessary petty expenditure. Two-children families are now considered "large" (see PRAVDA, 6 April 1988).

19. Is it not because the term "utility" is dangerous for enterprises operating formally that our political economy primers fulminate against it so?

20. K. Marx and F. Engels, "Works," vol 25, pt I, p 484.

21. Ibid., p 483.

22. Our periodical press and television "treated" this subject sufficiently fully, and a number of such limitations have been removed in the new act.

23. Here was the second major difference of opinion between specialists in the Scientific Council. The propositions of the report proposed the maximum separation of joint labor from the local administration, taking into consideration the sorry experience of the kolkhozes (closure of a cooperative—only via the court, the cooperative workers' close ties to the banks, the rights of the local administration—simple registration of the cooperatives and appeal to the court in the event of a breach of cooperative legislation). Service sphere cooperative specialists considered it necessary to "activate" the local soviets to the maximum.

24. The act itself proposes that the development of ILA and joint labor be organized, as before, predominantly thanks to invalids, retirees and other persons who are either not needed by the other sectors or who would work in the cooperatives after hours, in free time away from their main work.

25. See PRAVDA, 12 May 1988, editorial.

26. See A. Vengerov, "Whose Side Is the Arbitration Tribunal On" (SOTSIALISTICHESKAYA INDUSTRIYA, 3 May 1988): The low wages of judges, their actual dependence on local and higher authorities and persons and the procuracy, the "controllability" of the assessors (compulsorily signing off on any verdict)—all this has created "truly unique justice without acquittals" (see KOMMUNIST No 7, 1988, p 94).

27. See V. Savitskiy, "The 'No-Jurisdiction Commission' or Why the Bureaucrats Triumph" (LITERATURNAYA GAZETA, 11 May 1988).

28. See KOMMUNIST No 7, 1988, p 41.

29. The power and authority of the party are based not on its rights determined by law but on its daily effective work in the masses. See V. Selivanov, "Power and Authority of the Party" (PRAVDA, 2 May 1988).

30. See PRAVDA, 31 March 1988.

31. T. Koryagina, V. Rutgayzer, Yu. Sillaste, E. Truve raise the question of the need for specification of this provision of the act (see KOMMUNIST No 6, 1988, p 98). It is a pity that all the questions which were argued over in the Scientific Council appeared trifling and needless to M. Antonov, who was so severe toward us (see MOSKVA No 3, 1988, p 14).

32. See N.I. Ryzhkov, "The Role of Joint Labor in the Development of the Country's Economy and the Draft Joint Labor in the USSR Act" (PRAVDA, 25 May 1988).

33. "The work of the Tsentsosoyuz and its organizations has essentially lost such important cooperative principles as self-management, initiative and enterprise. Joint labor has essentially become bureaucratized," M.S. Gorbachev observed, speaking at the Fourth All-Union Kolkhoz Members Congress (PRAVDA, 24 March 1988).

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### Post-INF Treaty Security Issues, Afghan Situation Examined

18160011d Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 88 pp 65-84

[V. Avakov, F. Kamov, S. Sokolskiy international survey: "Current Problems of World Politics"]

[Text]

#### 1. New Level of Soviet-American Dialogue

A meeting between M.S. Gorbachev, general secretary of the CPSU Central Committee, and U.S. President R. Reagan was held from 29 May through 2 June 1988 in Moscow. It was a major event of international life. The process of preparation of the meeting and its outcome had a marked impact on the course of world events.

The President's visit to Moscow was the fourth meeting of the two leaders in the past 3 years (November 1985 in Geneva, October 1986 in Reykjavik and December 1987 in Washington). This makes it possible to speak of an evolved mechanism of consultations and the achievement of accords between the USSR and the United States at the highest level and also of the ongoing nature of the process of normalization of relations between the two countries.

Also indicative is the fact that official diplomatic measures are being supplemented increasingly by acts of "public diplomacy". Representatives of peace, trade union, scientific, religious, women's and youth organizations and veterans of the meeting on the Elbe assembled in Moscow to appeal to the leaders of the USSR and the United States directly and express to them their cherished aspirations.

Two circumstances imparted to the Moscow meeting particular significance. This was the first visit to the USSR by an American president for 14 years. A president, furthermore, who in his first years in office had shown himself to be an avowed anticommunist and who had branded the USSR as the "evil empire" and had "jokingly" announced into an open microphone a nuclear attack on the Soviet Union. Reagan's agreement

to go to Moscow, J. Steele, correspondent of Britain's THE GUARDIAN believes, "is testimony to the gradual change in conservative Western opinion concerning the changes which are taking place in the Soviet Union under the leadership of Mikhail Gorbachev."

In addition, this meeting was, as the NEW YORK TIMES put it, "an unusual manifestation of two historic processes"—perestroyka in Soviet society and real changes in Soviet-American relations. Part of the talks of Reagan and Gorbachev was devoted entirely to questions of perestroyka. The U.S. President obtained an explanation of its purposes and priorities and further plans of its implementation. This "general philosophical discussion," as Marlin Fitzwater described it, was of such interest to both leaders that the planned discussion of regional conflicts had to be deferred a while.

The Moscow summit, the accords and the documents signed thereat recorded what had been achieved in Soviet-American relations and laid the foundation for their further development. The difficult, but so necessary dialogue of the two most important powers has become practically continuous.

The Moscow meeting confirmed that the dialogue between the USSR and the United States encompasses all central problems of world development. New participants are being enlisted in it also—it is sufficient to recall that a meeting was held for the first time 16-17 March in Bern of the two countries' defense ministers, who discussed the nature of the military doctrines of their states and their allies and questions of arms reduction and limitation and also agreed to make such meetings permanent. All this testifies to the spread of new thinking to the military sphere also. The ministers met once again at the negotiations in Moscow.

Agreements on a joint verification experiment; notification of ICBM and SLBM launches; and the establishment of a joint radio navigational system; agreements on search and rescue at sea; on cooperation in the sphere of transport science and technology; and on relations in the sphere of fish industry; and a program of cooperation and exchange for 1989-1991 were signed in respect of the results of the Moscow negotiations. Agreements which had already been adopted were extended or supplemented. Journalists calculated that 47 Soviet-American accords have been reached altogether in just the last 3 years. It is from these possibly small bricks that the foundations of the development of the two countries' relations and cooperation are taking shape.

Deeds of ratification pertaining to the INF Treaty were exchanged in Moscow, that is, it came into force. Much political passion and struggle had been associated with this event in the period of preparation of the Moscow meeting. As is known, the INF Treaty was signed at the December meeting in Washington. On 25 January it was sent for ratification to the Senate. The first stage of the discussion of the treaty was conducted in hearings in

three Senate committees: Foreign Relations, Armed Services and the Select Committee on Intelligence. Some 72 sessions were held over 2 months.

The majority of committee members supported ratification of the treaty. Influential Democrats, as, equally, Republicans also, formed treaty support groups. Despite the desperate resistance of a group of ultra-conservative Republican senators headed by J. Helms and L. Pressler, who submitted so-called "killer amendments" which would have led to a return to the negotiating table, the overwhelming majority of committee members supported the treaty in the form in which it had been signed. True, even at this stage some senators had questions requiring additional study. They became the main subject of the debate after the treaty had been handed over for discussion by the full Senate.

One problem arose in connection with the interpretation of article XIV from the viewpoint of the cooperation of the United States and its NATO allies on arms issues. Other problems were connected with formulation of the question of ground-based cruise missiles with conventional warheads; definition of an intermediate-range nuclear missile; inspection of facilities in the USSR stipulated by the treaty; interpretation of article VI and determination of the right to inspect smaller canisters, which could accommodate a stage of the SS-25 missile interchangeable with a stage of the SS-20. The question of whether the treaty extended to missiles fitted with weapons employing fundamentally new technology caused the greatest concern.

Repeated explanations from officials and experts, additional Soviet-American consultations and an exchange of letters were required. Unfortunately, certain representatives of the administration, who maintained that Soviet officials were retreating from a number of agreed procedures for verifying compliance with the treaty, also did their bit in this prolongation of approval of the INF Treaty. A big part in the settlement of these problems was played by the mutual readiness to accommodate one another in order to ensure ratification of this important political decision.

However, even on 23 May, a week before the U.S. President's visit to Moscow, it was still not clear whether the Senate would consent to ratification prior to the start of the summit, although no one doubted the ultimate outcome. The opponents of the treaty attempted to drag out the debate, making use of various procedural issues.

Finally, on 28 May, after 4 months of political struggle, the Senate approved the INF Treaty by 95 votes to 5, accompanying this with an amendment enshrining the interpretation with which it had been invested at the time it was signed. The Senate's decision permitted the deeds of ratification to be exchanged at the Moscow meeting. As M.S. Gorbachev emphasized at a press

conference, "the completion of the procedures of validation of the INF Treaty has made the Moscow meeting a pivotal political event in the Soviet-American dialogue and in world politics."

It has to be mentioned that American legislators not only discussed various aspects of arms control and disarmament but also endeavored to make their practical contribution to the solution of these problems. Thus Senators D. Bumpers, P. Leahy, J. Chaffee and G. (sic) Heinz authored a bill on the establishment of temporary mutual limitations on the deployment by the United States and the USSR of long-range strategic arms until an agreement on a reduction in such arms had been formulated. They called for the levels of strategic arms which existed as of 25 January 1988 not to be exceeded. Sen T. Harkin submitted a bill banning the development, testing, production and deployment of any space-based arms and proposed a ban on the testing of ASAT arms on condition that the Soviet Union act likewise.

A bill of similar content was submitted in the House also. In addition, the congressmen approved an amendment to the U.S. military budget which prohibits nuclear tests with a yield of over 1 kiloton on condition that the USSR establish a similar moratorium. They supported by majority vote the United States' compliance with the numerical limits determined by the SALT II Treaty and approved an amendment providing for a ban on tests pertaining to the SDI program which would violate the 1972 ABM Treaty.

As we can see, the political process in the United States which preceded the Moscow meeting was ambivalent and irregular. While supporting measures to control arms and reduce them, the legislators dragged out ratification of the INF Treaty. On this issue the administration proved to be in the more favorable position, emphasizing that the treaty would for the first time eliminate an entire class of American and Soviet missiles, but would incorporate the most all-embracing verification conditions in the history of arms control negotiations. It would also set an important precedent for further negotiations, on strategic arms particularly. However, the President insistently propounded here the idea that success at the negotiations was possible only from a position of strength.

The inconsistency of the administration's political positions has been manifested in many questions of the Soviet-American dialogue. It was reflected also in the formulation of a draft treaty on a 50-percent reduction in strategic offensive arms (SOA). This inconsistency has been perceived at the Soviet-American negotiations in Geneva on nuclear and space-based arms, at which the Soviet delegation has submitted new proposals aimed at the speediest formulation of a draft treaty on cuts in SOA. It has been manifested at bilateral consultations on a ban on chemical weapons and at the Vienna consultations of the 23 Warsaw Pact and NATO countries on a reduction in armed forces and conventional arms in

Europe. It was also manifested at the Moscow meeting, when Reagan ultimately refused to have in the final wording a formula concerning recognition of peaceful coexistence, although agreeing with it.

Preparation of the treaty on a 50-percent reduction in SOA has proven, as the participants in the summit agreed, a very difficult process. As the CHRISTIAN SCIENCE MONITOR observed, there are two serious factors impeding the speediest conclusion of a strategic arms agreement: contradictions between development of the SDI and a simultaneous desire to reduce SOA and also the absence in the administration of clear ideas as to the structure of the United States' strategic forces and the direction in which the arms control process should develop following the conclusion of a strategic arms reduction agreement.

On the eve of the meeting the parties were expressing "cautious optimism" in connection with the signing of the new document. And although this was not possible, the leaders of the USSR and the United States acknowledged certain progress in this field and set themselves the task of achieving real results as quickly as possible. M.S. Gorbachev and R. Reagan concluded that this goal could be achieved prior to the end of the present U.S. President's term in office, which would make possible one further, a fifth, top-level meeting between them. True, the President declared repeatedly that what he wants is not a "quick" but a "good" treaty.

At the Moscow meeting the leaders of the USSR and the United States approved the joint draft wording of a treaty on a reduction in and limitation of SOA, which enshrined important areas of mutual accord and also recorded in detail positions pertaining to contentious issues and the agreement which had been reached earlier on the establishment of maximum levels of SOA. Considerable work still has to be done for the signing of this treaty, but many key provisions of the wording are deemed agreed. Progress was noted in the preparation of a protocol connected with the treaty and agreement was reached on using nuclear risk reduction centers to transmit the appropriate information. Rules of counting different types of SOA and the Soviet Union's consent to reduce the total throw weight of its ICBM's and SLBM's by approximately 50 percent and not exceed this level were recorded also.

The delegations at the Moscow meeting prepared draft documents which develop the verification provisions of the INF Treaty with regard for the higher demands of a treaty on a reduction in SOA. An exchange of data on strategic forces was begun, the areas of agreement on long-range air-launched and sea-based cruise missiles were expanded and a solution of the problem of verification in respect of mobile ICBM's was agreed.

In Moscow the leaders of the USSR and the United States confirmed their undertaking to conduct negotiations on the problem of nuclear testing and formulate

verification measures in order to have the 1974 and 1976 treaties ratified and then move toward the ultimate goal: a total suspension of nuclear testing as part of an effective disarmament process.

By the time of the fourth meeting of the leaders of the two powers there was already positive experience of the organization of the monitoring of nuclear explosions. At the end of April Soviet and American scientists conducted an experiment in Nevada which demonstrated the possibility of verification of compliance with a ban on all tests of nuclear arms right down to low-yield charges. Such research was being conducted on U.S. territory for the first time. The program of cooperation in this sphere had been drawn up on the basis of accords between the USSR and the United States in 1986-1987, and tests of the apparatus were carried out for the first time last year in the Semipalatinsk region. The main result of the new experiment was the conclusion that any attempt to violate an agreement on a limitation of nuclear testing would be detected. Thus the results of the joint research of scientists of both countries may facilitate to a considerable extent progress in the negotiations between the USSR and the United States on the question of a ban on nuclear testing. As Academician Ye. Velikhov, who was present at the time of the experiment in Nevada, emphasized, "a treaty on a complete and general ban on the testing of nuclear weapons would be of exceptional importance for putting an end to the arms race."

The "package" of disarmament accords examined in Moscow also recorded confirmation of the importance of the Nuclear Nonproliferation Treaty, support for the activity of the IAEA and the commissioning of a new communications channel between the nuclear risk reduction centers. Great attention was paid to bilateral and multilateral consultations and negotiations on a truly global ban on chemical weapons. The leaders of the USSR and the United States discussed the problem of strengthening stability and security in Europe as a whole.

The broadening of the spheres of agreement in the military-political sphere does not afford the least grounds for euphoria. It was not possible to agree on the subject of negotiations on conventional arms in Europe, although mutual understanding was reached in Vienna that the mandate of these negotiations was to include the aims and subject of the negotiations, the zone, the precise composition of the participants and verification measures. It was recognized preliminarily that stability and security in Europe may be secured only by a balance of armed forces and conventional arms at lower levels. U.S. Secretary of State G. Shultz and USSR Foreign Minister E.A. Shevardnadze agreed that a summit, not substituting for the Vienna forum, could contribute to determination of the subject of the negotiations. However, as soon as practicable proposals followed—on the stage-by-stage elimination of the asymmetries and imbalance in Europe and transition to a nonoffensive structure of arms and armed forces, given a considerable

reduced level thereof—maneuvers and avoidance of a solution of the problem began. M.S. Gorbachev observed at a press conference that at the first stage of the Soviet-American dialogue difficulties in the sphere of inspection and verification had emanated from the Soviet side, but now, from the American side.

An emphasis on human rights was manifestly prevalent on the American side at the Moscow meeting. This had been known before coordination of the program of the visit even. In the latter half of April the President delivered several speeches which, according to a WASHINGTON POST correspondent, showed that his distrust of the foreign and domestic policy of the USSR and its motives had softened, if at all, not that much.

The program of the U.S. President's visit to Moscow included the reception at his residence of so-called "refuseniks". This part of Reagan's visit did not enrapture Soviet people, about which he was plainly told. Soviet participants in the meeting, the press and ordinary citizens observed that there was a great deal of speculation on the human rights issues; propaganda methods predominated in this part of the summit. The impression which was conveyed was that the U.S. political leadership lacks a real understanding of the situation concerning human rights and the development of democracy in our country. However, it should not be forgotten that this was Reagan's first acquaintance with the Soviet Union and first opportunity for direct contact with Soviet people. The President displayed great interest in the culture and traditions of our country and mentioned in his speeches Gogol, Tolstoy, Dostoyevskiy, Pasternak and Akhmatova and quoted them.

Soviet people's attitude toward him changed also. As a poll conducted by the USSR Academy of Sciences Sociological Research Institute for the NEW YORK TIMES on the eve of the summit testifies, the opinion of him had changed for the better among 52.2 percent of those polled, and for the worse, among only 4.2 percent, and had remained the same among 34.6 percent.

In turn, Americans' frame of mind is changing markedly. The rightwing-conservative WASHINGTON TIMES complained that "the Moscow meeting promises to be the most dangerous in recent years. ...The danger is that Americans could interpret totally other than intended what they are seeing: the anticommunist No 1... embracing Gorbachev, flashing smiles to KGB agents disguised as monks in the Danilov Monastery."

An opinion poll conducted on the eve of the Soviet-American meeting by the Yankelovich service confirmed that the majority of Americans desire a considerable improvement in relations with the Soviet Union. Some 82 percent of those polled acknowledged that both the USSR and the United States seek a lessening of the nuclear danger, and 73 percent here believed that the Soviet Union was "approaching the solution of arms control questions more seriously". According to the data

of the public opinion survey "Americans Speak About Security," 61 percent of those polled believe that relations between the USSR and the United States are improving (according to a Gallup poll in 1984, 24 percent). A majority—76 percent—had a positive view of M.S. Gorbachev's activity. "Mikhail Gorbachev's popularity has been an important contribution to the strengthening opinion that American-Soviet relations are improving," a report summing up the survey says.

If we take poll data in their dynamics, the steady trend toward a rapid improvement in the attitude toward the Soviet Union is obvious. These considerable shifts in public opinion are a base for the preservation and development of Soviet-American relations under a new administration and new Congress after the November elections. In fact the candidates for the nomination from both parties support the development of the Soviet-American dialogue and the conclusion of new arms limitation agreements. Observers in the United States believe that the content of the political argument between the candidates today amounts to proving who could be the more successful at this.

Great influence was undoubtedly exerted on public opinion by the progress made at the Moscow meeting on questions connected with a settlement of regional conflicts. The situation in the Near East, the Persian Gulf, Central America, on the Korean peninsula and in Cambodia, Angola and Ethiopia was examined. Much attention was paid to the Afghan question, which has for the past 10 years been a stumbling block in Soviet-American relations.

The idea that an improvement in relations is impossible without reliance on economic cooperation and trade was heard once again in Moscow. Broad opportunities for the development of equal mutually profitable economic relations between our countries were demonstrated by the 11th annual American-Soviet Trade and Economic Council (ASTEC) session and the 10th session of the Soviet-American Trade Commission held in Moscow in mid-April.

Later, receiving the American representatives in the Kremlin, M.S. Gorbachev said it was absurd that the two powers, concentrating from one-fourth to one-third of world S&T potential, were using it mainly for purposes of military confrontation and not mutual cooperation. In recent years the United States' share of the USSR's foreign trade has constituted little more than 1 percent, and the USSR's share of the United States' foreign trade, only half of 1 percent. Although under normal conditions, that is, cancellation of the notorious CoCom lists banning supplies to the USSR and the other socialist countries of over 100,000 commodities, particularly those associated with the latest technology, we could, as ASTEC President G. Griffin declared, be supplying one another with commodities and services worth \$10-15 billion in the next 3-7 years.

The participation in the ASTEC meeting of almost 500 representatives of American business circles demonstrated the U.S. business world's enthusiasm in respect of the development of trade relations between the two countries.

Since the entry into force of the joint ventures act agreements with Soviet organizations and departments have been signed by such major American corporations as Honeywell, Occidental Petroleum and Combustion Engineering. A number of companies—Eastman Kodak, Nabisco, Ford and others—have come together in the American Trade Consortium to set up new ventures.

"The main component of the development of business relations is the political atmosphere in the partners' relations," (Dzh. Filner), chairman of the board of the (Konsidar) international consortium, which is successfully importing modern industrial technology from the USSR, declared. "...If political relations are on the upswing, this is instantaneously reflected most positively in the development of economic relations. It seems to me that we are on the threshold of a boom in the development of trade and economic relations between the USSR and the United States because the Moscow summit will lend powerful impetus to the process of a general recovery in Soviet-American relations."

The Moscow negotiations have truly lent new impetus to the development of Soviet-American economic relations. Agreement has been reached in basic outline with the Combustion Engineering and McDermott International corporations on the joint construction of two major petrochemical complexes in Western Siberia. Their cost, it is believed, will be in excess of \$20 billion. The complexes will produce synthetic raw material for consumer goods. It is planned that they will be commissioned in 1991 and will be paying for themselves by 1998. One further agreement for the construction of a complex for the production of new plastics was concluded by Dr Hammer. He estimates its cost at \$6 billion. A further 50 new projects approximately, in respect of which "protocols of intent" have been signed, are in the pipeline.

In the course of the Moscow meeting the leaders of the USSR and the United States discussed a number of problems of economic cooperation and agreed on measures for its development, including support for joint ventures. At the same time it was pointed out that "most-unfavored-nation" status in respect of the Soviet Union persisted in the United States and that things were being impeded by bans and restrictions like, for example, the Jackson-Vanik Amendment. As M.S. Gorbachev told the President, we have already shown that we can live without one another economically, we now need to show that we can cooperate.

For the purpose of ensuring such cooperation the members of the American delegation left to brief their allies on the results of the summit. Defense Secretary F. Carlucci had

meetings in Tokyo with Japanese Foreign Minister S. Uno and National Defense Agency Chief Ts. Kawara. Consultations with officials of countries of the Asia-Pacific region were also conducted by Special Assistant E. Rowny. Secretary of State Shultz flew to NATO Headquarters in Brussels. It was announced there that in fulfillment of the accords reached in Moscow and with regard for the unilateral withdrawal of SS-12 missiles from the GDR and the CSSR announced on 25 April the United States would begin the withdrawal from West Europe of its intermediate-range missiles as of this fall following the Soviet side's initial inspection of the bases in Belgium, Great Britain, Italy, Holland and West Germany. Specifically, it is planned beginning the withdrawal of missiles deployed on FRG territory in October.

The President himself left for a brief visit to Great Britain, where he met with Prime Minister M. Thatcher. In his first speech following his departure from the USSR entitled "Future of East-West Relations" he valued highly the outcome of the Moscow summit. Similarly high marks were given by M. Thatcher.

The fourth meeting of the leaders of the USSR and the United States had big international repercussions. The Soviet-American accords which were achieved contributed to the successful start of the UN General Assembly Third Special Disarmament Session, which opened at the time of the Moscow meeting.

The outcome of the Moscow summit has met with a warm response among the peace-loving public. Addressing representatives thereof immediately after Reagan's visit, M.S. Gorbachev summed up: "We shall as a result of the Moscow meeting have taken one further, perhaps, two steps—how many I do not as yet know, but in any event—upward. The Soviet-American dialogue is progressing. Both in terms of the problems covered and depth of the analysis of these problems.... Realism is increasing constantly and with each new meeting...."

## 2. Problems of Security: View From West Europe

Debate has continued in West Europe on fundamental questions of security associated with the appearance of new trends in the disarmament sphere. Differences have intensified between the West European NATO members and the United States following the conclusion of the Soviet-American INF Treaty on a whole number of political, economic and military-strategic problems, demonstrating once again that security interests are understood far from identically on the two sides of the Atlantic. All this has induced in West Europeans reflection, the results of which have been, specifically, the decision of Spain and Portugal to join the Western European Union and, primarily, the signing of new military-political protocols between France and the FRG.

It is worth dwelling on this latter event in more detail. Essentially the debate concerning an intensification of Franco-West German military cooperation began back

in 1987, when the prospect of the conclusion of the INF Treaty had clearly emerged. The catalyst thereof were two articles by former FRG Chancellor H. Schmidt published in the West German publications DIE ZEIT and EUROPA-ARCHIV. Schmidt called attention to the fact that the "flexible response" doctrine adopted by NATO emanated from the West's "inferiority complex" in the sphere of conventional arms and presupposed "the West's very early use of nuclear weapons." "All the military plans to which the Western side has up to now adhered proceed from the fact that a nuclear war would be started by the West. This fact is glossed over in the speeches of political leaders in the majority of cases, nonetheless, it is a reality," the ex-chancellor wrote. In his opinion, the West has always been inclined to exaggerate the power of the Soviet armed forces and to belittle its own potential in this field.

From these standpoints Schmidt expressed his thoughts on a reorganization of the military cooperation of the members of the European Community. From his viewpoint a "West European defense system," which it is essential to create, given continuation of the corresponding states' membership of NATO, should contain the following basic components:

unification of the conventional armed forces of the FRG and France and, possibly, of the Benelux countries also. This aggregate potential would be sufficient for defending West Europe "without reliance on the plans to unleash a nuclear war and use nuclear weapons in Central Europe."

A French commander endowed with all authority other than the right to adopt the decision to use nuclear weapons should be made the head of the "integrated West European defense system."

The French president should extend the effective zone of the French "deterrent force" such that it protect not only French territory but the whole West European subcontinent.

The financing of the joint armed forces should be undertaken to a considerable extent by the FRG.

It is essential to effect all military production and purchases earmarked for the "West European defense system" by joint efforts.

Schmidt sees as the advantages of such a "defense system" the fact that on the one hand it does not call in question the North Atlantic pact and does not thereby contain the danger of the "uncoupling" of West Europe and the United States and, on the other, would permit the West Europeans to survive with equanimity the possible withdrawal from West Europe of one-two American divisions.

Schmidt's ideas were supported by former French Premier L. Fabius, who, in turn, proposed the creation in the sphere of security policy of something akin to a "Franco-West German confederation". "Schmidt is right," Fabius declared. "France should recognize that the defense of Germany (West—authors) corresponds to French vital interests. We should now be thinking about extending our strategic nuclear defense to Germany (West—authors)." Taking issue with Fabius was then Defense Minister A. Giraud, who observed in an interview that the FRG and French governments had not the slightest desire "to exchange the present role of American nuclear deterrence for French deterrence." The debate concerning the expediency of the extension of French "nuclear guarantees" to the FRG was also opposed by M. Rocard, the present premier. At the same time he agreed with Schmidt that it is necessary to formulate a "European defense concept based on conventional armed forces and arms." Simultaneously certain influential French politicians, specifically J. Chirac and the socialist J.-P. Chevènement (present defense minister) emphasized that it is a question merely of "hypotheses concerning the very distant future" and that the elaboration of a "European autonomous defense concept will require a long and difficult transition period."

In October 1987 French President F. Mitterrand paid a state visit to the FRG. Particular attention was paid in the course of the negotiations to an expansion of bilateral military cooperation.

The 25th anniversary of the Elysee Treaty was solemnly commemorated in January 1988 in Paris with the participation of F. Mitterrand and H. Kohl. A number of protocols on the further development of relations between the two countries was signed. Decisions were adopted on the creation of a Franco-West German defense and security council, the formation of a mixed brigade and the formation of a joint financial and economic council.

The protocol supplementing the Elysee Treaty on the creation of a defense and security council observed that France and the FRG had consented to this convinced that "the strategy of deterrence and defense should continue to be based on the appropriate structure of nuclear and conventional forces" and fully resolved "to make in conjunction with the other partners and with regard for the fundamental possibilities within the North Atlantic alliance the appropriate military efforts to prevent any attack or any attempt at intimidation in Europe."

Speaking at the signing of the agreements, F. Mitterrand and H. Kohl noted the "West European dimension" of their countries' increased cooperation. Mitterrand said that "there is no Franco-German axis," there is merely the strong desire of Paris and Bonn "to make joint use of their ambitions and resources for the progress of Europe" (Western—authors). Kohl, on the other hand,

declared that the ultimate aim should be the creation of "joint European defenses with a European army in a confidential partnership with the United States."

However, considerable contradictions between France and the FRG persist even following the signing of the agreement. "The clocks in Bonn and Paris are out of synch. In the FRG their hands point to disarmament and denuclearization, in France there is growing distrust of this process and its protagonists, the two superpowers," the West German newspaper SUEDEDEUTSCHE ZEITUNG wrote in January.

The French political scientist A. Grosse observed in connection with the Franco-West German military-political disagreements that they would diminish were France to abandon criticism of the "flexible response" doctrine and acknowledge that it is "apprehensive of Washington returning to the unconvincing threat of massive retaliation." Paris should openly declare that "French nuclear weapons are an element of Western flexibility" increasing the likelihood of the use of American nuclear weapons and thereby strengthening European security. And Bonn, Grosse believes, should, in turn, show that "partnership in respect of security with the GDR and also with the Soviet Union would not interfere with its defense readiness."

It should be said that the plans to expand Franco-West German military and military-political cooperation have not evoked universal approval either in France or in the FRG or beyond. O. Lafontaine, prime minister of Saarland and deputy chairman of the SPD, has demanded a joint security policy of the two countries which is not based on the "nuclear deterrence" concept and whose purpose is disarmament. A joint statement of the West German and French communist parties said that these plans were aimed at "compensating for the withdrawal of certain types of weapons" as a result of the conclusion of the INF Treaty. Ruling circles of France and the FRG aspire to the creation of a "European pillar of the Atlantic alliance" and a "powerful military bloc whose core is to be Franco-British nuclear forces and the conventional arms of the FRG and other European states." All this, the statement emphasized, represents a tremendous danger and the "real sabotage of disarmament".

U.S. State Department spokesman C. Redman cautiously observed that the U.S. Government welcomed West Europeans' efforts to intensify military cooperation "as long as these efforts contribute to NATO's defense readiness." At the same time, however, the actions of Paris and Bonn were criticized by the governments of Great Britain and Italy, which are apprehensive, not without reason, that the Franco-West German rapprochement, on a military basis particularly, will weaken their own positions at the time the many problems giving rise to disagreement, whether in the European Community or in NATO, are tackled.

At the time of the festivities in Paris a report entitled "Selective Deterrence," which had been submitted to the U.S. President by a special commission, was being made public in the United States. The authors of the report, whose preparation had begun back in 1986 per the instructions of then Defense Secretary C. Weinberger, were F. Ikle, former undersecretary for defense (leader of the commission), Prof. A. Wohlstetter, H. Kissinger, Z. Brzezinski and W. Clark, former National Security Council chairmen, Gen. A. Goodpaster, former supreme commander NATO Joint Armed Forces Europe, and Gen. J. Vessey, former chairman of the Joint Chiefs of Staff Committee.

The authors believe that the United States must not in the foreseeable future renounce nuclear weapons as the pillar of the strategy of "nuclear deterrence". The Ikle Commission believed that American strategy should acquire "new credibility" thanks to highly efficient weapons which do not contain a danger of nuclear escalation. It was a question of ballistic and cruise missiles with conventional warheads accurately destroying small targets, the military use of outer space with the aid of reconnaissance, communications and fire control satellites, satellites monitoring the use of weapons and so-called "killer" satellites. In addition, increasing the fighting efficiency of the air force within the framework of the "echeloned strike in depth" concept and arming and training armies such that they are able to "conduct a counteroffensive deep in the enemy's defenses" were deemed important.

The authors of the report counseled that disarmament negotiations be agreed to only on condition that they lead to a reduction in the arms burden "without detriment to the defense capability" of the West. The West "must preserve the industrial capacity to produce the weapons whose elimination is the subject of disarmament agreements" here. The complete elimination of nuclear weapons should be rejected in view of the alleged Soviet "superiority" in the sphere of armed forces. A ban on chemical weapons was also rejected on the pretext that it would allegedly not be verifiable.

The report evoked a highly negative reaction in West Europe. It was particularly stormy in the FRG. At the end of January F. Ikle confirmed the basic propositions of the report in an interview with the West German RHEINISCHER MERKUR/CHRIST UND WELT published under the heading "Who Would Commit Suicide To Defend Germans?" He emphasized here that neither France, Great Britain nor the United States would want to extend to the FRG their "nuclear guarantees" so far as to "risk self-annihilation by rushing to the assistance of allied Germans." The FRG Government condemned both the report itself and Ikle's comments, calling their recommendations unacceptable since they contemplated the possibility of a limited nuclear war being fought in Europe and were contrary to the accepted NATO doctrine of "flexible response".



Comprehensive criticism was leveled at the Ikle report by A. Dregger, chairman of the CDU/CSU parliamentary faction. According to him, the American analysts' proposals, although not aimed at "disconnecting" the United States from West Europe, undermine a fundamental principle of transatlantic unity—risk-sharing. Dregger opposed the idea of the conversion of the FRG into a "nuclear-fireproof bulkhead" designed to "prevent a breakthrough by enemy forces". He declared: "Complete disarmament in the intermediate-range missile sphere and a buildup of short-range and battlefield weapons would point to the adoption of such a strategy. It would for us Germans be totally unacceptable.... The idea that a regional war may be fought and won in Europe is unacceptable to us.... Despite all the contradictions between the systems, the rule that either East and West preserve peace together or they perish together operates for Europe.... However, in view of what is at stake, priority must be given a readiness for cooperation."

A "European answer to the American strategic report" was published by prominent West European experts in the security field—M. Howard, professor of modern history at Oxford University, K. Kaiser, professor of political science at Cologne University and director of the German Foreign Policy Society Research Institute (FRG), and F. de Rose, former permanent representative of France at NATO headquarters in Brussels. It was observed in their joint statement that a number of recommendations of the Ikle report meet with West Europeans' approval, at the same time, however, some others give rise to "serious concern". The experts attached particular significance to the following points here:

1. If NATO ceases to threaten to escalate a nuclear conflict, West Europe will become a "zone of guaranteed limited nuclear war." The statement went on to note that "deterrence based exclusively on European nuclear wars... will undermine Europeans' confidence in its war-preventing function for it dramatically reduces the risk for the Soviet Union."
2. "The report's proposition that NATO could defeat Soviet forces or, at least, halt their offensive without resorting to nuclear weapons presupposes not only the impossible (the West is considerably inferior in armed forces) but unacceptable since Europe would then lie in ruins.... Victory over Soviet forces with the aid of conventional weapons, even given the use of the most modern weapons, would destroy not only Europe since it is naive to suppose that the Soviet Union would not mobilize all its forces."
3. The report's recommendation according to which NATO should acquire the capacity for conducting counteroffensive operations with the aid of conventional arms deep into enemy territory should be rejected. "Fulfillment of this recommendation would require a change in NATO's armed forces of such a scale as is unacceptable to Europe for both economic and political considerations."

4. As a whole, the report's long-term forecast underrates Europe's significance. As distinct from Japan and China, it appears "merely as an object, and not a character, of policy."

From all this M. Howard, K. Kaiser and F. de Rose draw two conclusions: first, the West Europeans need to "concern themselves more vigorously with their joint future"; second, they must in the process of "transatlantic dialogue" remove their differences with the United States to avoid a "crisis of confidence" in NATO.

An appreciable role in the process of elucidation of transatlantic relations was performed by the international conference of the West German Wehrkunde military-scientific society held 6-7 February in Munich. Wehrkunde's annual international conferences have long been an important forum for coordination of NATO countries' strategy and for putting pressure on their governments and parliaments.

The conferees were unanimous that NATO must continue to rely on the "nuclear deterrence" concept and operate "from a position of strength". There was also considerable agreement concerning the fact that NATO should "compensate" for the American intermediate-range missiles to be removed in accordance with the INF Treaty by way of the modernization and buildup of the sea-based and air-launched systems not covered by this treaty. The majority of NATO representatives also advocated a qualitative strengthening of the bloc's conventional arms, referring, as always, to the imaginary "superiority" of the socialist states in this sphere.

At the same time the conference revealed serious disagreements between the FRG on the one hand and the United States, Great Britain and, partly, France on the other. Chancellor H. Kohl emphasized the FRG's interest in the future negotiations on disarmament in Europe incorporating from the very outset together with armed forces tactical nuclear weapons with a range of up to 500 km also. As distinct from the representatives of the United States, Great Britain and France, H. Kohl rejected a so-called "pause" in the negotiations on reductions in this type of weapons and opposed their immediate modernization. In addition, he demanded the formulation of a general NATO concept for future disarmament negotiations. As the FRANKFURTER RUNDSCHAU wrote, the conference "revealed the deep feeling of West Germans' dissatisfaction with the representatives of the United States and certain other allies."

U.S. Defense Secretary F. Carlucci tried to dispel the West European partners' suspicions aroused by the Ikle report concerning the fact that the Americans would develop their own military concepts without regard for the former's opinion. He emphasized in this connection the "fundamental unity of the American means of deterrence" and observed that, despite the conclusion of the INF Treaty, the nuclear threat to the territory of the Soviet Union must be maintained. Carlucci's literal

words were: "It is extremely important that nuclear forces (including the American intercontinental systems) capable of reaching targets in the Soviet Union remain an integrated component of our flexible response strategy." The secretary advocated modernization of the nuclear systems deployed in Europe. According to him, it was essential for this first of all to adopt the next modification of the Lance surface-to-surface missile class and the new air-to-ground class tactical missiles, which may be used outside of the range of the enemy's missile defenses, and also to modernize NATO's nuclear artillery, aircraft carrying conventional and nuclear munitions and atomic bombs. Simultaneously Carlucci demanded of the West Europeans direct military support for U.S. operations outside of the NATO zone.

French Defense Minister A. Giraud also advocated preservation of the "nuclear deterrence" and "nuclear presence" of the United States in West Europe, declaring, specifically: "When the day of general disarmament comes, the last to disappear should be nuclear weapons, and from Europe last of all."

The idea that, in view of the sentiments of the West European and, particularly, West German public, a further arms race was hardly practicable and would, in any event, encounter tremendous domestic policy obstacles was heard distinctly in the speech of Bavarian Premier F.-J. Strauss. "I wonder," Strauss declared, "whether we have a parliamentary majority for this. The social democrats are opposed, and we do not need to inquire of the Greens, but serious objections to modernization are being heard from the ranks of the coalition also.... Where is our enemy image today? ...The image of an enemy who is becoming increasingly friendly from month to month has emerged, and the friendlier he becomes, the less readiness there is with us to consent to new arms transactions."

Questions concerning NATO's future strategy occupied the central place in the negotiations which H. Kohl conducted 17-19 February in Washington.

In the discussions with President R. Reagan H. Kohl set forth the FRG's position on questions concerning missiles with a range of less than 500 km: such systems should be reduced to equal upper limits with regard for stability in the sphere of conventional arms in Europe and the complete elimination of chemical weapons. The chancellor also once again opposed the immediate modernization of short-range nuclear weapons, on which leading NATO circles are insisting. At the same time, however, he confirmed that the FRG was opposed to new "zero options," that is, to the total elimination of short-range nuclear weapons. "We do not want a third zero option, zones free of nuclear weapons and, even less, the denuclearization of Europe," the chancellor said.

Disagreements arose on the question of chemical weapons. Shortly before Kohl's visit J. Galvin, supreme commander NATO Joint Armed Forces Europe, demanded in connection with the start on the production of binary weapons in

the United States that they be "concentrated where the troops are." However, Bonn made it clearly understood that it was unwilling to accommodate demands which went beyond the framework of the compromise agreement reached in 1986 between H. Kohl and R. Reagan. In accordance with this agreement, new binary could be delivered to the FRG only in the event of a crisis or war, and the withdrawal from the FRG of the chemical weapons already deployed there had to be completed by 1992 without any replacement.

Commenting on the chancellor's visit to the United States, the West German newspaper DIE WELT wrote: "The argument over disarmament priorities (chemical weapons, short-range systems) was neutralized in the interests of the communique of the NATO Brussels session."

This session of the NATO Council at head of state and government level took place 2-3 March. For the first time since 1966, when France quit the North Atlantic bloc's military organization, the French president took part.

The session adopted two documents—a declaration of the heads of state and government and a statement on conventional arms control. Both a concern for NATO to display greater assertiveness in the search for ways of effective arms control and cooperation with the socialist states and the pressure of certain circles in the direction of the allies' buildup of the most modern types of conventional arms and the upgrading of nuclear tactical weapons show through therein distinctly.

The participants in the session supported the INF Treaty, regarding it as "a landmark in our efforts to create a dependable peace and achieve a lower level of arms" and expressing the desire for it to take effect as soon as possible. It was emphasized here that the provisions concerning verification measures and "asymmetrical reductions" contained in the treaty should be seen as "precedents for future agreements worthy of emulation." The declaration oriented NATO toward "further elaboration of the general concept of arms control and disarmament." In this connection the leaders of all countries, except France, supported a 50-percent reduction in the strategic offensive arms of the United States and the Soviet Union. The achievement of agreements going beyond the framework of this reduction and the INF Treaty was, however, blocked.

As before, NATO insisted on preservation of the "nuclear deterrence" doctrine, "to which there is no alternative in the foreseeable future either," allegedly. The disarmament process which has begun notwithstanding, demands were put forward here for the adoption of new measures in order "to continue to ensure the viability, credibility and efficacy of our conventional and nuclear forces in Europe." Reservations in respect of all questions concerning nuclear weapons were expressed in the documents by Greece.

The acid test of NATO's attitude toward the continuation of nuclear disarmament was the problem of modernization of the American nuclear potential left in West Europe following the conclusion of the INF Treaty. Owing to the disagreements between the participants, primarily between the FRG, which voiced serious objections to the modernization of weapons with a range of up to 500 km, on the one hand and the United States and Great Britain on the other, the very word "modernization" was missing from the final document. The allies agreed on the following wording: "Nuclear and conventional forces will, if necessary, continue to be maintained at the appropriate level."

In the negotiations "concerning stability in the conventional arms sphere" the NATO members undertook to strive for the "establishment of a reliable and stable balance at a lower level, the elimination of the imbalances strongly influencing stability and security and, what is particularly important, removal of the capacity for surprise attack and offensive operations to a great depth." In fact they called on the Warsaw Pact states to adopt unilateral disarmament measures for the establishment of "equal ceilings". The statement said: "This will require of the Eastern side large asymmetrical reductions and lead, for example, to the withdrawal from Europe of tens of thousands of Warsaw Pact weapons of significance for a surprise attack, including tanks and artillery pieces." At the same time, however, the imbalances operating in NATO's favor, in respect of the number of ground attack aircraft, for example, were ignored in the statement.

It has to be acknowledged that on key questions of security the NATO heads of state and government managed to demonstrate quite a high degree of unity and cohesion. This indicates that the circles which are resisting further steps in the sphere of political and military detente have succeeded in consolidating their positions. Although the participants in the session declared their aspiration to a "search for better and more stable relations with the Soviet Union and other East European states," the final documents once again concocted various versions of the "Soviet threat". The Warsaw Pact initiatives pertaining to arms limitation and disarmament remained, on the other hand, unmentioned. Nor did the NATO countries present any program of their own in respect of a transition to disarmament in the sphere of conventional arms.

The reaction to the session in the West testified that the problems which existed prior to it also were not settled, and the adopted decisions merely smoothed over somewhat the persisting disagreements. This applies primarily to the differences in the partners' approaches to the question of continuation of the process of nuclear disarmament in Europe.

According to F. Ruhe, deputy chairman of the CDU/CSU faction in the Bundestag, the FRG would like the decision on modernization of its short-range nuclear

potential to be adopted by NATO only within the framework of a general disarmament concept, which should provide for a partial reduction in these weapons.

A. Dregger, who proposed that NATO renounce nuclear artillery completely insofar as it allegedly serves more as "self-deterrence" than deterrence of the aggressor, went even further. He declared that NATO should in no event increase the number of its nuclear missiles with a range of up to 500 km: "If they are modernized, which, of course, has to happen sometime, 50 or 60 will be sufficient, possibly." According to Dregger, both German states are equally interested in a reduction in this potential: "Whether they be Western short-range missiles or Eastern, they fly only from Germany to Germany."

The West Berlin paper DER TAGESSPIEGEL wrote concerning the participation in the session of F. Mitterrand and J. Chirac: "France is hereby showing that it intends once again more strongly influencing the alliance's military and military-strategic decisions."

British Prime Minister M. Thatcher declared immediately following the session that she sees the formula concerning the modernization of short-range nuclear missiles contained in the declaration as a "clear indication to NATO defense ministers" to adopt the necessary decisions at the next session of the bloc's Nuclear Planning Group (NPG) in April. According to Western press commentary, Thatcher's main aim at the session was the final document's formulation of the notorious "Brandmauer theory" (modernization and buildup of NATO's short-range nuclear potential—authors) such "as to preclude once for all future East-West agreements on a mutual reduction in these weapons to lower equal ceilings."

U.S. President R. Reagan, who had spoken at the session of the need for the preservation of NATO's "flexible response" strategy, observed, speaking on 14 March at a conference of the American Foreign Policy Institute, that "mutual assured destruction" could not for long remain "a convincing basis of Western strategy." According to him, in order to change this old strategy it was necessary with the help of the SDI to create a "better form of deterrence." "Flexible response has served," the President said, "and we are not, of course, abandoning our present strategy. However, at the same time we aspire, as before, to a more dependable method of deterring aggression.... For this reason, as readiness permits, we will switch to a the gradual deployment of SDI."

The Nuclear Planning Group session at NATO defense minister level, about which M. Thatcher had spoken, was held in Brussels (it had originally been planned to hold it in Denmark) right at the end of April. The participants reached agreement concerning the fact that NATO would preserve and upgrade its nuclear forces in Europe, guided by the program adopted back in 1983 at the NPG session in the Canadian city of Montebello.

According to Western press reports, the final communique took account of the FRG's desire for the question of modernization not to be emphasized. The very "modernization" concept was not employed. Instead there was repetition of the wording from the declaration of the NATO Council March session, according to which the allies are fully resolved to maintain their arms, including the nuclear weapons deployed in West Europe, at the appropriate level. But this was, perhaps, the extent of the successes of Bonn's NATO diplomacy. The communique failed to establish a strict relationship between modernization and the elaboration of a general arms control concept, as the FRG had been demanding and with which issue had been taken primarily by the United States, but contained both these points recorded next to one another.

The NATO attitude toward modernization was set forth far more precisely than in the communique at a press conference given by the defense secretaries of the two nuclear powers—the United States and Great Britain.

Thus F. Carlucci said that modernization of NATO's nuclear arms in Europe will continue: "This applies both to nuclear artillery and sea mines and aircraft. As far as subsequent modification of the Lance is concerned, Congress has allocated \$15 million for this. The decision on which of five-six possible systems should be selected will be made shortly."

Pentagon boss F. Carlucci, his British colleague G. Younger and NATO Secretary General Lord Carrington declared that the recent decision of the Danish Parliament (owing to which, incidentally, the NPG session was hastily transferred from Denmark to Belgium) not to admit to its country's waters and ports warships carrying nuclear weapons would do severe damage to the defense capability of the North Atlantic bloc, particularly Denmark, the FRG and Norway. Under such circumstances Great Britain could not make good on its promise to dispatch 13,500 Britons to Denmark in the event of war. The secretaries emphasized that neither the United States nor Britain intended abandoning their principle of not responding to questions of whether their armed forces were carrying nuclear weapons.

The 2-day NPG debate showed that the leaders of the NATO countries' military departments are adhering, as before, to a policy of nuclear arms buildup.

The West Europeans' doubts as to the dependability of American "nuclear guarantees" brought about by the conclusion of the INF Treaty and the publication of the Ikle Report by no means signify that West Europe wants nuclear war. On the contrary, practically all West European politicians and experts, regardless of their political views, not to mention the community at large, reject the possibility of any war, nuclear particularly. Ruling circles on this side of the Atlantic want something else: the United States to share the corresponding risk, and the

Soviet Union to be persuaded of the Americans' resolve to fulfill allied obligations through to the end, that is, use their strategic potential in the event of a war in Europe.

This approach to questions of NATO's nuclear strategy is based on the contrived premise concerning the "need" to deter the Soviet Union from "attacking" West Europe. Of course, there is no need for "deterrence" inasmuch as the Soviet Union is not about to attack anyone. However, such stereotypes of thinking continue to exist and influence both politicians and the public mind. It remains merely to be hoped that they will be eroded as progress is made in the business of disarmament and the expansion of cooperation with the socialist countries. At the same time another possibility has to be reckoned with also. It is perfectly likely that some of the United States' West European partners will continue to aspire to the autonomous elaboration of their military policy. Together with a further stimulation of the activity of the NATO "Eurogroup" it may be expected that the reanimation of the Western European Union and attempts to bring integration within the framework of the European Community to the military level will continue. If these trends strengthen and acquire more clear-cut contours, they will be a serious impediment in the way of consolidation of political and military detente.

### 3. Afghanistan—Testing Time

Agreements were signed on 14 April in Geneva on a political settlement in connection with Afghanistan. Throughout the world this event had been awaited with growing impatience. In the Soviet Union particularly. Awaited and believed in. For in our minds Afghanistan had become further a test of perestroika. The "Geneva package" proved its progressive movement. In connection with the signing of the Geneva agreements M.S. Gorbachev observed that in terms of its international repercussions this event was not, perhaps, inferior to the INF Treaty—the first major result of the new political thinking. There is no doubting the fairness of such an assessment. But nor would it, surely, be an exaggeration were we to recognize that the documents signed in Geneva were a principal (the most important, perhaps?) achievement of perestroika in the foreign policy sphere. It is, after all, a question of the preservation of the highest human property—life.

The path toward completion of the Geneva process was long and difficult. The negotiations between Afghanistan and Pakistan, which were conducted via D. Cordovez, personal representative of the UN secretary general, began in June 1982 and lasted right up until this April, at times being suspended, then being resumed once again. Decisive impetus was lent by the statements of M.S. Gorbachev, general secretary of the CPSU Central Committee, and Najibullah, president of the Republic of Afghanistan, on 8 February 1988.

At the meeting in Tashkent on 7 April M.S. Gorbachev and Najibullah observed that as a result of the constructive interaction of all who had been party to the settlement, the final obstacles to the signing of an agreement had been removed. The great service in the successful completion of the Geneva process of the UN secretary general and his personal representative at the negotiations was emphasized particularly.

As a result of the 6 years of efforts drafts of the main documents forming the basis of the "Geneva package" had been agreed by the start of February 1988. Just one question remained open—the timeframe of the withdrawal from Afghanistan of the Soviet forces there. The 8 February statement of the CPSU general secretary established 10 months as the timeframe for the withdrawal of Soviet forces, which was later reduced to 9 months. It also took account of the desire of the other party, specifically, it expressed a readiness to withdraw at the first stage even a comparatively larger part of the Soviet contingent.

However, in response to the constructive approach of the Soviet Union and Afghanistan to the problems constituting the essence of a settlement Pakistan put forward new demands in the culminating phase of the negotiations. Islamabad raised questions which had not prior to this been discussed at the negotiations and simultaneously retreated from positions occupied earlier. The demand for the creation of a "provisional government" in Afghanistan was advanced as a condition for the conclusion of the agreements. The Pakistan side put forward the proposition that what was most important was not so much the question of the withdrawal of Soviet forces as the question of the refugees. The Delhi paper *INDIAN EXPRESS* wrote in this connection: "Pakistan is afraid that if the withdrawal of Soviet forces begins under conditions whereby the opposition groupings do not have the vote in Kabul, the internal power struggle will soon assume civil war proportions, and this would postpone indefinitely the refugees' return home." Such an interpretation corresponds to certain sentiments in Pakistan, possibly, but suffers, for all that, from certain defects. If the Pakistanis are intimidated mainly by the prospect of a further exacerbation of the domestic political situation in Afghanistan, they should obviously be treating with great understanding the appeals to the opposition emanating from Kabul. After all, the Afghan side has appealed, and repeatedly, to the opposition forces, including the "Peshawar Seven," on whom Islamabad is counting, to sit down at the negotiating table for the purpose of forming a coalition government. It is such a compromise solution within the framework of the policy of national reconciliation which is the most effective way toward ending the fratricidal war in Afghanistan. Instead, Pakistan preferred to take the path of encouragement of the unfounded ambitions of the "alliance of the seven".

At that same time, literally a week before the start of the March round of the Geneva negotiations, the "seven"

declared their intention of forming a "provisional government". A communique distributed at the end of February in Peshawar reported that the proposed government would be made up of 28 persons: 14 Mujahideen, 7 representatives of the refugees and 7 Muslims living in Afghanistan. It stood to reason that PDPA representatives could not lay claim to a place in this "government," which, as the communique said, "will replace the government in Kabul prior to the signing of the agreements in Geneva." It is fitting to mention here that the leaders of the "alliance" enjoy in fact no significant support among the Afghan refugees living in Pakistan. A poll conducted among them in 1987 by the Peshawar-based "Afghan Information Center" showed that 71 percent of those polled recognize the former king as the sole national leader capable of heading the country following a peace settlement. And only 0.5 percent of those polled supported a leader of the "alliance of the seven" becoming head of Afghanistan.

The Soviet Union pointed out to Pakistan the strange inconsistency of its position. The attempt to artificially attach the question of a "provisional government" for Afghanistan to the Geneva agreements failed. Furthermore, the intentions of the "alliance of the seven" to form a "government" remained unrealized. Disagreements among the "seven" forced them to confine themselves merely to the election of their new leader. He was G. Hikmatyar—the most odious figure in the Afghan opposition, perhaps.

A further obstacle which the Pakistani side attempted to erect in the way of a settlement was the question of the "Durand Line". It is a question of the so-called "free tribal zone"—a disputed territory on both sides of the Afghan-Pakistani border 600 km long, in which Pashtun tribes live. This "zone" was named the "Durand Line" after the head of the British diplomatic mission, Mortimer Durand, sent to Afghanistan in 1893. Durand inspired letters from the maliks (leaders) of the East Pashtun border tribes to Amir Abdor Rahman Khan in which they declared a wish to become British subjects. As a result the ruler of Afghanistan, weakened by the prolonged war with the British, had imposed on him an agreement in accordance with which he renounced part of national territory. The Pashtuns living there (15-16 million according to the latest census) were granted special autonomy, including various privileges, among which was the right of the tribes to bear arms. In 1919 Amanollah Khan protested the old Anglo-Afghan treaties in a letter to the British Government, but no reply was forthcoming. Since that time Afghanistan has not recognized the "Durand Line".

In putting forward the demand concerning recognition as the international border of the "Durand Line" Pakistan had to have known what the reaction on the part of Afghanistan would be. And in the light of this the conclusion that there could have been in this case only one purpose—dragging out the settlement process—involutionarily suggests itself. It was no accident that the

jirga of Pashtun tribes living in the Badshapur (Pakistan's Northwest Frontier Province) area and in Afghan Kunar held at the end of March pointed out: "The Pakistani regime is certain that Afghanistan will never consent to official recognition of the 'Durand Line,' for this reason its sole purpose is to thwart the negotiations." The transfer across the Pakistani border to Afghan territory of arms for the needs of the opposition, which was being stepped up at this time, was, perhaps, the simplest explanation of reasons why Islamabad, which really is interested in the withdrawal of Soviet forces from Afghanistan, was so openly dragging out the signing of the Geneva agreements. Ultimately the "each other's border" compromise wording, which became a part of the final document, was formulated by the efforts of Soviet diplomacy.

Also equivocal at the culminating stage of the Geneva process was the position of the R. Reagan administration. In 1985 the United States had consented to be a guarantor of agreements pertaining to a settlement of the Afghan problem. It was understood that it would be obliged to cease its military assistance to the Afghan opposition forces 60 days after the signing of the agreements, that is, as of the start of the withdrawal of Soviet forces. However, this year the White House announced its intention to continue rendering the Afghan opposition forces assistance, explaining its position by references to the need to maintain "symmetry" in questions of arms supplies by the Soviet Union and the United States. The U.S. Administration proposed as a version of a solution on this issue the establishment of a freeze on such supplies. Formulation of the question in this form was unacceptable to both the Soviet and Afghan sides.

First, this meant, essentially, an attempt by American diplomacy to intrude upon the sphere of bilateral Soviet-Afghan relations, and in violation of the existing rules of international law, what is more: after all, the Soviet Union supplies Afghanistan with weapons on the basis of interstate treaties and intergovernmental agreements. The United States was in fact proposing that the Soviet Union renounce its treaties and cease to honor its commitments in respect of them. Second, the Soviet Union's recognition of the principle of "symmetry" in Washington's interpretation would mean recognition also of the "alliance of the seven". "Legalizing their status as something more than a grouping conducting an armed struggle against the country's legitimate government is a goal both of the proposed freeze and the talk about symmetry in questions of weapons supplies. Of course, we cannot support this goal," USSR Foreign Minister E.A. Shevardnadze declared in this connection.

The American side was made to understand that were the United States to link its participation in the guarantees with the adoption of the freeze it had proposed, the Geneva process could be completed perfectly well without its participation. Ultimately the U.S. Administration adopted a decision concerning participation in the guarantees, reserving, true, its right to supply weapons to the Afghan opposition.

What does the "Geneva package" represent?

It is a bilateral agreement between the Republic of Afghanistan and the Islamic Republic of Pakistan on the principles of relations and, specifically, noninterference and renunciation of intervention, a bilateral agreement between the Republic of Afghanistan and the Islamic Republic of Pakistan on the voluntary return of the refugees, an agreement on intercommunication for a settlement of the situation pertaining to Afghanistan, a declaration on international guarantees and, finally, a memorandum of understanding. The full texts of these documents have been published in the Soviet press. However, it is worth reproducing the fundamental principles of the agreements which were signed, which clearly record the parties' commitments, violation of which would be contrary to the letter and spirit of the "Geneva package". This applies primarily to the commitments of Afghanistan and Pakistan concerning noninterference in one another's affairs in any form. Specifically, the parties undertook:

not to make their territory available for hostile operations against the other party;

to refrain from any forms of intervention, open or covert, and from any act of military, political or economic interference;

to refrain from assisting, encouraging or supporting any insurgent or separatist activity;

to disallow on one's territory the training, equipping, financing and recruitment of mercenaries of whatever origin;

to refrain from the conclusion of any agreements or arrangements with other states aimed at intervention or interference in the internal or foreign affairs of the other party;

to disallow any assistance to and use or tolerance of terrorist groups, saboteurs or wreckers operating against the other party;

to assist the unimpeded return of the refugees to Afghanistan.

As can be clearly seen, the commitments assumed by Afghanistan and Pakistan have been formulated quite precisely and leave no room for possible interpretations. Just as specific are the commitments of the guarantees recorded in the declaration on international guarantees. However, from the very outset the Soviet Union and the United States have had a certain difference of understanding thereof. In the Soviet interpretation a guarantor country is one which:

supports the Afghan-Pakistani diplomatic settlement;

wishes to contribute to the goals of the settlement on the basis of an assurance of respect for the sovereignty,

independence, territorial integrity and nonaligned status of Afghanistan and Pakistan;

undertakes to refrain unswervingly from interference and intervention in the internal affairs of Afghanistan and Pakistan in any form and to respect the commitments contained in the bilateral agreement of these two countries on the principles of mutual relations.

It was in this interpretation that these commitments of the guarantors were made part of the final wording of the document. However, having appended its signature to this document, the United States simultaneously distributed in Geneva a unilateral statement in which it confirmed its position in respect of the so-called "symmetrical approach". "The commitments assumed by the guarantors," it said, "are of a symmetrical nature. In this connection the United States notified the Soviet Union that it reserves the right, in keeping with the guarantor's commitments, to grant the parties in Afghanistan military assistance. In the event of the Soviet Union displaying restraint in granting the parties in Afghanistan military assistance, the United States will display similar restraint." It was pointed out in this same statement that, as a guarantor of the settlement, the United States did not intend recognizing the present regime in Kabul as the legitimate government of Afghanistan. Similar nonrecognition of the Afghan Government was declared by the Pakistani side also.

Of course, the question inevitably arises: what is the reason for this "consistency" of the U.S. Administration? After all, at the early stages of the negotiations Washington repeatedly expressed a readiness to end supplies of weapons to the Afghan opposition on condition of the withdrawal of Soviet forces. From the purely military viewpoint this problem is not, to judge by everything, of such a fundamental nature. The Afghan opposition's stockpiles of weapons are more than sufficient. According to certain estimates, the American weapons which have been supplied would be sufficient for at least 3 years of war. It may, of course, be assumed that this is a form of moral encouragement and psychological support for the "alliance of the seven," "compensation," so to speak, that it is an attempt to drive the Soviet Union "into a corner," forcing it for the sake of realization of the Geneva agreements to abandon its commitments in respect of the legitimate government of Afghanistan and that the administration sees weapons supplies as the sole path permitting it to oust the regime in Afghanistan, which is inconvenient for it. One also perceives behind all this strong pressure on the administration of rightwing-conservative forces and the circles in the United States which would like to foil a settlement in Afghanistan and which see a continuation of the Soviet military presence in Afghanistan as a possibility of weakening the Soviet Union both internally and in its positions in the international arena. It was surely no accident that the U.S. weekly U.S. NEWS AND WORLD REPORT, expressing the mood of the latter,

regretfully imparted to its readers in its 18 April issue: "Afghanistan has not become a Vietnam for the Soviet Union. The losses from the viewpoint of financial resources, human casualties and discontent within the country are immeasurably less."

The suppositions are not without a point. It is perfectly possible that such goals are truly the basis of the American position. But how justified and realistic are they? The most diverse forecasts are indeed being made in respect of the development of the domestic political situation in Afghanistan following the withdrawal of Soviet forces. Complications in Afghanistan are possible. But their likelihood would be diminished if the parties supporting the opposition were not prompting it to continue the confrontation but were, on the contrary, endeavoring to facilitate a settlement of the intra-Afghan dispute. If the United States is interested in a normalization of the situation in Afghanistan, the R. Reagan administration should, guided by the principles of the Geneva agreements, leave these problems to be decided by the Afghans themselves and help create the conditions for political dialogue between the parties, for which Kabul, is calling. It should not be forgotten that it is doing this in the name of the interests of the Afghan people and not because it considers its positions insecure. As far as the desire to influence the Soviet Union is concerned, such an intention could be the result of a lack of due realism in American diplomacy's evaluations of the Soviet approach to the Afghan problem. The decision to withdraw the Soviet forces from Afghanistan is of an irreversible nature. But this by no means signifies that the Soviet Union may be compelled to forgo the principles of its foreign policy. By keeping to its policy the sole thing that Washington might achieve is to sow serious doubts concerning its readiness and capacity even for constructive cooperation with the Soviet Union in a settlement not only of the Afghan problem but of other international conflicts also.

Calls for a more balanced and considered approach to the problems of Afghanistan are being heard in Washington itself also. The staff of the Senate Judiciary Committee Subcommittee on Immigration and Refugee Affairs prepared the special report "Afghanistan: Peace and Repatriation?" In a foreword Sen E. Kennedy, who heads this committee, writes that "the historic Geneva agreements" of 14 April "establish a basis permitting the people of Afghanistan to act in the name of peace, stability and self-determination."

E. Kennedy emphasizes that it is essential at the present "important stage" to counteract in every possible way the attempts of those "who would like to undermine the Geneva agreements or prolong the conflict. Specifically, the United States should continue to support the international organizations involved in assistance to the refugees, support thorough compliance with and verification of fulfillment of the Geneva accords, use all levers at its disposal to support the efforts of UN representative



Cordovez to create a provisional government in Afghanistan and maintain the assistance granted Afghans who wish to return home at levels in keeping with the framework of the Geneva agreements."

The White House is proceeding in its assessments of the prospects of the development of the intra-Afghan situation from the fact that the Mujahidin will soon come to power in Kabul after the withdrawal of the Soviet forces. Both the military and political potential of the present Afghan Government and the results of the changes which have taken place in the country recently are manifestly underestimated here. The realities of present-day Afghanistan and the correlation of forces which has taken shape at the present time afford, however, more grounds for the conclusion that both parties—the government and the opposition—are strong. Strong enough, obviously, not to have been defeated in the armed dispute and to have held on to the areas they control.

It is significant that in the United States itself also many professional diplomats and Afghanistan specialists have come out with serious warnings against undestimation of the PDPA. "I believe that the Soviets are partially counting, the NEW YORK TIMES quotes a State Department official, "on the disintegration of the resistance. There are many rival factions there. There is dislike between the commanders in the field and the political leaders in Peshawar. There are also local disagreements. The ruling communist grouping (as the PDPA is characterized in the United States—authors) will be the strongest force in the country, which will be able to take advantage of these disagreements. And it will be capable of surviving in this form or the other for a long time." Such an assessment is also shared by S. Harrison, expert on Afghanistan of the Carnegie Foundation: "It would seem to me that there are in Kabul many communist cadres devoted to their ideological principles... Many of them come from social groups which previously lived in poverty. I doubt the validity of the traditional opinion that the Kabul regime will fall quickly inasmuch as, in my view, the communists are less fragmented than the people believe, and the resistance is fragmented to a greater extent than they are inclined to recognize."

Today the PDPA remains the most influential party in Afghanistan. The policy of national reconciliation which it is pursuing, the aim of which is a just political solution of intra-Afghan problems, has attracted to its side new forces in the country. Its authority in Afghan society and the confidence therein on the part of the people have grown. It was the policy of national reconciliation reflecting the objective requirements of Afghan society and its first results which made possible the signing of the Geneva agreements. Without this policy there would have been no Geneva. These are two interrelated processes operating in head-on directions. Geneva, in turn, should impart new impetus to national reconciliation. In

the unity and interaction of these two processes is the practicable path toward a political settlement around Afghanistan and within it. It is this path which the PDPA has taken.

The Kabul authorities have done and continue to do much to persuade Afghans of the soundness of the choice made by the PDPA in April 1978. Much has been done in the republic since the revolution for a renewal of society, a break with the old forms of domination and oppression and the creation of new institutions of power. It has been possible to avert economic ruin and prevent a further fall in the people's living standard. Some 40,000 jobs are created in the state sector annually. Approximately 90 billion afghanis were invested in the economy in the preceding 5-year plan—more than the total capital appropriations for all state development programs prior to the April revolution. One-fourth of capital investments went in this period on the development of social services. More than 400 schools and 120 hospitals and medical centers have been built in Afghanistan. Relations between the revolutionary authorities and religious figures have been developing normally recently. All the conditions have been created for freedom of religion. In the republic's constitution Islam is declared the religion of Afghanistan. An Islamic Consultative Council has been set up under the presidency. More than 270 mosques have been built or repaired in the country recently. A shariah faculty has been inaugurated in Kabul University, 13 madrasahs are operating, there is a Ministry of Islamic Affairs and Endowment and a Center for Islamic Studies has been created.

It is obvious that had it not been for the war unleashed by internal and outside forces, more could have been achieved. The costs connected with it are very palpable. As PDPA leader Najibullah observed, there are several dimensions to these losses. There is the direct economic loss—what has been destroyed, blown up and wiped out. It is in excess of 50 billion afghanis. There is the indirect economic loss—what could have been built, done and obtained were it not for the war. It exceeds the direct loss many times over. Finally, there is the human, the main, loss—Afghans killed, wounded and maimed by the war, thousands of broken homes and the Afghan refugees forced to eke out a wretched existence on foreign soil. More than 1 million persons perished in the years of war in Afghanistan.<sup>1</sup> According to figures of the UN high commissioner for refugees adduced by the NEW YORK TIMES, the number of Afghan refugees in Pakistan is 3.1 million, and in Iran, 2.4 million.

As the situation in Afghanistan developed, serious mistakes and miscalculations were made after April 1978 by the PDPA itself also, which did not know how to objectively evaluate the influence of age-old traditions associated with the tribal structure of Afghan society, feudal vestiges and the religious factor in Afghans' life. The reforms carried out from the top were not always sufficiently considered, and some of them ultimately proved counterproductive. Such was the case concerning



the attempts to nationalize land belonging to the mosques, which led to a crisis in relations between the authorities on the one hand and religious figures and followers of Islam on the other. Mistakes were also made during the implementation of land and water reforms. There was unwarranted repression not only of the enemies of the April revolution. Finally, disagreements in the party itself, which assumed very acute forms at times, the "wing" hostility between the two "Khalq" and "Parcham" factions, group favoritism, political and theoretical immaturity, ambitiousness and pretensions to leadership on the part of certain people in the upper echelon were reflected in the country's political life also.

The PDPA has recently succeeded in making considerable adjustments to the party's strategy and political practice. Conducting a thorough analysis of the post-revolution years after the party Central Committee 18th Plenum, the party leadership was persuaded that, despite all the efforts and sacrifices, no single key question of the life of Afghan society had been solved militarily. A policy of national peace which could be realized by way of reconciliation gradually began to take shape and develop. An important part in the formulation of a realistic party platform was played by the 20th and, particularly, the special PDPA plenums. A policy of ensuring political pluralism in the country based on the principles of the multiparty and coalition approach and the creation of a mixed economy in which the private sector would be accorded the broadest initiative, and in foreign policy, of the consolidation of the traditional principles of neutrality and nonalignment, was adopted.

The policy of national reconciliation has already borne fruit, although modest as yet, possibly. It also testifies to the realistic nature of PDPA policy. The state and political structures have been reorganized. A new constitution has been adopted. An amnesty has been declared and is being implemented. Many decrees adopted earlier have been revised. A certain recovery in the economy has shown through.

All provincial centers and almost 10,000 villages (there are of the order of 24,000 of them in Afghanistan altogether) are under the control of the state authorities. Approximately 50,000 members of armed formations have switched to the side of the authorities. Some 130,000 persons have returned home. In July 1987 Kabul offered the opposing side 28 minister and state committee chairman positions. The possibility of the transfer to the opposition of the office of prime minister of the country is not precluded. All these offers hold good. The question of new compromises and political concessions to the armed opposition is now being worked up. Negotiations with 767 armed opposition groups numbering more than 60,000 persons on the terms of an end to combat operations and cooperation in realization of the program of national reconciliation are continuing. The government is paying great attention to the refugee problem. A Ministry for Emigre Affairs, which has offices in the provinces, has been set up to

tackle questions of a socioeconomic nature. The budget provides for a special assistance fund for emigres. A number of laws has been enacted in the country guaranteeing them the return of their property, tax privileges and civil and political rights.

There has been an improvement in the situation in the PDPA itself also. The difficult conditions in which it has to operate have persuaded many of the rank and file and middle- and top-level active members of the disastrous consequences of factional struggle and the need for unification on a new platform formulated with regard for realities, unity and cohesion. Party numbers have grown: it now has 205,000 members. Its ties to the army have strengthened even more. Some 60 percent of the PDPA membership is concentrated in the armed forces of the Republic of Afghanistan (numbering approximately 400,000 men), which possess the latest military equipment and great experience and skilled commander personnel.

The party has taken the initiative in the search for a settlement of external aspects of the Afghan problem. And this largely predetermined the Geneva success. Consistency also distinguishes Kabul's first steps in respect of realization of the Geneva agreements. UN inspection teams to monitor compliance with the commitments ensuing from the Geneva agreements have arrived in Kabul. Preparation of the conditions for greeting the returning refugees continues: resources for road and transport expenditure are being allocated and repatriate reception centers have been set up. At the present time such centers (there are 22 of them) are capable of receiving 10,000 persons daily. The construction of a further three such centers is envisaged. The Office of the UN High Commissioner for Refugees has confirmed that the return is proceeding on a voluntary basis. A timetable for the withdrawal of Soviet forces from Afghanistan, half of whom will have been withdrawn prior to 15 August, has been agreed with the Soviet Government.

The USSR also is operating strictly in accordance with the Geneva agreements. "The Soviet Union," E.A. Shevardnadze declared following the signing of the Geneva agreements, "will comply fully with the commitments stipulated by the Geneva agreements and will perform its treaty obligations to Afghanistan. The Soviet side will also assist in the solution of the refugee problem and Afghanistan's economic restoration and development."

As stipulated by the Geneva agreements, the withdrawal of Soviet forces began on 15 May. Military units with a strength of 10,000 men with the corresponding military equipment and arms had been withdrawn before the end of the month. The Soviet units' withdrawal was observed by dozens of foreign correspondents. All the necessary conditions were created also for representatives of the UN inspection mechanism to record the start of the withdrawal and its parameters. The withdrawal of the Soviet forces is continuing in accordance with the timetable agreed earlier.

The continuing expansion of cooperation in various spheres between the Soviet Union and Afghanistan is a contribution to realization of the Geneva agreements also. Over 100 facilities, which produce more than one-half of the budget income, have been created in the country with the USSR's assistance. Economic relations are being further improved. Economic and foreign trade establishments of the Soviet Union are actively interacting with Afghan businessmen and peasantry. The organization of relations at regional and production levels and industrial and marketing joint labor are becoming an efficient form of cooperation. Republics, krays, oblasts and cities of the Soviet Union have within the framework of the practice of direct relations with Afghan provinces begun the construction on their own of industrial enterprises, transport and communications installations and cultural and social amenities and are assisting in the training of personnel of the Afghan national professional classes.

The conscientious and punctual compliance with the commitments they have assumed by Afghanistan and the Soviet Union alone, of course, is insufficient for the successful and full realization of the Geneva agreements. The match cannot be played with one set of goalposts. Success is possible only on the basis of reciprocity providing for strict compliance with the principles of the settlement agreed in Geneva on the part of Pakistan and the United States. However, the first weeks since the start of implementation of the Geneva accords are no grounds for believing that outside interference in the internal affairs of Afghanistan has, as stipulated by the documents which were signed, ceased.

It would seem that Pakistan still cannot determine to what position to adhere on the Afghan question. The complex interweaving of different interests, mutually exclusive at times, is preventing Islamabad reaching some definite position and pursuing a consistent policy in this difficult international situation. On the one hand the presence of Soviet forces in a neighboring country is hardly to the liking of Pakistan's leaders. But at the same time it has been used all these years for speculation on the theme of the threat to the country's security. Under such conditions the status of "front-line state" has served as the best guarantee of American military and economic assistance. Some of the resources have been confiscated by the Pakistanis from the assistance which the United States has been rendering the Afghan opposition also. Pakistan has voluntarily turned its territory into a springboard for interference in Afghanistan's internal affairs. But has endeavored in every possible way here to derive benefits for itself also. As the Indian paper THE TRIBUNE observed, "the more the relationship between the mercenary interests of the Pakistani Army and the military-political goals of America aimed against the Soviet Union strengthened, the greater was Pakistan's confidence that it had no reason to fear American disagreement either with its political pretensions within the country or with its military aims abroad.

This explains the dexterity with which President Zia-ul-Haq has been able to put pressure on the Americans both on the question of Pakistan's nuclear program and in relations with India and also in connection with Pakistan's refusal for its own domestic political considerations to support American pressure on the Iran of Ayatollah Khomeini."

The same in connection with the problem of the Afghan refugees. Their presence on Pakistani soil has secured American patronage. But the presence of the refugees simultaneously creates serious problems for Pakistan. The "Afghan colony" is becoming increasingly less controllable. There has been a sharp rise in the number of infringements of law and order. The refugees are squeezing Pakistanis out of the manpower market. Local tradesmen have begun to lose out increasingly often in competition with Afghan tradesmen. The smuggling of narcotics and the trade therein, in which the Afghan opposition is involved, has become a big social problem. Pakistani political circles opposed to the regime of Zia-ul-Haq are using the current situation in their own interests. Now, when the conditions have been created for the return home of the refugees, Pakistan is not in that much of a hurry to facilitate this.

The Pakistani side is inconsistent on the question of a "transitional government". On the one hand there is a succession of statements to the effect that Islamabad supports a formula of the solution thereof which provides for the participation in a future government of representatives of the mujahidin, the refugees and the PDPA. Many observers note that unofficially Pakistani officials are declaring that they are highly ambivalent toward the possibility of the accession to power in Kabul of the fundamentalist leaders of the Afghan revolution, the most militant and influential of whom call themselves Islamic revolutionaries in the image and likeness of Ayatollah Khomeini in Iran and the "Muslim Brotherhood" in Egypt. But at the same time the Pakistani authorities are by their actions encouraging and supporting precisely these opposition figures, who flatly reject the possibility of any compromise with the PDPA.

One further aspect of Pakistan's position is difficult to explain. Having signed the agreement with Afghanistan in Geneva, a clause of which stipulates a commitment to "refrain from the conclusion of any agreements or accords with other states aimed at intervening or interfering in the internal and external affairs" of the other party, Islamabad has at the same time, as the American press has reported, come to an "arrangement" with the United States that supplies of weapons and equipment for the Afghan opposition across Pakistani territory may continue if this is "necessary to balance Soviet supplies".

In accordance with the Geneva accords, Pakistan undertook also to eliminate completely the military and political infrastructure of the Afghan opposition: disallowing on its territory the presence and concealment in camps and bases or in any other way of the organization,

training, financing, equipping and arming of political and other groups for the purpose of subversive activity against the Afghan Government. However, a USSR Foreign Ministry statement issued on 29 May adduced numerous instances testifying that interference on the part of Pakistan in the internal affairs of the neighboring state not only had not ceased by 15 May—the date the Geneva agreements took effect—but had increased. Official Pakistani organizations have continued to support the transfer of armed opposition detachments and also convoys carrying weapons, including rocket projectiles and air defense and antitank missiles. Pakistani Army stores have been working around the clock in Khowali, Khojak and Naushahra, whence Pakistani military transport has been delivering weapons and ammunition for the Afghan antigovernment forces to the border areas. The headquarters and information-propaganda centers of the Afghan opposition have continued to function on Pakistani territory. The headquarters of the armed opposition which is a part of the “alliance of the seven” located on Pakistani territory has been operating in its customary mode. The rebel and saboteur detachment training centers and large armed formations of the “alliance” have not been wound up and have continued to operate.

The list of violations, although incomplete, is quite substantial. Pakistan's position has been supported by the United States, which also is in no hurry to fulfill its commitments. R. Williamson, appointed by U.S. Secretary of State G. Shultz “coordinator” of State Department policy in Afghanistan, declared that the Reagan administration “will maintain a healthily skeptical approach and adopt a wait-and-see position.” However, it is difficult to match the actual facts of American interference in Afghan affairs with such a declaration. The goals which Washington should be seeking were formulated more candidly by an unnamed administration official whom the WALL STREET JOURNAL quoted. “We must now,” he declared, “do everything possible to prevent it (the Soviet Union—authors) winning the peace in Afghanistan.”

Actually encouraging the leaders of the Afghan opposition to continue the civil war, the R. Reagan administration was even after the Geneva agreements had been signed giving the assurance that it would support their efforts for the formation of a “provisional government”. American diplomacy has even formulated the principles on the basis of which the United States would be ready to recognize such a government: “control of the territory, consent of the people, capacity for and readiness to fulfill international obligations, the presence of a civil administrative machinery and the capacity for administering the country.” The criteria, according to Z. Khalilzade, special adviser of the U.S. undersecretary of state, who delivered a message from the U.S. Administration to the leaders of the Afghan armed opposition at the end of April, are aimed at encouraging the Mujahideen “to maintain unity until they have swept aside the legitimate government in Kabul and created a new government in its place.”

Not having abandoned weapons supplies to the Afghan opposition, the United States has begun an active study of alternative ways of delivering military equipment to it in the event of the Pakistani channel ceasing to function. Such possibilities have been sounded out in Iran, which officially opposed the Afghanistan agreements signed in Geneva. According to information available to the USSR Foreign Ministry, at the end of April the United States communicated to Tehran its readiness to render via third countries the Afghan opposition the necessary financial and military assistance in the event of Iran's consent to its transfer to the eastern areas of this country. At the end of May this question remained open. But neither has the United States had any problems with the use of Pakistani territory.

The policy being pursued by Pakistan and the United States is not only contrary to the Geneva accords but is also essentially blocking the possibility of a political settlement in Afghanistan itself. A USSR Foreign Ministry statement in this connection observed that “it would appear entirely natural if in the face of such manifest and obvious violations on the part of Pakistan of the provisions of the Geneva agreements the Soviet Union and the Republic of Afghanistan were to draw the appropriate conclusions in respect of the timetable for the withdrawal of forces and implement specific measures brought about by the unlawful actions of Islamabad.”

Do the difficulties which have been encountered from the very outset by the Geneva process, whose main goal is completion of the withdrawal of Soviet forces from Afghanistan and an end to outside interference in this country's internal affairs, mean that it could be thwarted by its enemies? Only time will tell. But there is every reason, we believe, for cautious optimism. Such a forecast is betokened by the scrupulous position of the Soviet Union and the Republic of Afghanistan; the “reserve of strength” permitting the revolutionary authorities in Kabul to take constructive and bold steps both in internal and in foreign affairs; the overall propitious climate in the world and the world community's interest in the speediest settlement of a most dangerous regional conflict of the present day; the enhanced authority and role of the United Nations, which is entrusted with the functions of monitoring the parties' compliance with the agreements signed in Geneva.

Striking pages were inscribed in the annals of international life in the spring of 1988. The fourth meeting of the top leaders of the Soviet Union and the United States was followed throughout the world with tremendous interest. As a result of R. Reagan's visit to Moscow Soviet-American relations reached a new level in their development. Mutual understanding is growing, we are getting to know one another better and fruitful dialogue is continuing. In the modern world full of contradictions it is extremely necessary. Disagreements between the world's two leading powers persist on many international problems. They are inevitable. Recognition of this

objective reality is accompanied, however, by recognition on both sides of the need for a search for political, nonviolent methods of their solution. The Geneva Afghanistan agreements were an example of such an approach, although not everything may be evaluated unambiguously here. It is now a question of seeing things through to their conclusion. The successful and timely completion of the Geneva process may not only serve as a good example for the search for a political settlement of other international conflicts but could be proof of the understanding in the Soviet Union and the United States of their particular responsibility for the fate of mankind.

#### Footnote

1. The Soviet Union's losses in the time spent by the Soviet contingent of forces in Afghanistan (as of the start of May 1988) amounted to 13,310 killed, 35,478 wounded and 33 missing without trace.

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#### 'Sectoral' Approach Inhibiting International Economic Relations

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[Article by Erik Panteleymonovich Pletnev, doctor of economic sciences, head of a department of the CPSU Central Committee Social Sciences Institute: "The World-Economic Section of Perestroika and Economic Theory"]

[Text] Perestroika, as a profound inner requirement of social development, the revolutionary replacement of obsolete components of the system of socialism's production relations by new components of the economic organism and the substitution for the mechanism of impediments to increases in production of a mechanism of the qualitative renewal of economic growth, is becoming a firm part of the consciousness of increasingly broad strata of our society. Less recognized as yet is the connection of the restructuring of our economic mechanism with no less strict external imperatives in the sphere of the state's foreign economic activity. And this is all the more intolerable in that the strong positions of the world's first socialist power in the sphere of production and intellectual potential are manifestly not yet matched by its modest place in world-economic turnover—world trade, financial and currency transactions, license and patent exchange, international investment and production cooperation, S&T cooperation and others.

The disappearance of the problem of the foreign economic relations of the international market and the

world economy from the visual field of the general theory of political economy is explained by more than just objective factors. Considerable blame lies with the theorists who hastened to associate themselves with the "headquarters of the sectors," which were disguised, but firm devotees of economic autarky.

Work on overcoming the lag in determination of the place and role of the "world-economic section" of perestroika should be undertaken by very many international economic affairs specialists engaged in study of the most diverse, at times, exotic disciplines of "inter-area studies". We have expressed the idea of the need for the unification on a common procedural basis of the efforts of the entire family of sciences of international economic relations.<sup>1</sup>

Awaiting an answer are the following truly urgent questions: what demands of the objective economic laws universally revealing their essence in the international arena may be used with the maximum efficiency for tackling the tasks of our perestroika? How to find the directions of a fundamental improvement in socialism's foreign economic relations to strengthen the impact of perestroika on the fate of world socialism and, consequently, the world economy as a whole?

#### Interdependence of Domestic Economic Reform and Improvement of Foreign Economic Activity

Two aspects are distinguishable in the radical economic reform being implemented by socialist society currently. One is connected with the revolutionary break with the old economic mechanism and guidance onto the expanses of intensive development of the system of socialist production relations as a whole. The second expresses the need of the country's entire diversified, single economic complex for an emphatic renunciation of the accessory nature of foreign economic relations burdening the budget, "mothballing" production potential and reducing actual solvency on the domestic market.

It follows from the line of reasoning of some of our economists that the mechanism of any "country" economy, socialist included, amounts to direct, immediate interaction with foreign economies. And that there are no problems when production relations are carried overseas and "admitted" from abroad. And if a restructuring of the mechanisms of domestic and foreign economic turnover is indeed necessary, it is only to remove the barriers between these spheres. Adhering to such concepts, it is altogether impossible to understand why perestroika is needed since the "country" economies interact on an "intercountry" scale.

However, it is, for all that, really necessary to enhance the efficiency of foreign economic relations. No one intends denying the urgency of the accomplishment of this task. Only the foreign economic imperatives of perestroika lie deeper and emanate from even more

deep-lying imperatives than domestic imperatives. It is from them that we should begin an elucidation of the world-economic section of perestroika.

We call perestroika a continuation of the October Revolution because completion of the mission begun by the "Red Guard attack" on capital to achieve the highest level of socialization compared with capitalism and, **consequently, of labor productivity** is moving toward the center of attention. Perestroika should be a bridge between the nationalization of socialist production and its socialization in practice. From the first steps of social transformations actual socialization has lagged far behind formal socialization. And the sources of the ever increasing difference between these two fundamental aspects of an increase in the degree of the public nature of production are rooted not only and not so much historically in the underdevelopment of the prerevolution forms of capitalist monopolism. After all, cartels, syndicates and trusts were predominant in the economy in pre-October Russia, concentrating and centralizing the latter from a sectoral angle.

The dialectics, however, of post-revolution development in our country mobilized the multiplied historical factors of the revival of sectoral, this time entirely Soviet, "monopolism" in the soil of resource starvation, when the acquisition of an acutely needed resource and, consequently, the success of socialist industrialization depended on the state authorities. The advantages of the sectoral approach to the management of production were manifested in relief in the war years, when the precursors of the ministries—people's commissariats—were formed for equipping individual arms of the service and for types of arms, and in the period of postwar restoration, when overcoming the resource starvation had become a world-economic task of socialism even.

It was possible for some time to be rid of the monopoly diktat of the departments thanks to their replacement by the councils of the national economy three decades ago. But 103 economic areas were created, and not the 13, as science had recommended. Contrary to the requirements of the growth of the actual socialization of production, it was further fragmented territorially also. Referring to the need for the pursuit of a common technical policy within the framework of each sector, the sectoral departments which had survived in the guise of committees soon sought their elevation to the level of ministries omnipotent not so much technically as economically. It was they which formed the basis of the mechanism of impediments to the progress of technology (which is now developing at the intersections of the sectors) and the steady deterioration in the quality of the end product (which is manufactured by subcontractors independently of one another). Thus did the barriers in the way of the formation of the socialization of production and labor come about historically in practice.

We are interested here in the consequences of the non-concurrence of formal and actual socialization in connection with the modification, more precisely, serious

deformation of the conditions for the action of objective economic laws, not least among which is the law of value. After all, the interdepartmental barriers in the way of the plan-based transfer of resources from sector to sector impeded (and continue to impede!) the formation from departmental (entirely nonmarket) values in each sector of another—common, truly social, intersectoral—value embodied in the cost of production (in place of formal, all-"recouping" cost-to-produce prices).

The impossibility of the actual formation of domestic value condemns to a formal existence economic accountability itself also, which in practice remains far from full. After all, it presupposes the self-support of the enterprises only in their own actual cost-to-produce values, and not in socially necessary values. The absolutely just demand for the achievement of self-support is replaced by the proclamation of each existing enterprise self-supporting merely by virtue of the fact of its existence. The need for a comparison, given economic accountability, not only of outgoings and income but also, primarily, of actual expenditure and planned, standardized costs is completely ignored at every step. And this domestic economic demand is merely a precondition for transition to world-economic parameters.

The truly revolutionary role of the restructuring of management in the land of October amounts to the removal of the barriers in the way of a real rise in the level of the socialization of labor and a multiplication of socialist ownership in practice. The opportunities have been created for the transformation of the basic component of the economy into diversified associations (socialist consortia), unity of the investment process, the centralization of structural policy, control of the price system as a uniform whole, stimulation of financial activities and so forth. And the basis of these measures is not giant-mania, as sometimes portrayed, and not pluralism in management, as is sometimes spread about. No, the basis of the measures pertaining to realization of radical economic reform is the endeavor to combine in plan-based manner viable fundamental cells (associations) of an intersectoral nature with a mass of specialized or easily restructured partners which are not part of an association but which nurture commodity-money relationships by their mobility. And commodity-money relationships within a country cannot be fenced off from world commodity turnover without detriment to the home economy.

Here we have approached the foreign economic essence of our economic reform and the specifics of the tasks of a break with the stagnant structure of foreign trade and the organization of business turnover with foreign countries based on an integral system of plan-oriented concerted and coordinated forms of the Soviet state's overseas activity. This is a completely surprise subject for a number of economists since they already thought that the evolved domestic structures had ripened without perestroika even for immediate "direct interaction" with "the opposite system of appropriation".<sup>2</sup>

Contrary to these beliefs, our society has adopted an emphatic policy of an urgent renewal of the former "system" of foreign economic relations. But inasmuch as it is only possible to take outside the isoforms of the internal structures of the national economy, and it is controlled per the resource principle, all outlets abroad have begun and ended practically with supplies of the products of labor not within the framework of direct joint-labor relations but solely in the traditional capacity of commodities. The sectoral principle of the management of foreign economic relations has impeded the achievement of highest direct production relations and converted cooperation back to trade. Even in relations with socialist countries production and specialization agreements have resulted in the specialization and cooperation of commodity supplies, an agreement on direct, that is, not market-mediated, ties, in "direct" commodity exchange, intersectoral integration, in intrasectoral trade, and so forth.<sup>3</sup> The endeavor to remain an "independent" commodity supplier, if the worst comes to the worst, a subcontractor, in business relations with foreign countries has been nurtured by two satellites of the old "system". First, treasury commitments to pay for everything supplied to the orders of the former USSR Ministry of Foreign Trade and, second, the low level of the quality of the products itself compared with world standards failed to stimulate our "commodity producers" to spend any length of time on international markets.

But the wall fencing off domestic production from the foreign market has now been considerably undermined. The exclusive monopoly of the Ministry of Foreign Trade on contacts with overseas spheres of business turnover has been replaced by a new system—the direct outlet of associations and enterprises and also departments to foreign markets. The tasks of the activity of these economic units have been declared to be full economic accountability, currency self-support and other, to be blunt, difficult goals. This is the start of a radical change in the interaction of our national economy, that is, domestic, national structure of production relations, with the overseas economic environment. Each economist is necessarily confronted here with problems of ascertaining the relationship between the intra-national economic structures which are undergoing perestroika and the foreign economic relations being renewed.

In more than 10 years of work in the Foreign Trade Academy your author had extensive opportunities for recommending to the practical departments a method, which comes far from cheaply, of mastering the art of management in foreign economic world-economy turnover. A monograph published, specifically, under the aegis of this academy argues in detail from the theoretical and political aspects the possibility and necessity and political economy nature and mechanism of the active participation of the socialist state and its economic units in investment and production cooperation, mixed companies, compensation agreements and so forth.<sup>4</sup> I do not feel entirely comfortable quoting myself, but let us, nonetheless, reproduce a paragraph from a book which

came out in 1983, when our "headquarters of the sectors" were at the pinnacle of omnipotence: "The role of political economy as the theoretical reference point for foreign economic practice consists of preventing a narrow departmental approach to any type of economic activity on world markets. For economic laws do not confine their action to the field of an individual sector or region, particularly when it is a question of transactions in the world economic arena."<sup>5</sup>

But however assertively we insist on the need for the "removal" of the foreign trade clothing from our relations with foreign countries and the unavoidability of the assimilation of the skills of financial-investment and other long-term transactions overseas, questions of the conjugation in time and echeloning in the transformation of the domestic economic and foreign economic mechanisms cannot be resolved at a stroke. In addition, as they are solved in one form, these problems emerge in new formulations.

Has the system of the exchange of currency proceeds per sectoral coefficients not remained virtually unchanged at the foundations of the mechanism of enterprises' direct outlets onto the foreign market? And the so traditional budget replenishment means that far from the most progressive (by national economic criteria) sectors are guaranteed higher currency compensation.

Many sector champions, particularly those who have no experience of overseas activity, are literally straining after international partnership. Ideas concerning the allegedly complete readiness of "intra-national structures" for "direct interaction" with the overseas business environment have become quite firmly established in sectoral departments. But there are things to ponder here. This entire movement onto overseas markets requires the profound restructuring of the domestic cells from top to bottom and a transition from outlays in sectoral prices and budget "profits" computed by the accounts department in proportion to costs to a correlation of the socially necessary expenditure of work time on national and international scales. In short, foreign economic relations begin and end at home. Knowing this, it is possible, "without repeating stale news," to study the intricate, although heterogeneous, fabric of the world economy, concentrating on the specific laws of this highly autonomous sphere of "secondary," "non-primary" economic relations, divorced from domestic soil at times, between peoples. It is here that our opponents begin to cry: "They are chopping down and tearing up!" It is for this reason that a closer examination precisely of the theoretical aspect is required.

#### **The National Economy and International Economic Relations in Theory**

The concept of contemporary universal economic intercourse is taking shape in the surmounting of the dogmatic extremes and ossified tenets preventing the effective consideration of world-economic and nationaleconomic

demands on the realization of radical economic reform in the USSR.

One extreme to be overcome is based on the assertion that outside of our national economy all is "wrong" or "totally contrary" even and that for this reason there can be absolutely no question of anything more than commodity exchange deals (commodity flows). The supporters of another extreme viewpoint declare that it is not necessary to build and perfect any special, qualitatively distinct, specific relations between domestic and foreign economic turnover and that our economy is already prepared for "immediate interaction" ("direct") with other national economic systems.<sup>6</sup> The inappropriateness of this tendency is particularly noticeable, I believe, under the conditions of the search for the optimum combination of the restructuring of the domestic economic mechanism with a fundamental improvement of the foreign economic system of our country's relations.

The opponents of the idea of the admissibility of the very existence of a particular connecting web of international economic relations integrating national economies in a network (distinctive matrix, grid, vascular system!) of the universal economy know that we are attempting to take as the basis K. Marx's pronouncements from the 1857-1859 economic MSS (the original version of "Das Kapital"). But they flatly reject the very search for a classical interpretation of international economic relations in the works of the founders of Marxism. However, I do not want to let pass one observation of our opponents. It is a question of the allegedly free interpretation of the meaning of the heading and section 4, paragraph 3 of the "Introduction" of the 1857-1859 economic MSS of K. Marx<sup>7</sup> (truly, we interpret international economic relations as relations of intercourse or transferred relations). Here is the authentic wording: "**Secondary and tertiary, altogether derived, transferred, nonprimary production relations.** The role performed here by international relations."<sup>8</sup> Careful! What does Marx's "here" mean? This is the amplification around which the argument turns.<sup>9</sup>

Undoubtedly, K. Marx did not intend in the said section 4 of the "Introduction" ("here"! ) merely to outline "in other words" the interaction studied earlier in section 2: "General Relationship of Production to Distribution, Exchange and Consumption" of the four said aspects in the system of the economic basis. On the contrary, K. Marx reveals in the new section **one further** value and hitherto unstudied facet of secondariness, derivativeness and altogether nonprimariness in the system of production relations, namely, the **transferredness** of the latter across national-state frontiers. But then on what grounds are **transferred** state relations placed on one side of the interpretation, and international economic mutual relations on the other? This is possible only if account is not taken of K. Marx's amplification.

Intercourse relations as another hypostasis of economic mutual relations between peoples have fared no better. True, none of the founders of Marxism ever reduced

intercourse relations as a whole to international mutual relations. But international economic relations themselves fit very precisely within the scope of the "social relations between countries" concept and are not nullified by the broad interpretation. Of course, it is possible out of habit to imply by "intercourse" and "relationship" only neighborly contacts. But, after all, there are high examples of precisely these everyday expressions denoting highly complex interactions between peoples and world systems even.

Objections are raised. Since there are no amplifications extant, consequently, it is said, it becomes possible to maintain that there is no concept of Marxism concerning qualitative differences between production relations within society and international economic mutual relations and that all attempts to approach the elaboration of a scientific version as regards such a distinction are absolutely impermissible.

Our attempts at a synthetic reproduction of the system, the wholeness even, of universal economic relations as a network or web connecting the national economic complexes of modern nations is interpreted in the opposite sense—as particular "buffers," "filters" and similar "cushions". But renaming our comparison of international economic relations with a connecting web or connecting network as a system of "cushions" is not the end of the matter. The conceptual recognition that the systems of primary production relations interact directly, in no need of mediation by any economic forms, is plainly advanced here. Production relations which have passed beyond the confines of national frontiers here do not cease to express appropriation relations.<sup>10</sup> Thereby imputed to the author of these lines is the charge of a structurally nonseparated portrayal of production relations intersecting state frontiers. We cannot resist a sense of satisfaction at the circumspection we formerly displayed. The introduction to the group monograph observes: "...Within each of the world social systems participating in the exchange of economic activity... it is revealed that in **letting in** economic resources of the opposite system each contending system **permits** their use by a proprietor only on the principles of the 'surrounding environment,' that is, determined by the host party."<sup>11</sup>

"What, however, happens **at the intersection** stitching together the two world-economic systems with the thread of universal economic exchange?" the same monograph asked. And the answer offered here was: "Only the action of some neutral economic regularity, the law of value, for example, is possible, in our opinion, at the intersection of the two systems."<sup>12</sup> It was this assessment of the law of value, evidently, which gave rise to the charges against us of the "decontamination," "emasculatation" and "sterilization" of "suffering transferred production relations".<sup>13</sup> But it is not possible to hide behind these assertions from the essence of the question concerning the mechanism of the transference of economic relations across state frontiers and from the



answer to this question. Our idea consists of the distinction (within identity) between economic **relations** and their materialization by **connections** (capital flows, commodity flows, labor flows). It then transpires that direct production connections themselves across state frontiers, above the boundary between the two systems, are transferred and must therefore be attributed to secondary connections! It is this attribution of the material-physical filling of economic forms to the secondary sphere which does not fit the customary comprehension.

A "new page"—our opponents smile ironically. But surely it is clear from the "old pages" of political economy that the transfer of production relations across national frontiers becomes possible and necessary precisely owing to the transplanting of their material-physical substratum or the personal factor? However, having come up against this page of political economy, the alarm is raised at every word. Our idea concerning the "reverse" metamorphosis of a commodity flow when intersecting state frontiers comes in for punishment particularly. It is portrayed such that some commodity flow providing for international cooperation remains primary on the territory where it originated, but allegedly becomes secondary in the time spent in the sphere of international circulation, and having reached some national soil, is once again rechristened (by the "stamp of the customs official") primary.<sup>14</sup> Let us say plainly, primariness and secondariness and also direct and indirect connections seem very unidimensional. The commodity flow is depicted as being a primary connection. However, neither on one's own nor on another's territory is a commodity flow a primary component. It is always derived from the starting point of the moment of production. And a commodity flow can never be a direct connection for this is an indirect connection mediated by the market. And production cooperation is supported by suppliers not simply of commodities but products which cease to be commodities—phases of a uniform labor process across state frontiers. Everything else is a simulation of production cooperation and imitation thereof. The above interpretations essentially confuse secondariness as derivativeness on the one hand and as transferredness on the other.

It is established indisputably that our opponents allow of no arguments as regards qualitative conversions of production relations when intersecting state frontiers. Pity!

#### **Interpretations of Convergence and the Interdisciplinary Approach**

Our opponents are obsessed with the concern of how to deflect the charge of the defenselessness of the "broad interpretation" of the universal economy as the sum total of all national economies with the corresponding "inter-country" relations in face of the ideology of the convergence of the opposite social systems. It is in fact a serious question. On the one hand the new political thinking proceeds from the wholeness of the modern

world, albeit rent by contradictions, including antagonisms, but requiring the solution of conflicts without the undermining of the foundations of human existence. On the other, the international bourgeoisie does not conceal its hope of seeing in the radical economic reforms of the socialist world steps toward the convergence of the two systems in some global pluralism.

Our opponents, incidentally, obviously proceed from the fact that particular production relations are re-embodied in their antipode only when state power passes to a different class pursuing entirely different aims ("owing to domestic economic and sociopolitical conditions or military invasion from outside"<sup>15</sup>). And this is indeed the case and not the dream come true of bourgeois theorists intimidating the peoples with the retribution of force.

But under the conditions of the extremely uneven spread in the world of the S&T revolution there have appeared among the supporters of the concept of one system's "absorption" by the other frankly inflated hopes of the severance of socialism from real achievements in the most advanced technology by way of "strategic alliances" between capitalist monopolies, the edging of the USSR and other socialist countries to the fuel and raw material periphery of universal economic dealings and the tightening in the future of the currency-finance noose. The ultimate hope being for political suppression.

Yet failing to see the ideological danger of this assault of the theorists of convergence from overseas, our opponents tell us: "We ourselves are convergence supporters!" But they find no arguments as regards the appropriateness and harmlessness of "direct interaction" with the capitalist part of the universal economy. They are "rescued" by a very free interpretation of G. Plekhanov's pronouncement concerning the direct producers in the production process (the organization of labor at the factory and manufactory, for example).<sup>16</sup> Their "indifference to the nature of appropriation" is obtained by way of simple severance, then a pirouette is performed away from the "compatibility" of the two systems of management in time and "compatibility" in space,<sup>17</sup> that is, in joint ventures. The trick has, seemingly, worked. Production has been combined in "joint organizational-technological production relations," remaining indifferent to appropriation, and agreement on income distribution has been reached, they say, at the intersystem level. What is left out?

What is left out is the political economy approach. After all, it has been replaced by the organizational-technological approach in the sphere of production and is proposed, essentially, only in the sphere of appropriation of the results. This is virtually a semi-political economy approach and ersatz political economy. Yet models of a solution of the problem of the interaction and conversions across a frontier of production relations and the components of a jointly manufactured product are already known in political economy literature. And



creating the impression of the appropriateness of leaving questions in a state of "suspension" is hardly correct, I believe, in the face of economic theory or useful for foreign economic practice.

But our opponents have in reserve a startling "response": the world economy is an interdisciplinary category<sup>18</sup> and for this reason remains the subject of many sciences, among which none is of preeminent significance. The rules of a systemic approach, the laws of the hierarchy of scientific knowledge and the interaction of disciplines and the conclusions of Marxism concerning the role of the general theory of political economy and the place of its special doctrines remain on the sidelines here. Given this "broad" approach, there is a manifest reduction in the role of scientific methodology and the relations of the "ideal" and the "actual," that is, the theory of the universal economy and its vital processes.

The criticism of our comparison of the isolation of international production relations as a specific sphere of the economic basis with the "exarticulation" of the sensory organs from the human organism and their attribution to the external environment should be recalled also.<sup>19</sup>

The belief that "production mode" as a concept which is broader than that of "world-economic relations" is solemnly exposed here. But, after all, the concept is the broader, the fewer definitions it contains! For this reason the universal economy incorporating a mass of specific definitions is as a logical concept narrower than a more abstract, deeper concept ("production mode").

There are, however, rules of ascent from the abstract to the specific, from the simple to the complex, from the essence to the phenomenon! It is therefore odd to hear that a (one) production mode is narrower and that (all) modes are broader.<sup>20</sup>

A comparison of the contents of the "production mode" and "world-economic relations" concepts is by no means pointless from the viewpoint of the theory of political economy. But our opponents do not favor this science and do not recognize the political economy approach as being the key approach to study of the polychromatic "matter" of the universaleconomy. It transpires that there are no problems for science and practice at the intersection of the two systems of world economic intercourse and that finding anything qualitatively new in the utterly distinctive sphere of universal business turnover is impossible. Does not this approach lead to a disorientation of theory and the disarming of practice?

A paradoxical situation has arisen in the sector of the ideological, scientific front safeguarded by our international economics experts. These world economists have been afforded an opportunity for a promising breakthrough on the scale of the whole of perestroika strategy. After all, they have proven to be the "holders" of a most

valuable resource—knowledge concerning realization of the trend toward the actual socialization of production under the conditions of the S&T revolution overseas. After all, it is the multisector associations—integrated works and diversified corporations—which have become the sought-for primary cell of the integration of science, production and marketing which has proven to be the most approximate to the demands of the S&T revolution. Very rich experience of management and the optimization of relations within and outside of these consortia and the combination of intrafirm plan-conformity and transfer prices in corporate turnover and the efficient use of commodity-money relationships has been accumulated in the 50-year-plus domination of the concerns—these horizontally and vertically integrated complexes.

However amazing, the results of study of the wealth of experience of the efficient economic activity of these foremost cells of a diversified profile are not being found a due place in our scientific press. Yet the publication of such collations has become extremely necessary and would meet with the keen interest of the masses of readers involved in the reorganization of our domestic economic structures and foreign economic relations. Given the aim of an acceleration of economic development, it is extremely important to avoid "reinventing the wheel" and highly expedient to reduce the transition time from sectoral thinking to "diversified" decision-making and management. The manifest "idling" of our intellectual forces in the business of collation of progressive overseas experience is particularly intolerable under the conditions of the search for a model of acceleration.

Or is the fear of "lapsing" into convergence inducing paralysis? After all, wreckers of the "railroads" were encountered back at the dawn of Soviet power....

#### Footnotes

1. See MEMO No 7, 1985, pp 106-113.
2. See MEMO No 9, 1987, p 83.
3. Although it is obvious that the direct exchange of commodities is not a direct, that is, nonmarket, connection.
4. See "Two Systems of the World Economy: Antagonistic Unity," Moscow, 1983, pp 13-16.
5. *Ibid.*, p 19.
6. See MEMO No 9, 1987, p 80.
7. See *ibid.*, p 79.
8. K. Marx and F. Engels, "Works," vol 46, pt I, p 46.

9. L. Chistyakova called attention to Marx's "here", but gave this decisive amplification a peculiar interpretation, according to which international relations should together with other phenomena be enlisted for study of the system of primary and nonprimary relations. We pointed out in detail the illogicality of such an interpretation of K. Marx's wording (see "Two Systems of the World Economy: Antagonistic Unity," p 9). The adamant conviction of some authors as to the prohibition for the scholar of fundamental conjecture, interpretations and the development of ideas altogether compels the return to the subject.

10. See MEMO No 9, 1987, p 80; No 11, 1987, p 101.

11. "Two Systems of the World Economy: Antagonistic Unity," p 16.

12. Ibid., p 17.

13. See MEMO No 9, 1987, pp 80, 81.

14. See MEMO No 9, 1987, p 81.

15. MEMO No 11, 1987, p 101.

16. See *ibid.*, p 99.

17. See *ibid.*, pp 99, 100.

18. See *ibid.*, p 93.

19. See MEMO No 9, 1987, p 83.

20. The very subject of the dispute arose allegedly only because some people had taken it into their heads to shift definitions. Our opponents are convinced that, for example, the "capitalist (or socialist) world economy" and "world capitalist (correspondingly, socialist) economy" are one and the same thing and that to change the places of a word threaded on a "tack" ("economy") means going against commonsense. But the generic concept ("tack") is not simply "economy" but either "national economy" or "international (world) economy," and the specific concept, "capitalist national economy" and "socialist national economy". Or else it would have to be a question of the "capitalist world economy" and "socialist world economy" and so forth. Rearranging certain words, on the other hand, or replacing them in determinative constructions means abolishing the very subject of the discussion.

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### Current Developments in Finance Capital Discussed

18160011f Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 88 pp 92-98

[Discussion in IMEMO Scientific Council: "Structure and Functioning of Present-Day Finance Capital"]

[Text]

### V. Studentsov: Finance Capital, Rights of Ownership and Economic Growth

Finance capital—interwoven monetary and industrial capital—is in a certain sense the antithesis of their functional isolation, the antithesis of separation of function-capital from ownership-capital.

The formation of finance capital entails changes in ownership relations, although the forms of ownership do not change here. The legal content of the law of ownership, as, equally, its economic content, reveals three aspects—ownership, that is, actual possession, of property; administration consisting of the realization therewith of various transactions (buying and selling, exchange, deed of gift and so forth) and usufruct (productive or personal consumption). The interaction of owners amounts always and everywhere to the "exchange," mutual transfer of rights of ownership.

In granting a loan the monetary capitalist transfers fully for a time to the industrialist right of ownership and administration (with the exceptions which stipulate the specific nature of its use and reserve the right to call for its return) and only partially the right of use (since he reserves the right to interest). The industrial capitalist becomes a proprietor, but does not become the owner of the borrowed resources. However, as long as the receipt of interest and the recoverability of the loan are not fully guaranteed, the monetary capitalist's right of ownership of his capital remains formal. Specifically, in the event of the bankruptcy of the industrialist (debtor), the banker (creditor) incurs losses and loses the right of ownership also. It is to guarantee compliance with his rights of owner that the monetary capitalist who becomes a subject of the finance capital relationship cedes not fully but partially the right not only of use but also of administration and becomes a controller of the self-growth of his capital in the phase of its productive application.

Share capital represents loan capital of a particular kind. Not only the rights of ownership of monetary capital but also its very existence are split and separated here. Titles of ownership acquire an independent existence together with the existence of the capital which they represent. While ceding the right of ownership and administration of his property to the functioning capitalist, who is personified in the holders of the controlling block of shares or executive top management, the shareholder reserves the right of limited use. Merely the rights to

titles of ownership actually belong to the holder of stock, and not to ownership itself. The shareholder's realization of the right of use and guaranteed recoverability of the loan encounter difficulties in connection with the fact that the ordinary holder of stock does not have the right to administer the actual property which it represents. Whence the possibility of situations where the functioning capitalist engages therewith in actions pursuing his own advantage, and not the advantage of the holders as a whole. In such cases the shareholder's consolidation of his rights of ownership of the loan by way of the sale of the stock belonging to him on the securities market is possible.

The structure of the relations of industrial and monetary capital makes its mark on companies' economic strategy. Where the principal creditor of industry are banks they endeavor to establish with it firm and long-term relations, on terms of access to control over the industrial companies, what is more. As given a high degree of concentration of blocks of shares stimulating the active participation of the shareholders in the co-administration of capital, in this case companies' policy will most likely be oriented toward the medium- and long-term perspective.

Where, on the contrary, ties to the banks are weak, as, equally, given the "atomization" of share ownership or the holders' deliberate nonintervention in companies' affairs, the strategy of the latter proves to be oriented mainly toward the achievement of short-term financial results. In this situation the shareholders judge the extent of realization of their rights of ownership predominantly in terms of the current level of yield and the price of the firm's shares. Whence a short-term reduction in yield and a fall in the price of a company's shares could be seen by them as a sign of the weakness of its long-term financial situation and bring about a "flight of investors". This, in turn, creates difficulties in the corporation's attraction of capital on the market and the danger of a takeover.

Economic practice testifies that the degree and nature of the interweaving of the ownership (and, consequently, interests) of credit-finance establishments and industry and also the structure of the ownership of joint-stock companies have an appreciable impact on the aims of business and, ultimately, on economic growth. The industry of Japan and the FRG, which is based to a large extent on bank credit (of a long-term nature, what is more), grew in the postwar period far from fortuitously more rapidly than the industry of Great Britain and the United States, which relied mainly on self-financing.

It was the "disconnection" of bank and industrial capital which was a reason for difficulties in the British economy. For a number of reasons credit transactions in this country were for a long time confined mainly to the extension of loans to the governments of foreign states, investment of their promissory notes and the financial servicing of companies specializing in colonial-raw

material commodities. The basic form of the extension of credit to the bulk of national industry were short-term loans in the form of an overdraft, that is, the granting to the client resources over and above the sum total in his current account. The nonfinancial entrepreneurial sector derived resources for its development primarily from internal sources—depreciation and undistributed profit—the growth of which was stimulated by government tax and budget policy.

The degree of interweaving of the ownership of banks and industry along share ownership lines in Great Britain is negligible also. Nonbank financial institutions not involved in the extension of credit to industry (pension funds, insurance companies, confidential societies and so forth) own here 58 percent of the stock of industrial companies, individual holders, 28 percent, and the banks (together with industrial companies), only 5 percent. In Japan, on the other hand, nonbank institutions own 20 percent of the stock of industrial companies, individual holders, 27 percent, and the banks and industry, 44 percent. The fact that the share capital of the banks and industry in Great Britain is feebly interwoven has very material consequences. When investing a portfolio of shares the nonbank institutions are oriented only toward rapid income and intervene in the affairs of industrial companies only in extreme cases. The banks, however, on the contrary, regard the acquisition of shares as a long-term investment and integral part of their policy of extending credit to industry permitting control of the behavior of the debtor companies. The "estrangement" of industry and the banks in Great Britain determined by the high degree of self-financing has deprived the first of both long-term loan capital and the distinctive "financial expert appraisal" of the monetary capital market.

The nature of the financing of British industry has brought about the tendency toward the short-term recoupment of investments, which has created obstacles to the development and introduction of new technology attended by high risk and long recoupment times. The preeminence in foreign sources of companies' monetary receipts of income from the sale of stock largely determined by a purely financial evaluation of companies' activity (state of its balance sheet and so forth) has also held back innovation activity and accumulation. British companies are not obliged to reflect in their public accounts spending on R&D. Until the latter is recouped and produces profit, it represents a deduction from profits. From short-term considerations of a financial order it has proven more profitable to "economize" on R&D to obtain a large bulk of profit. Further, inasmuch as a high share price may be attained more simply and quickly by expanding the company thanks to mergers and takeovers and not by way of the capitalization of profits, capital centralization processes have become particularly prevalent. Nor has this contributed to an increase in investment activity and economic growth.

So the forms and scale of the development of finance capital largely determine the overall dynamics of reproduction.

#### **D. Smyslov: Internationalization of Finance Capital and State-Monopoly Regulation**

I would like to dwell on three basic questions of the process of internationalization of finance capital.

First, **are international forms of finance capital taking shape at the present time?** World capitalism is characterized as a whole by a rise in the level of internationalization of economic activity and the existence of a ramified network of TNC. Proceeding from this, the conclusion concerning the formation of transnational monopoly capital may be drawn. But is it legitimate to speak of transnational finance capital?

The expansion of the overseas activity of the biggest commercial banks is making them transnational. The TNC and TNB are becoming the principal subjects of world-economic relations. The national and international loan capital markets are integrating in a single world capitalist credit system. There is simultaneously an increase in interaction (fusion) between international credit-finance establishments and industrial monopolies—ownership is being interwoven, credit relations are expanding. Precisely such processes were at the center of attention at the time of V.I. Lenin's study of the category of finance capital with reference to the national economy of capitalist countries. Why in this case not recognize the existence of transnational finance capital also?

Of course, a thorough analysis of the specific forms of the relationship of the banks and industry in the world-economic sphere and amplification of the particular features of the structure of financial groups and ascertainment of their actual configuration are still needed. It would seem that the proposition of A. Anikin's report concerning the fact that these groups preserve a national basis and that U.S. capital as yet constitutes the core of the West's transnational finance capital should be supported.

It is particularly important to stress this in connection with the fact that certain economists are putting forward the proposition concerning capitalism's embarkation upon a new phase—"transnational imperialism"—the essence of which they see in the individuated domination of an international finance oligarchy. However, the evolution of the forms of capital by no means necessarily signifies a change in the phases of the development of capitalism as a social and economic formation. Such a change could evidently occur only as a consequence, first, of cardinal shifts in production relations and, second, the broader totality of interconditioned shifts in social processes. It has as yet to be acknowledged that the functioning and formation of the structure of the financial groups are being influenced considerably by specific

features of national economic mechanisms (monetary-credit, budget-finance and tax systems). An important role is performed also by the appreciable differences in the sociopolitical situation in individual countries.

Transnational finance capital has not yet led to the assimilation and removal of the national isolation of finance capital. In addition, the particular features of this capital are, in turn, having an appreciable effect on the dynamics of single-country macroeconomic indicators—economic growth, productivity, capital-output ratio and others—are reflected at the product-competitiveness level and influence the unevenness of the capitalist world's economic development.

The system of interstate economic regulation in the West is, the supporters of "transnational imperialism" believe, telling proof of their concept. In this case they are speaking of "transnational state-monopoly capitalism". Nobody denies the regulation of world-economic processes at the interstate level. However, the attempts to formulate a coordinated, interlinked economic strategy fail to produce enough of a result. The interests of national financial capital, with Washington's manifest claim to diktat, predominate. Whence the acute interimperialist rivalry, which is undermining the efficacy of regulation of the world capitalist economy.

The second question in this connection is: **in what forms is the contradiction between the internationalization of finance capital and national state-monopoly regulation developing?** In my opinion, a most important form of such a contradiction arises as a consequence of the fact that the actions of the TNC and TNB, guided by the motive of profit maximization, constantly upset the balance of international settlements. In practice this is manifested in the maneuvering of financial resources on an international scale, the transfer of capital funds effected by transnational industrial corporations within the framework of their investment programs and increased speculative transactions by the TNB bringing about sudden movements of vast amounts of liquid resources ("hot money"). The imbalance of capitalist states' international payments is, in turn, causing sharp fluctuations in market exchange rates.

Given the appreciable and stable disruptions of balances of payments and exchange rate instability, a negative impact is beginning to tell on economic conditions, reproduction conditions, the monetary-price mechanism, employment and the working people's living standard. Consequently, the actions of the TNC and TNB are undermining the efficiency of state regulation of the economy aimed at ensuring steady economic growth, a high level of employment, price stability and equilibrium in the balance of payments.

Finally, the third question is: **what are the actual changes in the system of state-monopoly regulation of the world capitalist economy caused by the aspiration to lessen the destabilizing impact of the transnational components of finance capital on capitalist countries' economy?**

In the 1960s—first half of the 1970s measures to restructure the mechanism of world-economic regulation were formulated on the basis of Keynesian procedural principles. Two directions were predominant. One was multi-lateral coordination of the domestic macroeconomic policies of the capitalist countries aimed, specifically, at removal of the payments imbalance between individual parts of the world economy. Attempts at coordination were made at annual meetings of heads of state and government of the "seven". Efforts were made also in the direction of internationalization of the system of international liquid resources and formation of a collective monetary unit—"special drawing rights," as an alternative to gold and the dollar, appeared. However, these measures failed to balance international turnover and regulate monetary flows.

As of the latter half of the 1970s and, particularly, in the 1980s attempts have been made to overcome the contradiction between transnational finance capital and national economic interests with the aid of neoconservative concepts. It is a question primarily of legalization of the "floating" exchange rates mechanism. It was anticipated that it would automatically bring the balances of payments into equilibrium. In addition, I would like to call attention to the elimination of the role of gold as an expression of the value parities of national currencies and the refusal to restore the convertibility of the dollar into gold based on a fixed, official price. Given the absence of progress in effecting a transition to international settlements based on a collective monetary unit, this has meant in practice the establishment of a kind of "dollar standard".

The system of "floating" currency exchange rates initially contributed to a certain extent to the more rhythmic alternation of deficits and surpluses in the capitalist countries' (primarily the United States') balances of payments and, consequently, to a certain easing of the tension in the West's monetary system. However, it also led to unpredictable exchange rate fluctuations, which, for their part, are causing disturbances in the balance of payments equilibrium and increasing the risk of currency losses. These fluctuations are making it more difficult for businessmen to ascertain the comparative advantages of production in different countries and, accordingly, to make substantiated investment decisions. Such processes are counteracting the development of international economic relations and entailing an exacerbation of interimperialist rivalry.

As far as the dollar is concerned, it has truly become firmly established in the role of independent means of payment serving international settlements conditioned to a considerable extent by the functioning of transnational finance capital. This is an argument for the assertions that other countries' immense dollar assets represent a reflection, as it were, of international production and investment activity and, consequently, should not be interpreted as the United States' foreign debt in the direct meaning of this word.

There are, evidently, certain grounds for such a viewpoint. However, it does not reflect the entire contradictoriness of the current situation. After all, if the world capitalist economy remains an aggregate of nationally isolated economies, national interests conflicting with one another persist also. In this context the pumping of dollars into the channels of international circulation, which is the result to a considerable extent of the financing of vast overseas military-political spending, uncovered imports and also the acquisition overseas of profitable capital assets, has to be seen as a means of the United States' economic exploitation of the rest of the nonsocialist world and appropriation of the social product created in other countries. In this context foreign dollar accumulations are the United States' actual debt in relation to the outside world.

The mechanism of the "dollar standard" affords the United States considerable advantages. I believe that the objective need to switch from use of a national reserve currency—the dollar—in the mechanism of international settlements to the use of a collective monetary unit will make itself felt in one way or another. Such a restructuring of the sphere of international currency-finance relations is, we believe, an important path of its democratization.

#### **T. Belous: Forms of International Finance Capital**

The preceding speeches observed that the question of the existence of transnational, and in the broader interpretation, international, finance capital is debatable. We will facilitate the solution of this problem, I believe, if we remember that the primary form of finance capital is the concern. It frequently incorporates financial-credit establishments—these could be a bank, investment trust, finance company, charitable family foundation and so forth. The fusion of finance-credit components and industrial subdivisions (and both appear more often than not in the form of legally independent companies) makes it possible to speak of the formation of finance capital at the concern level.

Transnational and multinational companies (TNC and MNC), which are structured organizationally in the form of concerns, represent the primary form of international finance capital.

There is a sharp increase in the role of finance-credit functions and a complex organizational pyramid of financial-credit services, the lower floors of which are exported overseas, is being created in the activity of the TNC and MNC. In particular, as of the 1960s the TNC of the United States, and as of the 1970s, the TNC of West European countries have embarked on the establishment overseas of zonal centers or base companies (the head firm has the controlling block of their shares). The financial subdivision incorporated in the zonal center has subsequently been transformed in some TNC into a formally independent finance-credit company with various overseas affiliates (the zonal center has the

controlling block of its shares). The biggest U.S. TNC (General Motors, Exxon, General Electric and others) have had such specialized companies since the mid-1960s, but they appeared in the TNC of West European countries (British Petroleum, Peugeot, Volkswagen, Volvo and others) only in the 1980s. These companies establish their affiliates, as a rule, in countries in which other subdivisions of the zonal center: industrial, commercial, transport, for the organization of R&D and so forth locate them. They exercise their credit services not only via the intrafirm redistribution of resources but also by way of the rendering of brokerage services and assistance in the establishment of credit relations with foreign partners. Tying in a common knot all threads of the movement of capital within a given region, the specialized finance-credit companies (where they do not exist, zonal centers) make their contribution to the realization of the global financial strategy drawn up in headquarters.

In the opinion of the French economist P. (Gru), who analyzed the structure of the capital of the 500 biggest companies of the capitalist world in the period 1965-1980, credit-finance relations are becoming determining not only in the mutual relations of the transnational industrial concerns and banks but within each concern also.

The French experts B. Marois and (O. Pastre) believe that the formation of TNC with an autonomous financial structure will be a principal direction of the evolution of contemporary capitalism. And the Italian Marxist economist V. Comito maintains even that in recent years certain TNC have begun to create their own transnational banks. In our view, V. Comito exaggerates the significance of this process somewhat inasmuch as, with the rare exception, the TNC banks are relatively modest in size. Among such exceptions is the bank of the French (Borne) transnational concern, which has grown to such an extent that its transactions virtually determine the principal direction in the concern's activity. It is possible, however, that V. Comito divines a trend of future development. At the same time, on the other hand, it would seem that in the global managerial-organizational mechanism of the TNC its finance-credit component occupies a subordinate place. It is this **subordination** which contains the main distinction of the **intrafirm** fusion of industrial and bank capital from their fusion by **external channels**, when the industrial concerns interact with banks which are independent of them "**as equals**".

The trans- and multinational concerns rarely represent an isolated "economic community" and independent managerial unit. Such concerns are associated with this financial group or the other, as a rule. Ford Motors may serve as an example of a TNC which was not until recently a part of any financial group. It availed itself of the services of over 100 different "outside" banks. Ten-twelve of these were considered head banks. Recently, however, hints appeared in the press that Ford Motors and Chrysler, while competing with one another, had joined the Detroit financial group.

A particular feature of recent years has been the rapid growth in the number of large international-level companies which do not constitute the more exclusive sphere of influence of any one financial group but are controlled simultaneously by several. This phenomenon, in particular, is typical of transnational conglomerates, which incorporate firms belonging to the most diverse financial groups, but which are united by a common development strategy and system of control (financial, primarily).

We share the opinion of the authors who believe that compared with the traditional concern the conglomerate represents a higher level of the development of finance capital. Like the concern, it contains financial-credit institutions servicing the "empire" as a whole. As far, however, as ties to "outside" commercial banks (and also insurance, investment and stock exchange companies) are concerned, they are closer than for the concern of the traditional structure. The credit system played a determining part in the formation and subsequent functioning of the conglomerates, which is atypical of the concerns. Conglomerates' constant (even in periods of recessions) access to the monetary resources of various "outside" credit establishments increases their relative stability. Not one major conglomerate has gone under as yet. The conglomerates' close interaction with "outside" credit institutions enables them to alter strategy flexibly depending on phases of the cycle. In a period of economic upturn they build up their assets rapidly, which is accompanied by a rapid growth in distributed profit and a surge of the price of their shares. In a descending phase of the cycle they not only slow down the pace of new acquisitions but switch to a selloff of assets and sometimes reconstruct the organizational structure, bringing it closer to the structure of the concerns. LTW, which in 1984 became the United States' second most important steel corporation in terms of sales volume and third in terms of the smelting of steel, may serve as an example of a conglomerate transformed into a concern. Transformation of LTW into a diversified concern was facilitated by major takeovers in steel industry (Jones and Loughlan Steel, Youngstown Sheets and Tubes, Republic Steel), which were accompanied by the clearance sale of daughter companies in certain groups of sectors. And although LTW even today encompasses by its activity a broad range of spheres (from mining, steel and mechanical engineering industry through financial and transport operations), it has acquired a precisely expressed sectoral nucleus—ferrous metallurgy.

Inasmuch, as is clear from what has been said above, as the conglomerates are characterized by a certain flexibility of strategy and the relative stability which it brings about, it may be assumed that their emergence was dictated not by market motives but has been the objective consequence of the development of the process of the centralization of production and capital. It testifies to the further strengthening of finance capital accompanied by the increased complexity of its structure.

What are the possible consequences of a growth of the number of traditional transnational concerns and, in

particular, transnational conglomerates controlled not by one but simultaneously by several financial group-concerns and, in particular, transnational conglomerates controlled not by one but simultaneously by several financial groups?

In order to answer this question let us see what the financial groups uniting the trans- and multinational industrial concerns, transnational conglomerates and transnational banks represent organizationally.

Within the framework of the financial group the interpenetration of industrial and bank capital is achieved, as distinct from the concern, by way of a legally not officialized but close alliance. The basis thereof is a system of shares, community of the major shareholders, personal union of management and financial and other nonstock connections.

According to the outline proposed by S. Demin, the financial group consists of a nucleus (which incorporates monopolies under its complete control) and a periphery (incorporating its small and medium-sized firms and also monopolies controlled jointly with other groups). A kind of "nerve center" of the group is distinguished among the monopolies forming the nucleus. Its functions are exercised by a bank or other financial-credit institution.

If the nucleus is composed of transnational industrial and bank monopolies of one country, such a group may be considered transnational. It is international only by nature of its activity. Control of it remains in the hands of the national financial oligarchy.

If the nucleus of the financial group incorporates a multinational concern (of the Royal Dutch-Shell type) or an international multifunctional alliance of banks (of the Europartners type) or industrial and bank monopolies of varying national affiliation and control over the group is exercised by the financial oligarchy of two or several countries, it may be categorized as multinational. This is a rare phenomenon as yet, although it is encountered more frequently than the multinational concern. The Royal Dutch-Shell—Algemene Bank Nederland and Philips-Unilever—Amsterdam-Rotterdam Bank Anglo-Dutch groups, which have close ties to the British Lloyds, Barclays and Morgan Grenfell groups, are an example.

The development of the trend toward joint control over the traditional trans- and multinational concerns and, particularly, transnational conglomerates on the part not of one but several transnational financial groups simultaneously is, first, leading to a narrowing of the nucleus and an expansion of the periphery in each of the financial groups participating in the control (which is breaking them up and eroding the boundaries between them) and, second, speeding up the unification of these groups. The forms of this unification may vary: from broad and diverse alliances between the financial groups of **different countries** formed on a contractual basis to accomplish specific transactions through direct merger and one

group's takeover of another. Such mergers and takeovers are occurring mainly on **national** soil as yet. Specifically, the British Rothschild transnational group (main headquarters in London and Paris) is coming to be replaced by the Rothschild-Samuel—Oppenheimer group, the Morgan group, by the Morgan Grenfell group, and the French Lazard group (branches in Great Britain and the United States) is being replaced by Lazard-Bank de l'Indochine of the same national affiliation. The merger of the Dutch-British Royal Dutch-Shell—Algemene Bank Nederland and Philips-Unilever—Amsterdam-Rotterdam Bank has been decided on also.

So, in our view, the following are the forms of international finance capital which exist currently: transnational and multinational concerns, the transnational conglomerate, transnational and multinational financial groups and alliances of groups of different countries. The highest form of finance capital under current conditions, apparently, is no longer the financial group but the international intergroup alliance.

#### Footnote

\* The report of Prof A. Anikin, doctor of economic sciences, "Structure and Functioning of Present-Day Finance Capital" (see MEMO No 11, 1987) was discussed in the USSR Academy of Sciences IMEMO Scientific Council.

We offer readers' the speeches of the participants in the discussions.

#### Figures, Facts, Opinions

"Some of the mergers which are taking place in Europe currently are motivated more by a desire to increase market strength (and, consequently, charge higher prices) than to achieve economies in scale (and, consequently, reduce costs). There is a danger that in the race for preparations for 1992 too many European sectors will be concentrated in the hands of a few giants, which will be tempted to come to an agreement and not compete.

"...It would be entirely wrong to take on trust the idea that bigger is better or that what the employers consider to be in keeping with their interests is always good for the consumer. Inasmuch as the European market is becoming increasingly integrated and what happens in one country affects the nature of competition in another, the need for an active all-European antitrust policy will become increasingly urgent" FINANCIAL TIMES editorial (FINANCIAL TIMES, 26 May 1988).

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### Developing Scientific Cooperation With West Europe Detailed

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[Article by Sergey Viktorovich Shibayev, candidate of economic sciences, senior lecturer of the USSR Foreign Ministry Moscow State International Relations Institute, and Aleksandr Ivanovich Rubtsov, candidate of economic sciences, general director of the "Vneshkonsult" joint venture: "The USSR's Science and Production Cooperation With West European Countries"]

[Text] Present-day S&T progress is putting on the agenda the development of such a form of business relations between the Soviet Union and West European capitalist states as science and production cooperation.

#### Prerequisites of Development

East-West production cooperation incorporates economic relations between countries not only at all stages of the production process but at preceding or subsequent stages also (scientific research, experimental design and industrial development, marketing and maintenance).

The basis of the development of production cooperation is the international division of labor between countries of the two systems. Joint labor has material-physical and social aspects. The material-physical aspect is brought about by that which is common to both world economic systems—diversity of qualitatively different types of specific labor creating use values. It depends primarily on S&T progress, which determines the level and nature of specialization and cooperation.

The material-physical aspect is greatly influenced by natural-climatic conditions, differences in size of population and unevenness of the distribution of natural resources. "Inasmuch as the labor process is merely a process between man and nature," K. Marx observed, "its simple components remain identical for all social forms of development."<sup>1</sup>

The social aspect of the international division of labor determines the nature and limits of production cooperation. In mutual economic relations the socialist and capitalist countries encounter certain limits connected with the social nature of the opposite system.

The results of different types of specific labor in the process of East-West production cooperation may be exchanged only on a basis common to all countries of the different systems. Universal and general economic laws are such a basis. A particular role among them is performed by the law of increased productivity and the law of value.

There are four types of East-West production cooperation: scientific and production, S&T, industrial and commercial. S&T cooperation encompasses relations at the R&D stage. Its purpose is the acquisition by joint efforts of new S&T knowhow. Industrial cooperation incorporates relations in the production phase, commercial cooperation, in the marketing and maintenance phase. Scientific and production cooperation represents a synthesis of S&T, industrial and commercial cooperation. It contributes to the rationalization of the entire economic cycle from research through maintenance.

The basis of the process of expansion and intensification of East-West scientific and production cooperation are the regularities of the current period of the S&T revolution. It is characterized, specifically, by the strengthening of the connection of science and production, the rapid embodiment of the results of basic and applied research in highly efficient industrial innovations and the large-scale renewal on this basis of current production engineering processes and the selection of the manufactured product. The leading role belongs to the new, rapidly developing areas of S&T progress which took shape in the 1970s-start of the 1980s.

The decisions of the 27th CPSU Congress on the priority development of the sectors determining S&T progress and also the broadening of the rights of ministries, production associations, enterprises and organizations in the sphere of foreign economic relations create a sound basis for the further extension of our country's science and production cooperation with capitalist states.

Propitious conditions for East-West scientific and production cooperation exist on the European continent. These include the geographical proximity of the parties, the presence of a developed transport system, the complementarity of the partners' economies and the West European countries' interest in an expansion of economic exchange with the Soviet Union and other socialist states. The organization and development of scientific and production cooperation in the priority areas of S&T progress could strengthen the economic positions of West Europe in the modern world appreciably, the more so in that the situation is not taking shape for it in the most auspicious fashion. Thus, in the opinion of many Western experts, in line with the capitalist world's transition from the "industrial age" to the "high-technology age" its economic center is gradually shifting from the Atlantic to the Pacific. For example, the well-known economist B. Nussbaum, an editor of the American weekly BUSINESS WEEK, believes that the economic decline of West Europe and, specifically, its leader, the FRG, is predetermined inasmuch as the Europeans are continuing to employ the technology of the "times of the smokestack".<sup>2</sup>

According to the estimates of Western experts, by the latter half of the 1980s West Europe was ahead of the United States and Japan in only 2 of the 14 main areas of



modern information science and electronics, on a part with them in 1 and lagging behind in 11.<sup>3</sup> Of every 10 VCR's sold in West Europe, 9 are imported from Japan, of every 10 PC's, 8 are imported from the United States. West European manufacturers of electronic components (microprocessors, computer chips) cater for only 40 percent of their market requirements, the rest being covered by supplies from the United States and Japan. Of West European companies, only the Philips concern is among the capitalist world's 10 biggest semiconductor manufacturers.<sup>4</sup>

Under the conditions of the exacerbation of inter-imperialist contradictions and the increased competitive struggle at the level not only of individual firms but of states and economic groupings also West European countries feel an objective need for an expansion and intensification of S&T cooperation with the CEMA states. As far as the socialist countries are concerned, they are prepared to develop scientific and production cooperation with all states with an interest therein.

#### Forms of S&T Cooperation

Scientific and production cooperation grows, as a rule, out of S&T cooperation, but it could develop on the basis of industrial joint labor also. The forms of East-West S&T cooperation have changed appreciably in the past decade. From the simplest, like the exchange of specialists and the holding of symposia and conferences, which retain their importance in the system of cooperation, they are evolving into more complex forms. These include joint basic and applied scientific research, testing of new equipment and materials, license cooperation and services of the "engineering" type and also in the sphere of management and scientific research, finally, the leasing of scientific equipment, instruments, materials and computers—in a complex with scientific cooperation.

Joint R&D has become widespread in the past 5 years in East-West relations. In many cases such work is followed by the partners' cooperation in the manufacture of a new product. The arrangement in this connection is formalized in the appropriate agreements, which, as a rule, are signed in development of S&T cooperation agreements. Thus, for example, joint research with the West German Salzgitter firm culminated in the conclusion of a contract for the supply to the USSR of equipment for enterprises manufacturing high-pressure polyethylene. Cooperation with another FRG firm, (Korf), in the sphere of the direct reduction of iron permitted realization of a plan for the construction of the Oskolsk Electrometallurgical Works.

An important form of S&T cooperation is license technology exchange. As of the start of the 1980s the CEMA countries as a whole had purchased in the West approximately 2,400 and sold to the developed capitalist countries 1,500 licenses. The development of scientific and production cooperation could permit its participants to

become the equal owners of the technology not of today even but of tomorrow. Capitalist firms have acquired Soviet licenses for the continuous steel-casting method, the electromagnetic aluminum-smelting method, the pneumatic transport system, the "fianit" single crystal, the "steklopor" material, the technology and equipment for the contact welding of large-diameter pipes and also many medical agents and preparations. The Soviet system of the transpiration cooling of blast furnaces is seen in the West's business circles as a qualitatively new stage in the development of ferrous metallurgy. Licenses for it have been purchased by a whole number of West European countries, specifically, the Thyssenhuettenwerke, Hoesch and Sterkrade companies (FRG).

In 1987-1988 alone firms of the FRG, France, Italy, Finland, Switzerland and a number of other West European countries acquired Soviet licenses for the manufacture of machine tools for the electro-erosion punching of deep holes in conducting materials and new precision-cleaning electromagnetic filters, the manufacture of anticorrosion inhibiting film, autogenous lead smelting and others.

The Soviet "Litsenzintorg" organization and the West German Ferrostahl firm switched from long-standing commercial ties to a new form of license cooperation—creation of the Technounion mixed company. It is contributing actively to the promotion of Soviet licenses on the market not only of the FRG but of third countries also and assisting the organization of scientific and production cooperation. "Litsenzintorg's" participation in mixed companies in France and Finland has also expanded considerably the opportunities for the development of scientific and production cooperation on the European continent.

As the practice of realization of agreements on scientific and production cooperation between the USSR and Western partners testifies, the greatest efficiency is achieved in cases where the parties use their latest ideas and original solutions of problems. A new type of pressing equipment to automate operations in coal industry in underground conditions is being created in conjunction with the Wagener Schwelm firm (FRG). The Soviet side is developing and manufacturing from special steel the press's support structures, the West German side, the hydraulic and electric heating elements. As a result of the creation and application of such a press the time taken to service the conveyor belts in the mines will be reduced several times over and losses of coal and the proportion of manual labor will be cut.

Soviet organizations' S&T cooperation with Italian companies also frequently leads to industrial cooperation in the sphere of mechanical engineering, chemical and petrochemical industry and new construction materials. This can be seen in the example of cooperation with the Montedison, ENI, Snia-viscosa, Press-industria, FIAT,

FATA and other companies. Soviet organizations' joint-labor relations with the Swedish Autoliv steel, Intersafe Projekt and Ikea firms are developing similarly.

By the mid 1980's the USSR State Committee for Science and Technology had concluded more than 300 S&T cooperation agreements with firms of capitalist countries, which extend to over 1,200 various topics. The majority of them provides to this extent or the other for the partners' subsequent industrial cooperation based on the joint S&T developments. Companies of West European countries, primarily of the FRG, France, Italy and Finland, are participating actively in this cooperation.

There is significant potential for an increase in the efficiency of all-European business cooperation in the sphere connected with the expansion of the socialist countries' export of services, knowhow and experience. They include the possibility of the Soviet Union's fulfillment of West European firms' orders for R&D by its leading research institutes, centers and design offices on subject matter of mutual interest. And, furthermore, the firms of West European countries could, as is accepted international practice, undertake on a rental basis engineering support for the experiments (the granting of instruments, materials and components).

The practice of the USSR's scientific and production cooperation with the firms of West European countries has shown that an appreciable reserve of an expansion of Soviet exports of services is the use of test ranges and benches in various climatic zones for the testing of new equipment models per the orders of West European firms and also the granting of engineering services, of the consultative type particularly. At the time of the creation of new equipment in the Soviet Union partners could cooperate successfully at the experimental model finishing stage, during the preparation for production and in the production itself. For example, work was carried out successfully with the Porsche firm (FRG) on putting the finishing touches to the design and technology of the manufacture of the VAZ-2108—the first Soviet front-wheel drive automobile. As a result it was possible to put it into series production in a very short time.

Also highly promising is such a form of scientific and production cooperation as computer leasing with payment for the cost thereof in application program packages developed by Soviet specialists. Important research centers of the Soviet Union have accumulated great experience of the development of application software for computers, of foreign manufacture included. In the opinion of experts of the International Chamber of Commerce, at the current stage of the S&T revolution, when the process of the obsolescence of machinery and equipment is accelerating sharply, the significance of leasing in East-West economic relations will increase. Leasing transactions have advantages compared with direct sales in sectors in which an important role is

performed by after-sales service.<sup>5</sup> These advantages of leasing are manifested most strikingly in the sphere of scientific and production cooperation.

The combination of the possibilities of the USSR and the process stock available in our country in respect of basic research and the advanced experimental and production facilities in many West European countries and the creation on this basis of fundamentally new techniques and structures with the subsequent organization of industrial cooperation could be a field of fruitful cooperation. The joint development and production with the West German Gildemeister firm of the original design of a semi-automatic lathe could be adduced as an example of this form of scientific and production cooperation.

S&T cooperation with West European firms at the time of the modernization of Soviet enterprises could be of particular interest also. A number of West European companies have already declared their intention to participate in the modernization of industrial facilities in the USSR. Thus, for example, agreements have been concluded with the French (Klekner) affiliate on the modernization of a textile factory in the USSR and with Renault on the modernization of assembly operations at the Gorkiy Auto Plant.

Broad opportunities for the expansion and intensification of East-West scientific and production cooperation are afforded by the fundamental restructuring of foreign economic activity in the USSR. "We do not believe that the present volume of trade with the East countries has reached the maximum limits," a report prepared at the end of 1986 by the FRG Economics Ministry observed. An expansion of cooperation between individual enterprises could lend certain particular to relations in this sphere."

The British journal THE ECONOMIST writes: "When businessmen speak of trade with the Soviet Union today, they speak of joint ventures."<sup>6</sup> Such ventures are the highest form of East-West scientific and production cooperation. More than 250 proposals concerning the creation of joint ventures with Soviet organizations on USSR territory had been received from Western firms altogether by the start of 1988.<sup>7</sup>

Some 28 joint ventures with the participation of West European firms had been created on USSR territory by mid-April 1988.

#### **At the Forward Boundaries of S&T Progress**

The main place among the directions of scientific and production cooperation is occupied by power engineering, chemical and petrochemical industry, powder metallurgy, mechanical engineering, computer technology, instrument making, laser technology, environmental protection and agriculture. There are big opportunities for joint basic and applied research in such spheres as the

rational use of energy, raw material and intermediate products, thermonuclear synthesis, exploration of space and the oceans, the physico-chemical bases of life, medicine and health care.

The transition to the comprehensive automation and electronization of production, managerial and other processes, the creation of flexible automated industries, the development of robotics and microprocessor technology and the further growth of computerization afford new prospects for S&T and industrial all-European cooperation. In this sphere Soviet organizations' scientific and production cooperation with West European companies has made important strides. Agreement has been reached, for example, with the Finnish Nokia firm in the sphere of automation of the production of power cables and the creation of robotic complexes and Stremberg in the creation of an automated system for the control of production processes in cement industry.

West European firms are displaying an interest in the joint development of application software and its marketing in third countries, the creation of microcomputers and the development of the most efficient systems of data transmission and processing, telecommunications (cable television, for example), the automation of production processes and management processes in industry and agriculture based on the use of local computer networks and so forth.

R&D in the field of the production and use of ceramic materials has been developing particularly rapidly in the past decade. Their advantages are high heat-resistance, resistance to wear and resistance to the effect of corrosion and active chemical compounds. They are coming to be used in heat exchangers, gas turbines, diesel engines, pumps, transducers and various electronic components.

There are also opportunities for the fruitful cooperation of socialist and capitalist countries in the field of the creation and industrial use of composition materials. Thus Soviet organizations are cooperating effectively with the Dutch Akzo concern in the development of new types of synthetic fibers and special additives for the production of polymers and plastics. New technology for obtaining powder-like polymer materials based on high-pressure polyethylene and the necessary equipment for their production have been created in cooperation with the Bardsdorf company (FRG).

An example of successful East-West cooperation in biotechnology is the agreement between the USSR State Committee for Science and Technology and the Swedish Pharmacia firm on scientific and production cooperation in the sphere of the manufacture of medicines and certain types of equipment. The Soviet side is developing in conjunction with the Finnish YIT firm technology for the biotechnical purification of effluent with the subsequent utilization of fermentation gas as a fuel. On the basis of original technology the USSR is designing a

precipitation anaerobic fermentation system, and the Finnish side, a system of utilization of the fermentation gas (methane), which is converted, following treatment, into a fuel.

Positive comment was elicited in West European countries by the proposal concerning international cooperation with the Soviet Union's participation in the creation of the "Tokamak" thermonuclear reactor. Energy savings, improvement of oil, gas and coal production, modernization of petroleum refining, the development of nuclear, wind and solar power and bioenergetics, the use of other renewable energy sources and improvement of energy control, storage and transmission systems could be important spheres of S&T and industrial cooperation.

Cooperation is developing with the French firm Compagnie generale de geophysique, for example, in the production of equipment for oil exploration. At the start of 1987 the first such agreement was concluded with British companies also, which could in the future, according to British Energy Secretary P. Walker, lead to the creation of a joint venture for the manufacture of equipment for oil and gas production on the continental shelf.<sup>8</sup>

A promising direction of S&T cooperation is development of the riches of the oceans. The development of the USSR's S&T and industrial cooperation with a number of West European countries in the sphere of the use of these natural resources could, in particular, be of mutual interest. Thus Soviet organizations' cooperation with the Dutch Industrial Oceanology Council provides for joint research in the sphere of the exploration for and recovery of minerals at sea and the construction of hydraulic structures.

A most priority direction of S&T progress remains the exploration and conquest of space. The socialist countries and a number of West European states are engaged in joint work on the study of near-Earth space, the Moon and planets of the solar system, astronomical and astrophysical studies and so forth. Thus the program of long-term cooperation between "Interkosmos" (USSR) and the National Space Research Center (France) signed in July 1975 is being realized. According to Paris' LE FIGARO, it "has served as an example of the most active cooperation between the countries in the sphere of space and has produced sensational results." Over 40 Soviet-French experiments and new proposals pertaining to the peaceful study of space are telling confirmation.

Many West European countries are participating actively in the implementation of joint space research projects within the framework of the "Interkosmos" program. Thus Austrian specialists and scientists participated in the Venus-Halley's Comet international space project. Magnetometric systems which they had created

were installed on the Vega 1 and Vega 2 automatic interplanetary stations. A joint flight with the participation of a representative of Austria is in preparation.

At the suggestion of H. Riesenhuber, minister of research and technology of West Germany, questions of the cooperation of the USSR and the FRG in the conquest of outer space were submitted for study by a session of the bilateral Soviet-West German Economic and S&T Cooperation Commission. Scientists and specialists of Great Britain, the Netherlands, the FRG and the European Space Agency participated in the creation of the Quantum astrophysics module. The immediate prospects of all-European cooperation include large-scale programs in the sphere of gamma-ray astronomy and also the participation of the USSR and a whole number of West European countries in the Phobos project, whose main purpose is study of Mars.

The Soviet Union is pursuing a policy of an expansion of international cooperation in the conquest of outer space. As *LE MONDE DIPLOMATIQUE* emphasizes, "the Soviet-French Aragats (the month-long flight of a French cosmonaut on board the 'Mir' station) and Vesta (joint launch of probes to Mars and certain asteroids) are sound confirmation of this policy, which could by the end of the century lead to the realization of such astonishing projects as a joint USSR-United States-Europe project for bringing back to Earth soil samples from the surface of Mars and preparations even for the launch to Mars of an international manned station."<sup>9</sup>

Currently East-West cooperation in the sphere of space conquest is entering a new phase—the stage of the development of space technology. Space technology means obtaining under microgravitation conditions substances with unique properties which cannot be obtained given terrestrial gravity. Extensive opportunities in this sphere are afforded by automatic spacecraft and orbital stations, including the Mir station. Five modules weighing 20 tons each with powerful power plants recharged from solar batteries and a consummate control system may be docked with it. These are essentially no longer spacecraft but real research laboratories and production shops in which medical preparations, semiconductors with unique properties, unusual metal alloys and crystals of practically unlimited size may be obtained.

Even now the USSR Glavkosmos could, upon foreign countries' application, collect from them various components, canisters made ready for experiments and capsules for the performance in orbit of this production process or the other. The Soviet Union is agreeable to assisting the launch for scientific and commercial purposes of any space apparatus put into orbit with Western parameters. Thirty various satellites have already been launched per an agreement with other countries, including India, France and Czechoslovakia.

Of course, the development of the USSR's scientific and production cooperation with West European countries is not an even highway on which the partners encounter no obstacles and "pot holes" and may tranquilly turn up the speed of cooperation. There are problems, and still relatively many of them, unfortunately.

The mechanisms of the partners' foreign economic activity do not always interlock, particularly at the microlevel. Soviet production associations, enterprises and organizations and ministries and departments are only now acquiring broad rights pertaining to the development of production and S&T cooperation with firms of capitalist countries. The mechanism of the linkage of the results of cooperation with the interests of the Soviet partner has not been completely worked out. The highest form of scientific and production cooperation—joint ventures—is taking only the first steps.

Insufficient knowledge of one another, objective difficulties of cooperation in the priority areas of the S&T revolution and the novelty of many scientific and organizational problems are taking their toll also. A negative influence on the development of scientific and production cooperation is also being exerted by the CoCom restrictions on exports to the Soviet Union and the other socialist countries of science-intensive products and the latest technology. Sometimes Western firms aspire to reduce Soviet enterprises and organizations to the role of "junior partners" capable of carrying out only technologically simple operations. But these are all growing pains.

Such are the state and actual prospects of an intensification of East-West scientific and production cooperation on the European continent. The Soviet Union, as the 27th CPSU Congress observed, will "develop on a mutually profitable and equal basis stable trade, economic and S&T relations with interested capitalist countries and perfect forms of cooperation with them." The expansion of business cooperation, including a most promising direction thereof—scientific and production cooperation—is a factor strengthening international stability and corresponding to the vital interests of all countries and peoples.

#### Footnotes

1. K. Marx and F. Engels, "Works," vol 25, pt II, p 456.
2. See B. Nussbaum, "Das Ende unserer Zukunft. Revolutionaere Technologien draengen die europaeische Wirtschaft ins Abseits," Munich, 1984, pp 24-25, 93-94, 98.
3. See PROBLEMY TEORII I PRAKTIKI UPRAVLENIYA No 3, 1986, p 84.
4. HIGH TECHNOLOGY, October 1984, p 55; FINANCIAL TIMES, 22 January 1987.

5. See LE MONDE DIPLOMATIQUE, November 1986, p 7.
6. THE ECONOMIST, 6 June 1987, p 69.
7. For more detail on joint ventures see MEMO No 10, 1987, pp 72-83.
8. FINANCIAL TIMES, 17 January 1987.
9. LE MONDE DIPLOMATIQUE, January 1987, p 23.

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### Growth, Activities of Moscow Narodny Bank in London Detailed

18160011h Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYE OTNOSHENIYA in Russian  
No 7, Jul 88 pp 112-114

[Interview with Aleksandr Stepanovich Maslov, chairman of the board of the Moscow Narodny Bank: "Activity of the Moscow People's Bank"]

[Text] *The Moscow People's Bank (Moscow Narodny Bank Limited) has operated in London for several decades and enjoys authority in international banking circles. However, only specialists, perhaps, know about it in the Soviet Union. Yet now, when Soviet enterprises, associations and ministries have acquired the right to move onto foreign markets, the bank could be exceedingly useful to them in many respects—the extension of credit, study of market prospects and so forth.*

*Since May 1987 the bank board has been headed by new chairman Aleksandr Stepanovich Maslov. He is 51 years of age and graduated from the Moscow Financial Institute in 1958, since when he has worked in the banking system. We publish A.S. Maslov's answers to the journal's questions.*

[Question] When and for what purpose was the Moscow Narodny Bank founded, who owns its capital, how many people does it employ?

[Maslov] The Moscow Narodny Bank was founded in Moscow in 1911 to finance cooperative trade with foreign countries. In 1916 it opened a branch in London, on the basis of which an independent bank was set up in November 1919 in the form of a British joint-stock company with foreign (Soviet) capital. An important aspect of the bank's activity is the credit-payment servicing of British-Soviet trade. But its present tasks (like those of all Soviet banking establishments abroad) are connected with the offering of a wide spectrum of banking services supporting our country's foreign economic policy.

The bank's main shareholders are the USSR Gosbank and the USSR Bank of Foreign Economic Activity; the shareholders also include a number of Soviet foreign trade organizations. British personnel number (as of 1 January 1988) 206, Soviet personnel is represented by 7 employees.

[Question] What is the structure of the bank and its principal functions?

[Maslov] Our organizational structure is typical of commercial banks. The executive body is the bank board (six Soviet employees). The directions of activity are confirmed by a supervisory council, on which the principal shareholders are represented. Results and development prospects are examined annually at general meetings of shareholders, in the course of which the board for the next term is elected. The management structure also contains credit, foreign currency and administrative committees, and they submit the most important questions, what is more, for the board's approval. The day-to-day activity of the staff is led by functional, analysis and support subdivisions (departments, groups) responsible for specific types of transactions. Since 1971 the bank has had a branch in Singapore, since 1975, an office in Moscow.

[Question] What is the scale of the bank's activity?

[Maslov] The bank's resources are growing constantly, reflecting, as a whole, the development trend of the USSR's foreign economic relations. At the end of 1958 they amounted to 8.6 million pounds sterling, in 1960, to 55.6 million, in 1975, to 1.2 billion, and in 1987, to 2.1 billion pounds sterling. As of 1 January 1988 the bank's owned capital amounted to 103 million pounds sterling, and, proceeding from this indicator, the economics department of the journal EUROMONEY included it in its annual survey among the world's 500 biggest commercial banks (EUROMONEY, June 1987, p 152).

[Question] Legally the bank is British. But what is its place in the system of Soviet financial organizations?

[Maslov] Our bank is inseparably linked with the USSR banking system. We participate actively in the development of a number of fundamental questions of currency-credit relations between the two countries. Specifically, in January 1987, with the bank's assistance, an intergovernmental credit protocol was signed within whose framework credit agreements were concluded with eight British banks on the financing of specific projects. In June 1987 the bank organized a seminar for Soviet banking and commercial organizations on currency-credit aspects of cooperation. In December 1987 the bank organized in Moscow per a joint initiative with the British Invisible Exports Council a "roundtable" with the participation of executives of a whole number of Soviet organizations and British banks. Currently we are

discussing with the British-Soviet Chamber of Commerce the organization in Moscow in 1989 of an exhibition of British industry and the financial sector. We ourselves intend taking advantage of this opportunity to advertise our bank's services.

[Question] What is the bank's role in the extension of credit to joint ventures with the participation of Soviet organizations and foreign firms?

[Maslov] This is undoubtedly a promising sphere. On the bank's initiative the first Soviet-British agreement between the USSR Gosbank and the USSR Vneshekonombank (at that time the USSR Bank for Foreign Trade) on the one hand and the Bank of Scotland and Morgan Grenfell on the other was signed in June 1987 on the creation of a joint bank consultative group. The group's mission is to assist Soviet and foreign partners in the organization of joint commercial companies on USSR territory (in such fields as taxation, economic viability and so forth).

[Question] How has the perestroika under way in our economy, specifically, in the foreign economic sphere, been reflected in the bank's activity?

[Maslov] The reorganization of the USSR's foreign economic relations and their structure has extended the range of potential partners among Soviet organizations. The number of Soviet clients (including joint ventures in Great Britain) with whom we already have certain experience of cooperation (NAFTA [U.K.], Russian Timber Agency, Razno [U.K.], Bominflot, Inturist) has been supplemented recently by a number of export-import associations of USSR sectoral ministries and departments. We plan in the near future establishing direct business relations with individual industrial enterprises and republic executive authorities with a view to the possibility of financing the development of their export base.

While channeling the bulk of resources (up to 1 billion pounds sterling) into the servicing of our country's foreign economic relations, the bank at the same time cooperates actively with foreign trade and sectoral banks of the fraternal socialist countries and a number of production associations of the GDR and the CSSR. An example of such cooperation is the organization in conjunction with the National Westminster Bank of medium-term syndicated credit for the Bulgarian Foreign Trade Bank totaling \$200 million. Contacts have been established also with the London branch of the Bank of China.

Our geographical location presupposes good ties to British banks and companies. We assess positively our business relations with the country's leading clearing banks and certain commercial banks. Specifically, Lloyds Bank in 1986 and the Midland Bank in 1987 were the organizers of medium-term financial obligations

floated by the bank in the form of a multi-currency renewable credit line (the multi-option note-issuance facility—NIF<sup>1</sup>) and secondary-use credit (a transferable loan facility—TLF<sup>2</sup>).

The bank aspires to step up cooperation with major British companies—Imperial Chemical Industries, John Brown, Courtaulds and GKN (metal working) and IAD (technology for the auto industry). The intention to cooperate is shared by our partners also, which we were able to see for ourselves during, specifically, recent meetings with Mr Gormley, manager of the John Brown company, and Mr Ward, director of GKN.

However, in the modern world a sound commercial bank cannot confine its activity to the framework of its country of residence, even less in that the Soviet Union's trade with Great Britain is as yet less than with a number of other industrially developed capitalist states. A considerable place in the bank's credit portfolio is occupied by investments in the USSR's export-import transactions with the FRG, Italy and Japan. Some of our proposals have been received with interest by a number of major U.S. companies. We have positive experience of cooperation with Canadian firms.

The new level of relations with clients will require of the bank participation in the extension of credit not only for the sale and subsequent operation of goods or services which are to hand but for the production process itself. Specifically, actual negotiations are being conducted in respect of such credit being extended to certain Soviet industrial enterprises for future currency receipts from the export of a quantity of the product (gas cylinders, automobiles, timber-processing products, tea, local crafts).

[Question] Inasmuch as the question of perestroika has been broached, I would like to know how it is being reflected in the bank's internal life.

[Maslov] You have raised an important question. Improvement of the "infrastructure" is a factor of the bank's profitability. The level of professional training of the employees, their knowledge of the market and ability to work with clients, the optimum distribution of human and material resources per area of activity with regard for the long term and technical support (the power and efficiency of use of the bank's main computer, the degree of saturation and efficiency of the pool of microcomputers, speed and reliability of the telecommunications facilities we use) pertain here.

To illustrate: in December 1987 the Moscow Narodny Bank concluded an agreement with the London branch of the Security Pacific bank on the joint extension of credit for Soviet-British trade in the form of "factoring".<sup>3</sup> This is a comparatively new and effective instrument of servicing international transactions. At the same time the persevering and competent work of the personnel in the marketing of this service and adaptation

of the general terms of the agreement to the structure of individual deals is essential for really suffusing this agreement with specific transactions.

Another example. Evaluation of the contribution of each individual subdivision of the bank is determined

currently with a fair proportion of conditionality. We plan this year applying a more accomplished system of processing accounting and statistical data based on a new computer, introducing genuine economic accountability within the bank.

**Figures, Facts, Opinions**

**The Moscow Narodny Bank and Other Financial Institutions in Great Britain**

Place <sup>1</sup>	Name of Financial Institution	Owned share capital in millions of dollars	Net income in millions of dollars	Total assets, in billions of dollars
1.	National Westminster Bank	6,808	907	123
2.	Barclays Bank	5,485	911	116
3.	Lloyds Bank	4,049	693	70
4.	Midland Bank	2,980	357	78
5.	TSB Group	2,179	168	19
6.	Standard Chartered	1,910	223	47
7.	Royal Bank of Scotland	1,388	173	29
8.	Bank of Scotland	795	103	14
9.	Kleinwort, Benson, Lonsdale	538	75	13
10.	Morgan Grenfell and Co	518	81	8
11.	S.G. Warburg and Co	340	61	4
12.	Schroders	326	31	4
13.	Yorkshire Bank	308	59	3
14.	Hambros Bank	294	42	4
15.	Hill Samuel and Co	255	39	4
16.	Saudi International Bank	209	15	5
17.	Moscow Narodny Bank	208	16	3
18.	Scandinavian Bank Group	186	25	5

<sup>1</sup>Per the amount of owned share capital.

Source: EUROMONEY, June 1987.

**Footnotes**

\* In accordance with A.S. Maslov's request, the fee for the publication will be transferred to the Children's Fund imeni V.I. Lenin.

1. A type of loan which may be used in several currencies and which is financed by regular emissions of Euronotes. Euronotes are short-term securities containing a bank guarantee to the bearer of bills of exchange issued outside of the borrower's country and freely in circulation on the market (editor's note).

2. International bank credit with the right of renegotiation granted on the basis of the issuance of special securities (editor's note).

3. Factoring—the bank's acquisition from industrial and commercial companies of claims on third parties and recovery of the necessary amounts (editor's note).

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**Jackson Seen Laying Foundations for 1990's White House Challenge**

*18160011i Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 88 pp 115-118*

[Article by Andrey Mikhaylovich Karabashkin, candidate of historical sciences and senior scientific associate of the USSR Academy of Sciences Institute of World Economics and International Relations, under the rubric "Political Portrait": "Jesse Jackson: Reality of the Challenge"]

[Text] Just two contenders have in fact reached the finish line of the Democratic Party primaries in the United States. One is the well-known negro figure Jesse Jackson, who has broken the traditional canons of American politics. The success of his election campaign has created a sensation and forced people to view him in a new light. It is hardly possible to distinguish on the U.S. political stage of the past two decades another figure so contradictory in terms of his personal characteristics, political ambitions and the objective role which he has performed in the political struggle.

The Reverend Jesse Louis Jackson was born on 8 October 1941 in Greenville, North Carolina. His mother, Ellen, was at that time still only a high school senior, and

his father had another family. The boy soon acquired a stepfather—a small-time office worker. Jesse's childhood years were a most difficult period for him. It was at this time that his character began to take shape: the ambition of wounded pride, independence, doggedness in pursuit of the goal combined with a readiness to challenge his lot and an endeavor to shield his private life against the curiosity of strangers. The family did not have much money, and from childhood Jesse was forced to make his way on his own. He excelled in sports, which helped him obtain a scholarship to Illinois State University, where, however, he did not stay long. In 1960 he switched to the Agricultural and Technical College of North Carolina, the vast majority of whose students were black. Graduating 4 years later, he obtained a bachelor's degree in sociology, then took a course at the Chicago Theological Seminary and in 1968 became a minister in the Baptist Church.

In 1964 Jesse married Jacqui Brown. They have five children. In everyday life Jackson is just as contradictory as in politics. According to him, money does not mean much to him; nonetheless, Jackson belongs to the prosperous part of society (their home is valued at approximately \$200,000, Jackson's wife has stock with a market value of more than \$1 million and he himself received from January 1986 through September 1987 in the form of a salary, fees and other payments approximately \$610,000 income). Jackson considers himself a family man, but is home only several days a month. He is conservative in dress, does not drink, does not smoke and has virtually no close friends. He is a typical "workaholic," that is, he is totally taken up with his work. However, starting his work day at dawn, he regularly finds time for sports.

Pastoral sermons did not satisfy the thirst for public activity of the young Jackson. Ardent, talented, industrious and having experienced racial prejudice, he began to take part in the activity of a number of negro organizations and soon became a part of the inner circle of M.L. King's followers. Jackson was with him at the time of his tragic death. More, he claims that King died in his arms and makes it understood that this consecrates him as his closest pupil and the successor of this outstanding fighter for black civil rights. King's widow and other of his associates categorically dispute this fact.

In the period 1966-1977 Jackson led Chicago's Community Organizations Council. In 1971 he formed and headed the Operation PUSH organization—People United To Save Humanity—which is based there and which he converted into his political base. This organization pursued wide-ranging goals of defense of the interests of blacks of the community and sought true equality. However, its activity served as an argument for charges against Jackson of administrative incompetence: PUSH got into debt and still cannot provide a satisfactory answer in connection with the expenditure of \$1.2 million of federal subsidies for a black youth education program.

Slowly, but surely the black minister advanced toward his political goals. Believing that the time had come, in 1984 he showed up at the start of the presidential race. Prior to this only two black figures in U.S. history had sought nomination as presidential candidate: at the end of the 19th century, F. Douglass, the outstanding fighter for the abolition of slavery, and in 1972, S. Chisholm, member of the House of Representatives. In both cases it was a question not so much of serious intent as of propaganda actions. Jackson, on the other hand, intended achieving practical results. His program in that period was contradictory: a demand for social protection for the destitute went alongside the call for a limitation of government interference in business, speeches against the aggressive foreign policy and for greater realism in this sphere, with a call for negotiations with the USSR from a position of strength and so forth. His popularity was sustained by relatively extravagant measures, from the inclusion in his entourage of the pop star Michael Jackson through a trip on his own initiative to the Near East for the release of a U.S. naval lieutenant who had been captured by terrorists.

In 1984 Jackson spoke for the poorest strata of the black and hispanic community, which were the main casualty of "Reaganomics". They were the basis of the "Rainbow Coalition" which had taken shape in the election struggle (it was officially structured as an organization in 1986). However, many influential black leaders, a number of women's organizations and the Jewish community (whose hostility had been aroused by reports of his ties to the black Muslim preacher L. Farrakhan—an extreme nationalist and anti-Semite) were opposed to Jackson. In addition, Jackson was accused of undermining the positions of the Democrats' main candidate—W. Mondale. Having lost in the primaries, Jackson nonetheless declared that the Democratic Party could no longer manage without him.

The year of 1984 taught Jackson a lot. Four years later he has appeared as an experienced pragmatic politician of a national scale, with a broader view of the problems of black Americans and the country as a whole and its role and place in the modern world. His political platform has undergone such significant changes that there has come to be talk of the "new Jackson". One is struck primarily by the absence in his program of the former radical slogans and by the attempts to expand his social base—"campaign for the votes of white America". Jackson has transferred the headquarters of his present campaign to Iowa (where only 1.4 percent of the population is black), and the majority of the leaders of his campaign and principal assistants are white.

As before, Jackson is renowned for his capacity for mobilizing the electorate, even that part which usually refrains from participation in elections. He has been able to confound the forecasts of many experts, his election notched up impressive results in the course of his election campaign. In Iowa and New Hampshire, where black residents constitute less than 2 percent of the



population, Jackson received approximately 10 percent of the vote, in Minnesota, where nonwhites constitute 4 percent, approximately 20 percent of the vote, in Wisconsin, where they constitute 3 percent, 28 percent of the vote.

By April—at the time of his constantly increasing success—he had spent on TV advertising 20 times less than A. Gore or M. Dukakis. “My campaign is a poor campaign, but it has rich ideas,” Jackson has declared, posturing somewhat. This is not in fact entirely true. As of 30 November 1987 he had succeeded in collecting for his election funds \$1.7 million. As his success among the electorate has grown, so have contributions to his funds. In March he had collected \$2.8 million.

Jackson is supported by the vast majority of blacks and significant numbers of hispanic Americans. As far as his white supporters are concerned, their makeup is heterogeneous. They include marginals pushed onto the sidelines of life, students fascinated by the content and dynamics of the campaign, representatives of the middle strata and some solid “limousine” liberals. Some unions support him. Despite the contender’s populist slogans, low-income whites prefer other candidates. Jackson has found his strongest support in liberal circles of the Democratic Party. His relations with the party’s upper stratum and the party machinery are very complicated, nonetheless, there are many notable figures among Jackson’s supporters: W. Brown, speaker of the Lower House of California’s Legislative Assembly, and member of this house, M. Waters, J. Hightower, head of Texas’ Agriculture Commission, B. Lance, director of the Budget Office under president Carter, R. (Borouseydz), former executive director of the Political Research Institute, and many others.

“Jackson has a better mind than all the other contestants in the present campaign,” C. Clifford, a most senior Democratic Party figure, proclaimed following a conversation with him. A number of political scientists believe that the principal component of Jackson’s success is the fact that he speaks about very bold, sweeping, and not partial, measures, which attracts many Democrats. True, Jackson himself emphasizes that he is not a theoretician but a practical man and calls himself a surgeon who sets himself the task of making a surgical intervention in the social organism.

In the sphere of domestic policy Jackson is opposed to the Gramm-Rudman Act on the balancing of the federal budget and supports the development of social programs. As distinct from his main rivals, he is not afraid to raise the issue of tax increases: the federal budget deficit could, he believes, be reduced by way of an increase in corporate taxes from 34 to 46 percent, and the tax on persons in the high income bracket, from 28 to 38.5 percent. In addition, he proposes depriving well-to-do Americans of social security and Medicare benefits. To reduce the trade deficit Jackson is putting forward a plan of “investment in America”. It is a question,

specifically, of sanctions in respect of the transnational corporations which move production to other countries and also of the use of federal retirement funds as a source of investments at the time of the creation of new infrastructures. Jackson calls for a complete end to racial discrimination in all spheres of the life of society, an extension of women’s rights and a more resolute struggle against crime and drugs. He proposes a considerable increase in spending on preschool establishments, education, student grants, social insurance, farm subsidies, benefit payments and vocational training.

In the foreign policy sphere Jackson advocates an improvement in Soviet-American relations, fully supporting the INF Treaty; and the disbandment of the organizational structures of SDI, but also the continuation of research into strategic defense, given a reduction in the corresponding appropriations. Jackson proposes a reduction in military spending of \$20 billion, abandonment of the MX and Midgetman ICBM’s and the Trident SLBM, a reduction in the numbers of American forces in Europe and a limitation of the naval buildup—in a word, he advocates far more significant reductions than any other contestant. He supports a peaceful settlement in Central America and a halt to aid to the “contras”. Jackson pays great attention to Near East problems and a settlement in the Persian Gulf region; he is the sole contestant who supports Palestinians’ right to create their own state. “Israel’s security and justice for the Palestinians are two sides of the same coin,” he says. A significant place in Jackson’s foreign policy program is occupied by measures designed to contribute to the elimination of apartheid in South Africa and the development of the countries of this region. As a whole, he believes that his foreign policy proposals are based on compliance with international law, support for human rights and the principles of economic development.

Such was the platform with which Jackson began his ascent of the American political Olympus. A kind of Rubicon in his present campaign was the New York primary on 19 April, at which Jackson, following a string of victories, suffered a serious defeat by M. Dukakis. The results of the struggle in New York recorded a picture of unprecedented racial polarization. According to a poll conducted by NBC, Jackson obtained 97 percent of the vote of the black electorate, while approximately 70 percent of whites voted for Dukakis (approximately 16 percent for Jackson). Thus Jackson was unable to expand the base of his support outside of the black community sufficiently for this to secure his victory.

The defeat of the black contestant in New York essentially predetermined the ultimate outcome of the struggle between him and Dukakis in favor of the latter—Jackson has in fact acknowledged the lead of the governor of Massachusetts. He still has a theoretical chance of nomination as vice presidential candidate on a ticket with Dukakis. How realistic such a possibility is is another matter. There is serious apprehension in the Democratic Party leadership that the inclusion of the negro preacher

on the presidential ticket would lead to the Democrats' defeat inasmuch as it would alienate from them considerable numbers of moderate voters. And Jackson himself even, it is believed, has to come to terms with such misgivings and will not for this reason insist on his nomination.

It has to be considered, in addition, that Jackson is very vulnerable to criticism on the part of his political opponents. They let slip no opportunity to remind him of his "political transgressions" of past years. Specifically, he is charged with having used crude, demeaning expressions about New York's Jewish population. He has been unable to convince the public that his contacts with Farrakhan are a thing of the past. A well-known photo, almost 10 years old, recording Jackson's friendly embrace of Y. Arafat is seen as evidence of the black contender's dangerous radicalism. Conservative circles are attempting to portray him as a man with close ties to the "reds" or, at least, one who underestimates the "communist threat": reference is made here to a trip he made several years ago to Cuba and the toast he proclaimed there in honor of Fidel Castro and Che Guevara.

Nor, in addition, do many voters wish one of the country's top posts to be occupied by a minister. Working against Jackson is also such an argument as his total lack of experience of elective office in government bodies. True, the black preacher operates under populist slogans (of the "man in the street for the White House" type), playing on the distrust of the administration and politicians of the capital. A more material point is the reminder of the highly maladroit leadership of the finances of Operation PUSH.

Jackson's opponents are refraining as yet, however, from sharp attacks on him, fearing charges of racist sentiments. In addition, his success would suit the Republicans, possibly, and the Democrats need him to mobilize the electorate. It had become clear long before the end of the primaries that Jackson would be arriving at the Democratic Party Convention in July with very considerable support, which makes him a most influential figure: only he will be able to lead black Americans to vote at the polls for the Democrats (success in the congressional elections is at stake also). He will undoubtedly exert considerable influence on the formulation of the party's election platform, will be in a position to demand of the party machine concessions in support of black citizens (it has been suggested even that he be made Democratic Party National Committee chairman) and will be able to lay claim to most important political or diplomatic positions in a Democratic administration in the event of victory at the November elections.

An ever increasing number of party figures and politicians is asking: what does Jackson want? In the opinion of the political scientist S. Hess from the Brookings Institution, he is pursuing a long-term strategy for winning the White House. Its first stage was 1984, when a step toward overcoming the old prejudices concerning

the impossibility of the realistic participation of black candidates in a presidential campaign was taken. At the second stage—in 1988—he has been able to achieve a fundamental breakthrough in the attitude toward him of the electorate, and he has come to be taken seriously. Hess assumes that Jackson will make the decisive assault on the White House in the 1990's.

Jackson says: "If I can win, everyone can win." If not, neither women, hispanics, nor the union member can win. "Therefore my campaign is helping everyone break down the walls confronting them.... In a certain sense I win a victory every day." Behind the sensational success of Jesse Jackson there is a manifest perception of broad strata of Americans' craving for serious change.

### Figures, Facts, Opinions

Evaluating the results of the final stage of the primaries in the United States, political observers note the growing mood of "alarm and pessimism" in the ranks of supporters of the Republican Party's presidential candidate, present Vice President G. Bush. According to Britain's THE TIMES, "he can hardly take comfort from the fact that he remains the sole contestant from his party.... Opinion polls not only put him far behind M. Dukakis nationally but testify that he faces a real prospect of defeat in California at the coming presidential election.... Yet it is victory in this state which is a kind of 'key' to the White House, without which chances of entering it are negligible...."

A number of sources of information testify that Bush will have serious problems attracting the votes of American women. It is anticipated that 10 million more women than men could take part in the elections on 8 November; they could decide the outcome of the election. At the start of June, according to a poll conducted by CBS and the NEW YORK TIMES, the majority of women voters preferred Dukakis: 53 percent supported him, only 35 percent, Bush (among male voters support for Dukakis and Bush is almost identical—44 and 43 percent respectively). Polls show that approximately 40 percent of the electorate has an unfavorable opinion of Bush. Political analysts consider this situation particularly disturbing for him inasmuch as changing an opinion which has already taken shape is usually difficult.

At the same time, although in May and the first half of June Dukakis was approximately 15 points ahead of Bush in the polls, observers warn that these figures should be treated with caution since for many people the election has yet to become a priority issue, and the picture could be different later.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1988

### Austria's Interest in EC Membership

18160011j Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian No 7, Jul 88 pp 119-121

[Letter from Vienna from Yuriy Olegovich Popov, candidate of economic sciences and KOMSOMOLSKAYA PRAVDA correspondent in Austria, who is currently working on an assignment of the *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* editorial board: "Austria and the EC"]

[Text] A leading topic of Austria's domestic political life is the question of its entry into the European Community. Currently the economic relations of Austria and the EC are regulated by the agreement of 22 July 1972 on the country's participation in the so-called zone of free trade in industrial commodities. This agreement extends to all but agricultural products and contains an "evolutionary" proviso according to which consultations may be held, at a party's desire, on the further development of relations.

The position in the sphere of the trade and economic relations of Austria and the EC is expressed most simply in figures—the Community accounts for two-thirds of its commodity turnover. And Austria constantly has a deficit balance in this trade, what is more. The imbalance in the trade in agricultural commodities is particularly significant.

The economic strengthening of the Community, the extension of the processes of integration of the EC members and the creation of the single internal market scheduled for 1992 are of serious concern to Austria, as also, incidentally, the other small West European countries which remain members of EFTA. A fear of "lagging behind" the West European integration processes has come to be manifested increasingly often in the speeches and assessments of politicians, representatives of business circles and journalists.

The present situation in the economy is increasing the interest in discussion of the paths of its future development. According to data of the Austrian Economic Research Institute, the average annual increase in the gross domestic product amounted in constant prices to 1.7 percent in 1987, but in 1987, only 1 percent. There was a 2-percent decline last year in industrial production and a slowdown in investment activity. Serious difficulties have been experienced in recent years by the nationalized sector, whose enterprises are in need of modernization. The national debt amounted by the end of 1987 to almost 700 billion schillings, of which the foreign debt accounts for approximately 20 percent. Forecasts for the present year also are quite pessimistic.

The government is seeking ways to overcome the phenomena of stagnation in the economy. Here also many people are turning their eyes to the EC. As the February issue of the journal *INDUSTRIE* wrote, the attitude

toward the subject of the EC has in the last 3 months taken shape with breath-taking speed. On 13 November 1987 the heads of the federal provinces adopted the decision to approve Austria's entry into the Community. Three weeks later Vice Chancellor A. Mock, foreign minister, made it understood as an honorary participant in the "Schwarzenbergplatz forum" that Austria's entry into the EC and the country's full integration in the "internal European market" were for the Foreign Ministry no longer a prohibited topic from the neutrality viewpoint. In November the National Council passed a decision on the adoption of "full membership" as the ultimate integration and political goal.

On 9 December R. Salinger, president of the Federal Chamber of Economics, supported the full "participation of Austria in a big European market." The Industrialists Association recalled at a press conference on 29 December the decision of its board of 15 May 1987 to demand that the government adopt measures for the country's entry into the EC.

However, there is no unity in the positions of the participants in the government coalition of the Austrian Socialist Party (SPO) and Austrian People's Party (OVP) on the question of entry into the Community. Whereas Chancellor F. Vranitzky emphasized repeatedly that this issue was not urgent, in his opinion, representatives of the OVP, which expresses the interests of big capital, consider it a priority. As the Vienna correspondent of the West German *DIE WELT* wrote, "the opinion has begun to take hold among Austrian politicians and the public that the country has no solution other than entry into the EC. The second coalition partner in the government—the OVP—has passed a decision on the need for membership. This step was taken under pressure from the leadership of the western provincial organizations."

When, last December, Foreign Minister A. Mock, chairman of the OVP, was on an official visit to France, the Viennese *KURIER* reported that he believed that Austria's entry into the EC was possible this century even. However, when, following his return to Vienna, I asked A. Mock about this, the minister declared that this was nothing more than an idle journalist's imagination. The final decision on whether Austria would seek entry into the EC, H. Keller, a leader of the SPO, declared at a press conference on 16 April of this year, was to be made in 1989.

Even more candid was Economic Affairs Minister R. Graf, also a prominent OVP figure, who rejected the supposition concerning the possibility of an "economic Anschluss". Agreeing that the state sector of the economy, which is experiencing certain difficulties, has somehow to be extricated from the state of stagnation and finally made profitable, the minister declared literally the following: "We intend selling off its enterprises on the free market, participants in which could be not only Austrian citizens but foreign businessmen also." However, firms with substantial available capital will

hardly be found in Austria. Major West European companies will most likely be the purchasers. Considering the close economic relations which exist between Austria and the FRG,<sup>1</sup> it is perfectly reasonable to suppose that West German concerns will play the part of buyers.

The political side of the question appears as follows. According to the State Treaty signed in 1955 by the four states—the USSR, the United States, Great Britain and France—Austria was restored as an independent and democratic state and undertook, specifically, not to enter into a political or economic alliance with Germany in any form whatever (article 4).

Attempting to get around this clause, some OVP members are saying that the FRG is not the same Germany mentioned in the State Treaty. Truly, no one is drawing a parallel between the Nazi "thousand-year Reich" and today's FRG. But it should not be forgotten here that the FRG is the successor of Germany.

There is the further viewpoint that it is precisely entry into the Community which will save the country from economic absorption by West Germany inasmuch as Austria would in this case become an equal among equals and would enjoy the legal protection of the Community.

But the hottest arguments are breaking out, perhaps, over the interpretation of the Permanent Neutrality Act enacted by the Austrian Parliament in October 1955. The pronouncements of particularly active supporters of Austria's entry into the Community, among whom are the same OVP representatives, in the main, frequently contain the assertion that this step would by no means infringe traditional Austrian neutrality. However, this opinion is not shared by the majority of serious SPO politicians.

Thus Chancellor F. Vranitzky, on an unofficial visit to Paris in February 1988, termed in a report to French members of parliament and also in his subsequent statements naive the assumption that some would enjoy rights, while others would perform duties. In the opinion of R. Salinger, a champion, incidentally, of the country's entry into the EC as an equal member, Austria cannot seek just one-sided advantages from participation in a big European market and not assume corresponding obligations to the EC.

Prof H. Keck expresses himself even more particularly in this connection in an article published by the journal *MONATSHEFTE*: "The EC is not simply a customs union but a community of countries linked with one another by economic and financial obligations. They aspire also to political unity. Having joined the Community, the neutral state would be a part of economic wars and boycotts and would cease to be neutral."

Keck's opinion is shared by T. Nowotny, an executive of Austria's Foreign Ministry, who wrote in an issue of the journal *INTERNATIONAL*: "It is absurd to think that Austria would as a member of the EC be able to veto any decisions, preserve its independent European security policy and at the same time ensure a foreign policy identity with West Europe. A people of 7 million cannot impose its will on 320 million. This is the conclusion of the majority of specialists in international law, and it is hard to argue with them."

West German Chancellor H. Kohl was no less precise in formulating his attitude in an interview with Austrian radio toward rights and duties within the EC framework. He declared in it, *inter alia*, that for the FRG a European community in which some would be responsible solely for trade, and others, for security, was inconceivable.

It is heard frequently from politicians of the most diverse levels that Austria is rightly proud of its geopolitical location and role of small European state, which has become a most important international center linking East and West. Austria's permanent neutrality, prominent OVP politician L. Steiner observes, reflects the interests of all European peoples and the realities which have taken shape on the continent since WWII.

As Chancellor F. Vranitzky declared during a visit to Austria last July by N.I. Ryzhkov, chairman of the USSR Council of Ministers, "since its acquisition of full sovereignty 32 years ago Austria has pursued an active foreign policy which not only serves to defend its interests on the international scene but is intended to be to the benefit of the concord of the peoples. Together with active participation in international organizations, particularly the United Nations and its specialized organizations, and West European integration processes... Austria attaches priority significance to the development and strengthening of bilateral relations with the states which signed the Austrian State Treaty and also all other European countries. Austria's close relations with pluralist democratic Western states have never been an obstacle here to good-neighbor relations and stable cooperation with the East European states, particularly the USSR."

Let us return to the economic aspect of Austria's possible entry into the EC. It is maintained, for example, that this step would produce considerable benefits for the major Austrian firms and enable them to overcome many economic difficulties rapidly and with the minimum outlays. Possibly. But this is far from the end of the matter. After all, there is still a multitude of small firms for which entry into the Community would create the most serious difficulties. In addition, it can hardly be doubted that big losses would be sustained by agriculture, which is oriented primarily toward the home market and protected from outside competition by a system of laws, agreements and customs rules. It is with good reason that farmers and small businessmen connected with the processing of agricultural products are categorically opposed to the entry into the EC.

They are supported also by the unions, which are opposed to the privatization and breakup of state-run enterprises and which believe that this could lead to their being converted into an appendage of big West European, primarily West German, concerns. This is associated with the danger of a growth of unemployment, which even today is reaching quite a painful level. Considerable problems could be engendered by the unchecked penetration of the country by a large number of people from other members of the EC, where the level of unemployment is even higher, looking for work.

The Austrian Communist Party believes, and this was emphasized at its plenum in March 1988, that entry into the Community would mean a strengthening of the positions of foreign capital in the national economy, a reduction in the role of the state sector in industry, the elimination of thousands of medium-sized and small peasant farms and, consequently, a growth of the army of unemployed and financial difficulties for many industrial enterprises, a limitation on the pretext of adaptation to the Community's conditions of the working people's social and democratic rights and the country's move toward the right.

As the Swiss newspaper BASLER ZEITUNG wrote at the end of last year, the relatively prosperous Austria of today would as a member of the EC have to contribute to the Brussels exchequer 2.5 billion Swiss francs annually. With a deduction for assistance to agriculture and payments to improve the structure of its economy, its net contribution would amount to approximately Fr1 billion. And this for the right to deal not with 7.5 million customers but with the 320 million living in the EC countries. For some reason or other no one in Austria itself wishes to calculate what entry into the Community would cost it.

Some publications contain hints of the pressure which is allegedly being exerted on Austria by the Soviet Union, endeavoring to prevent its entry into the EC. The newspaper DIE PRESSE, for example, even maintains that Soviet representatives in Vienna are threatening Austria with some mythical sanctions in the event of such a step. All these statements are very far from the true state of affairs. Naturally, the Soviet Union, as a power which is a signatory to the 1955 State Treaty, has an unconditional right to express its viewpoint on questions directly related to the functioning of this important instrument of stability in Central Europe and to the compliance by the parties which signed it with the commitments assumed in international law.

The treaty, on the other hand, imposes on Austria, as is known, the commitment not to engage in any action or any measures which could be detrimental to its territorial integrity and political or economic independence. If the Soviet Union is calling attention to this aspect of the matter, which is strangely being glossed over in silence by the Austrian participants in the debate on relations with the EC which is being conducted, this can hardly be

seen as its interference in Austria's internal affairs. The racket kicked up on a manifestly contrived pretext cannot be seen as anything other than an attempt to distract Austrians' from the genuine problems which would arise in the event of the country's joining the EC.

#### Footnote

1. West German capital investments in Austria constitute 13.5 billion schillings (37 percent of total foreign investments). There are in the country 1,800 daughter enterprises of West German firms, and approximately 500 Austrian companies have branches in the FRG. There is a trend toward mutual economic penetration with the predominance of the more powerful FRG economy.

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#### USSR's Low Place in World Consumption, Productivity League

18160011k Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 88 pp 131-135

[B. Bolotin response: "Habitual Ideas and Actual Facts"]

[Text] *The editors were addressed in connection with the publication of the collection of statistics "The Soviet Union in the World Economy" (MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA No 11-12 for 1987) by reader I.I. Zvyagintsev from Izhevsk. He expresses in his letter a number of considerations pertaining to the problem in question and adduces independent calculations reflecting doubts in connection with certain indicators of the article. The editors believe that the author's replies to I.I. Zvyagintsev's questions might be of interest to a broad readership of the journal also.*  
Dear Editors,

I assume that your journal, despite its theoretical thrust, is aimed not only at professionals.... I am such a professional. I do not take your journal often, but when I saw in the table of contents of No 11 for 1987 the title "The Soviet Union in the World Economy," I bought this issue and read it with interest. A unique attempt to humanly compare certain economic indicators.

However, certain doubts grew. I will say first that you might suspect me of having an instinct which demands that the USSR be, for no particular reason, the most, most, most....

Yes, I would like us to look better.... Of course, perestroika may be understood as the dragging out of dirt from all existing and nonexistent corners for subsequent

proof: look how much dirt there is, we need, consequently, to restructure. And if, in some people's opinion, there is not enough dirt, it needs to be dragged up in order for there to be something to restructure.

A lengthy digression.... Of course, figures cannot be made to fit emotions. But how far, in fact, are your estimates accurate?

1. As I understood it, the production of industry and agriculture was estimated as the conventionally net product, excluding material costs (it could in practice be considered the net product, that is, contribution to the national income), but then doubts as to the concordance and reliability of the adduced indicators arise.

Deducting from the national income the contribution of industry and agriculture, we obtain for 1987 the "residue" which, it is to be assumed, characterizes the contribution of other sectors of material production—construction, transport, communications, trade: for the United States, \$248 billion, Japan, \$137 billion, the USSR, only \$50 billion. Are we really five times inferior to the United States in terms of the net product of these sectors?

2. The indicators for 1913 inspire no confidence. Was Russia at that time so backward that in terms of per capita indicators it was in the position of Vietnam, Mongolia, Cuba? If so, then K. Kautsky was right, and not V.I. Lenin. At least, such conclusions could be drawn from this.

3. You compare defense spending for the period 1950-1986 (R500 billion) with other capital investments—in industry (R975 billion), agriculture (R500 billion), housing (R430 billion). Altogether this yields R2.405 trillion. Total capital investments for these years amounted, according to the "Scale of the Soviet Economy" table, to R3.105 trillion. Thus R700 billion were spent on all other purposes. Yet the increase in fixed nonproduction capital alone in the period in question amounted, according to the same table, to R785 billion. And, after all, there were further capital investments in transport, communications, construction, trade.

The data for 1938 are highly dubious. How could we have won the war if in reality our industrial product this year constituted little more than half that manufactured on the part of German territory which currently constitutes the FRG (not to mention the product manufactured on the territory now forming the GDR, the western provinces of Poland and Kaliningrad Oblast of the RSFSR). And in general, according to your data, it transpires that prior to the war the USSR was in terms of quantity of industrial production in fifth place behind the United States, Germany, Great Britain and France. Yet it is well known that by the start of the 1940's we had moved in terms of this indicator into second place in the world and first place in Europe.

4. It was said comparatively recently in ARGUMENTY I FAKTY (Nos 42-44) that the USSR is in virtually 24th place in the world in terms of per capita consumption of goods and services (and there are approximately 30 industrially developed countries altogether). This is an outright insult to the people of 1905-1945 who lived and died at that time.

5. How are we to understand the indications that in the periods 1921-1938 and 1951-1987 the average annual rate of increase in national income amounted in the USSR to 6.6 percent? Was it identical in both 1921-1938 and 1951-1987? Or are these figures average figures for the two said periods? Igor Zvyagintsev, 22 years of age (Izhevsk)

Dear Igor,

(I am forced to address you by your first name since there is no guessing from your initials your patronymic, and the difference in our ages permits me to do so).

You gratified me greatly by your letter. Amazingly many young people who are inquiring, searching and profoundly concerned have been discovered precisely recently, and this is the chief result of our times, of perestroika and glasnost. Your letter is particularly important for me also in that it enables me to see an author's failings: where my explanations are insufficiently precise and where they are lacking altogether. Before turning to an answer to the specific questions, I will say the following.

It is odd that a person of your intellectual stamp should perceive perestroika as "dragging out dirt from all... corners" and consider the "invention of dirt" as justification of the need for perestroika. Perestroika is not "an insult to the people of 1905-1945 who lived and died at that time." It was dictated by a profound respect for their feat and a desire to make full use for the good of the people of the power of the socialist state, whose foundation was laid by these people at a price of unparalleled efforts and deprivations. Yet to pretend that all is well, that the economy is working efficiently, but in practice to make use of only half of what has been created by the people on account of an outdated economic mechanism—it is this which would be shameful lack of respect for the "people of 1905-1945".

Now I will turn specifically to your calculations born of your doubts.

1. You compare the cost indicators which I had adduced of national income and the industrial and agricultural product and thus attempt to show their nonconcordance and erroneousness. Such comparisons are invalid since the amounts of industrial and agricultural production which figure in the tables are not the net product from which the national income takes shape and not even the conventionally net product (as you assume) but the end product. Intrasectoral turnover of the raw material, semimanufactures and components created in the given

sector itself is not taken into consideration in the end product but these same materials entering the production process laterally, from other sectors of the economy, are taken into consideration in full.

I would recall the basic concepts employed by statistics.

The net product is the gross product with the subtraction of the cost of the raw material and other materials and depreciation of fixed production capital.

The conventionally net product is the net product plus depreciation.

The end product is the conventionally net product plus the cost of the materials entering the given sector laterally. For example, the end product of industry incorporates the cost of agricultural raw material received for industrial processing, transport costs, the trade markup, the cost of production services and so forth. In terms of its physical-material composition, functionally, the end product is what a given sector gives the national economy (not counting its own product consumed in the production process).

Do you now understand that the connection between the indicators of industrial and agricultural production adduced in the tables and national income is far more complex than follows from your calculations?

	USSR	United States
National income	1,100	1,650
equivalent to the end product of		
industry	910	1,225
agriculture	140	177
construction	250	280
transport and communications	225	225
trade <sup>1</sup>	185	370
Total end product of all sectors of material production	1,710	2,277
minus		
intersectoral turnover (consumption) of raw material and intermediate products	470	487
minus		
depreciation of fixed production capital	140	140

<sup>1</sup>Trade markup on the product of other sectors.

Returning to your calculations, I would say that the great materials-intensiveness of the end product of Soviet industry and agriculture explains the result which puzzled you: subtracting the total industrial and agricultural product from the national income of capitalist countries adduced in the tables, you obtained a considerably greater "residue" allegedly expressing the construction, transport and trade product than in the USSR. It is perhaps not inappropriate to repeat that, in any event, your calculations are incorrect owing to the diversity of the indicators of national income and end product of the material production sectors employed.

2. The indicators of per capita amount of the national income and industrial and agricultural product of individual countries in 1913 adduced in tables 5, 10 and 16

National income is equal to the total end product of all sectors of material production with the subtraction of the intersectoral turnover of raw material and intermediate products and the depreciation of fixed production capital. I shall illustrate what I have said in the specific example of the linkage of data of indicators for the USSR and the United States in 1987 (all figures in 1980 prices, \$, billions, with the conversion of Soviet indicators into dollars not per the official exchange rate but in terms of the actual correlation of prices).

Just these indicators reveal both our achievements and our shortcomings. Thus in 1987 the correlation between the USSR and the United States in terms of total end product of the material production sectors (75 percent) was higher than in terms of national income (66 percent). The reason for the difference in these correlations is clear from the adduced figures also: with a total of material production costs practically equal with the United States, our country obtains 1.5 times less national income. If account is taken, in addition, of intrasectoral turnover (switching from the end product indicator to that of the gross product of the material production sectors), the factor of material-intensiveness of national income in the USSR is almost twice as high as in the United States. It was these figures which were quoted by M.S. Gorbachev in his Murmansk speech.

correspond to the results obtained in the past by League of Nations experts and subsequently confirmed by calculations of the USSR Central Statistical Administration. As far as the correlations in terms of these indicators between Russia on the one hand and Vietnam, Cuba and Mongolia taken together on the other—and it is they which appear to you improbable—are concerned, they entirely cohere among themselves, explaining one another. If we take the average indicators of Vietnam, Cuba and Mongolia together as being 100, for the Russia of 1913 they constitute 150 in respect of national income, 250 in respect of the industrial product and 130 in respect of the agricultural product (in this case I am using for the calculation primary indicators, which upon comparison of the above-mentioned tables were rounded

off in accordance with the accepted rules, but this changes nothing in essence).

You will agree that there in no way follows from these figures the conclusion which you drew that prior to the revolution (if you believe my calculations) Russia was "in the position of the Vietnam of that time, Laos, Mongolia and Cuba". In terms of per capita industrial production Russia was superior to the said countries taken together by a factor of 2.5. As far as the correlation in respect of national income is concerned, it reflects, in the main, the low level of development of agriculture, about which everyone knows. Incidentally, the data of part two of the article (MEMO No 12, 1987, tables 24 and 28) reveal even more graphically the significantly higher (than in the said countries) level of Russia's economic development. In terms of productivity in industry it was ahead of them in 1913 by a factor of 2.4, and in agriculture, by a factor of 2.1. Some 7.5 million persons were employed in Russian industry in 1913—it was they who were the main driving force of the revolution.

Of course, compared with America, Germany, Britain and France the level of Russia's economic development was, as follows from both parts of my article, very low. But is there something surprising for you in this fact?

As regards the "rightness" of Kautsky, which my calculations allegedly confirm (which you consider self-evident proof of the erroneousness of these calculations). Of course, the doubts of this "orthodox" Marxist, who wholly identified the readiness of this country or the other for socialism with the level of development of its productive forces, are understandable. But history did not follow Kautsky so it is not worth recalling him to no purpose.

3. You counterpose the comparative indicators of defense spending and capital investments in industry, agriculture and housing which I adduced (No 11, 1987, p 147) to the figures of total capital investments and the increase in fixed capital in the "Scale of the Soviet Economy" table and discover, as it seems to you, their nonconcordance.

The comparison of defense spending with capital investments by no means signifies that defense spending wholly pertains to capital investments (the proportion of capital investments therein is less than half, upkeep of the personnel and the current material costs of the armed forces accounting for the rest). Further, you attempt to determine "capital investments in the nonproduction sphere, excluding housing" in accordance with the increase in fixed nonproduction capital for the period 1951-1985.

It is unclear, first of all, from where you get the figure of the increase in fixed nonproduction capital in this period (R785 billion). According to the table, the total value of fixed nonproduction capital at the end of 1985

amounted (in 1973 prices) to R765, and the increase therein in the period 1951-1985, to R695 billion (R765 billion minus R70). It should be added to this that the capital investments are given in the table in 1983 prices, but fixed capital, in 1973 prices (which makes a simple addition and subtraction of figures from these two sets meaningless) and that the increase in fixed capital is always less than capital investments by the value compensating for the physical withdrawal of capital.

4. Your doubts in respect of the indicators of the amount of the USSR's industrial production in 1938 and 1950 are very serious, but, alas, also based on a misunderstanding.

It follows from Table 7 that in terms of the amount of end industrial product the USSR was in fifth place in the world in 1938. You counterpose to this the commonly known fact that prior to the war the Soviet Union had moved into second place in the world in terms of total industrial production. You see a contradiction here attesting the incorrectness of the indicators adduced in Table 7.

At first sight your objections are persuasive, but only at first sight. Why?

a) When we say "by the end of the 1930s," we mean 1940 (the 1930s begin as of 1931 and end with 1940, although this is strange for the everyday perception);

b) We still measure industrial production by gross output. Yet Table 7 adduces—I repeat—indicators of the end product. They are distinguished from gross output by the amount of materials of industrial "origin" expended in the production process. And this expenditure per unit of end product fluctuates strongly in individual countries—and not only owing to the dissimilar efficiency of the customary technology, the greater or lesser economy of the workers and so forth. Differences in the sectoral structure of production, given the dissimilar materials-intensiveness of individual sectors, and so forth are very important here.

In order to show how substantial both factors are in this case I shall adduce the indicators for 1938 and 1940 for the USSR and the four countries which in 1938 were ahead of us in terms of end product of industry (\$, billions, in 1980 prices).

	1938		1940	
	end product	gross output	end product	gross output
USSR	50	106	63	132
United States	235	280	245	290
Germany <sup>1</sup>	108	123	114	130
Britain	88	100	90	103
France	53	60	48	54

<sup>1</sup> Within the frontiers of the time.



It is not difficult to see that a switch to the gross product indicator (and to 1940) changes the ranking of the countries considerably. In terms of gross industrial product the Soviet Union was in 1940 in first place in Europe and second in the world (in terms of end product, third in Europe and fourth in the world). And in this case also one is struck by the fact that in Soviet industry the intrasectoral turnover of materials is considerably greater than in the other countries in question. I would remind you that this reflects primarily the incomparability of the sectoral structure of the industrial production of the USSR and the other countries and the historically conditioned orientation of our industrial development in the first 5-year plans toward heavy (defense, primarily) industry, where the material-intensiveness of the product and the number of conversions (whence also the turnover of material) are far greater than in light industry. I would add that in 1940 the proportion of group "A" sectors in Soviet industry was three times higher than in the United States, and over two times higher than in Germany.

Let us dwell particularly on the comparison—for prewar 1940—of the USSR and Germany. While having overtaken Germany, albeit not by much, in terms of gross industrial product, we really were inferior to it by a factor of almost two in terms of end output. You deny the possibility of such a correlation, asking: how could the USSR have won the war under these conditions? There is just one answer to this legitimate question: the readiness of the Soviet people to consent to material sacrifices, deprivation and adversity for the sake of victory and the capacity of the planned Soviet economy for concentrating industrial production on the needs of the front were unparalleled (there can be no comparison with Germany in this respect). This is what is said, specifically, in a special section of a Central Statistical Administration reference devoted to the USSR economy at the time of the Great Patriotic War: "While smelting approximately three times less steel and producing almost five times less coal than fascist Germany (with regard for that from the occupied countries and annexed territories and imports), the Soviet Union created during the war almost twice as much in the way of arms and combat equipment" ("The USSR Economy Over 70 Years," Moscow, 1987, p 44).

5. As regards the USSR's place in the world in terms of per capita consumption of goods and services. You are, it is true, irritated (considerably, attempting to once again associate perestroika with a debunking of our reality, and not with the desire to tangibly improve Soviet people's life) not with me but with ARGUMENTY I FAKTY. As distinct from AIF, I would not have written that we were in terms of this indicator somewhere between 20th and 24th place. The point being that in many cases the per capita extent of the consumption of goods and services is practically identical for several countries simultaneously. This is how this appears for recent times (the results of the author's calculations are in dollars, in the prices and in terms of the purchasing power of currencies of 1980, the

corresponding indicator for the United States being taken as 100):

1. United States	100
2. Canada, Sweden, Switzerland, France, FRG, Belgium, Luxembourg, Japan	86-90
3. Austria, Denmark, Iceland, Norway, Finland, Australia, Netherlands	81-85
4. Britain, Italy, Spain, New Zealand	76-80
5. GDR, CSSR	71-75
6. Hungary, Bulgaria, Ireland, Greece	66-70
7. USSR, Poland, Yugoslavia, Israel	61-65
8. Portugal, Romania	55-60

You understand, of course, that the class differentiation of income and, correspondingly, level of consumption in capitalist countries is very great. Therefore if we make the comparison with the average consumption of goods and services per person in the families of working people of the United States, the comparative indicators of the socialist countries rise by approximately 5 percentage points (specifically, the indicator for the USSR is 67). I would add that the level of consumption is, although important, far from the sole measure of popular well-being, and in respect of many other indicators, particularly those characterizing man's social protection (guaranteed work, access to education and medical treatment, right to security in old age and so forth) the Soviet Union is ahead of the United States.

There is no doubt, however, that even in level of consumption we could have been far closer to the first echelon had imperialism not lumbered us with the burden of an arms race and had it not been—and this is our fault—for the inefficient use of the resources which remain at our disposal following the satisfaction of urgent defense needs. The achievement of the maximum efficiency for the sake of fulfillment of social programs is the principal task of perestroika in the economic sphere. Having accomplished this task, we will know precisely that we are among the first in terms of level of consumption (and this is better than thinking that we are among the first).

6. You are right, of course, the average annual economic growth rate adduced for peacetime pertains to the whole period of 1921-198 (excluding 1938-1950), and not only to 1951-1987.

Dear Igor! I would add entirely amicably that in order to reply to you I have given up my whole Sunday rest day and am glad of it. People of your stamp are our hope and support.

I wish you health, happiness and a full exertion of efforts and capabilities for the good of the people.

Respectfully,  
B. Bolotin, senior research worker of  
the USSR Academy of Sciences IMEMO.

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### Call for 'More Objective' Evaluation of 'Social Reformism'

181600111 Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian No 7, Jul 88 pp 139-142

[Review by Prof Vadim Pavlovich Iyerusalimskiy, doctor of historical sciences (CPSU Central Committee Social Sciences Institute): "Paths, Impasses and Discoveries of Austro-Marxism"<sup>1</sup>]

[Text] A most notable and promising trend of world development of recent years has been the strengthening cooperation between communists and social democrats on questions of security, disarmament and progress toward a world without violence and weapons. An "unbiased familiarization with one another's positions and views," given honest recognition of the experience and achievements of the other party, which are, naturally, "dissimilar and nonequivalent,"<sup>2</sup> in keeping with accumulated experience and the new imperatives, is exceedingly important here at the end of the century. The so acutely necessary culture of dialogue and the new level of interaction itself are unattainable without such an aspiration to a mutually honest view and without an understanding of the sources and value principles of the partners' ideological and political aims.

The new atmosphere of openness, Lenin-style self-critical attitude toward the history of the formation of the first society of real socialism and removal of all taboos from any "blank spots" and political topics which is becoming firmly established is affording entirely new prospects for the organization of political cooperation with the parties of the Socialist International and, specifically, for the truly scientific study of the ideology and policy of social reformism.

This comes to mind when reading V. Shveytser's book. We have before us the first monographically discursive study in national literature (in the literature of the fraternal socialist countries also, come to that) of the concepts and programs of Austrian social reformism, primarily that fundamental, distinctive and influential branch there which has come to be called Austro-Marxism. Taking shape in the first 30 years of our century, Austro-Marxism, which is associated with the names of such leaders of the Austrian Social Democratic Party as K. Renner, F. Adler, M. Adler and, primarily, O. Bauer, secured for the Austrian Social Democratic Party SDPO (subsequently the SPO) the reputation of the leading creative theoretical force, together with German social democracy, of international social reformism both in the Socialist Workers International of the period between the wars and in its present successor, the Socialist International. Laying claim to the role of monopoly possessor of the truth of Marxism, the Austro-Marxist authorities essentially squeezed it into a reformist channel, and its "polyvariant" "enrichment" converged in many respects with avowed revisionism.

At the same time, however, O. Bauer, M. Adler, F. Adler and others were actually opposed to a certain extent and at certain stages not only to the manifest vulgarization of Marxism in a Bernsteinian spirit but also its refined-centrist Kautskyist falsification. While principled opponents of Bolshevism, they did not, in general, descend to primitive anticommunism and anti-Sovietism. And O. Bauer, granted certain vacillation and concessions to his friends, always saw the Soviet Union as the great driving force of world revolutionary development. He wrote back in the spring of 1918: "We must defend the Bolsheviks, to whom we are bound by ties of the international community of class interests of the proletariat and the joint ideals of socialism" (p 76). At the end of his life, in the Europe of the end of the 1930s, which was plunged in prewar gloom, O. Bauer bequeathed to his associates the command "to make the center of our entire historical concept... the fact of the victorious development of socialism in the USSR" (p 143).

It was in far from all things that O. Bauer's views were distinguished by such radicalism, and Austro-Marxism as a current was, of course, altogether broader and more eclectic than the positions of one of its leading theorists (although the word "conglomerate" which V. Shveytser lets creep in [p 4] would not appear successful, for all that). But, as a whole, the SDPO was truly positioned on the left flank of international social reformism (and, consequently, was, in accordance with the guideline accepted at that time in the Comintern, even more dangerous and deserving of even more crushing blows than the avowed "social fascists"...). Investigating Austro-Marxism with all its currents and contradictions analytically and in depth means illustrating a central aspect of the general evolution of international social reformism, from E. Bernstein as far as the present-day doctrine of "democratic socialism," and touching on a painful spot of the history of the European workers movement between the wars.

It is useful to recall this both to understand the substantial research undertaken by V. Shveytser and simply because there has been little written about Austro-Marxism with us, and that in fragmentary and, for the most part, one-sidedly partial manner.

The merit of this monograph is the scale of its chronological span. the formation and evolution of the Austrian version of social reformist ideology are traced from the time of its inception back in the first years of our century, still under the conditions of the multinational Habsburg monarchy, through the stage of the highest flowering of Austro-Marxism of the period between the wars and right up to its amalgamation with the "democratic socialism" of the postwar decade and the attempts at a revival in our day. So extensive a historical space in itself enabled the author to approach, compared with their predecessors, generalizations which are appreciably more capacious and broader and free, in the main, from one-sidedness (see particularly the conclusion). His main

attention here has naturally been directed at the 1920s-1930s because "it was in this period that 'Austro-Marxism'—a concept equally defining both the ideology and policy of the Austrian social democracy of the period between the wars—conclusively took shape" (pp 73-74). The corresponding section analyzes thoughtfully and in depth the main conceptual blocks of SDPO ideology; the lines of demarcation between the various trends within Austro-Marxism, personified (from right to left) by K. Renner, F. Adler, O. Bauer and M. Adler, are clearly drawn; and the cogent conclusion that the ideological and strategic principles of the SDPO brought it and the First Republic in the mid-1930s to collapse in the face of a fascist-type regime is drawn (pp 144-145).

While paying tribute also to the author's elaboration of individual problems and evaluating highly the entire work as a whole, I would like here to share some general thoughts stimulated by familiarization therewith. The more one ponders the ideological and political content and fate of such a largely complex, ambivalent phenomenon as Austro-Marxism and attempts to determine its historical place, the more acute is a question of a procedural nature—the current criteria of the approach to and evaluation of the international social reformism of the decades between the wars. It would seem that in this case some one criterion is insufficient for a scientific, objective vision.

The **criterion of practice**, which is fundamental in the system of the historical-materialist philosophy. V. Shveytser rightly underpins the above-quoted assessment of the results of the policy of the SDPO of the period between the wars with a more general conclusion: "The fact that in over 30 years Austro-Marxist prescriptions had not helped the workers movement achieve a decisive victory in the struggle against the class enemy is the most telling argument in support of an evaluation of the theory and practice of compromise in their reformist version as ineffective for the goals and tasks of the workers movement" (p 211). Fair enough. But is this evaluation of Austro-Marxism's place in history exhaustively fair? Has it simply disappeared into the past, having been a sample of ineffectiveness and fruitlessness?

Revealing the roots of the impotence of the SDPO and its leaders in the practice of class, political struggle, the scholar justifiably and consistently takes as the basis the **criterion of the correspondence-noncorrespondence**, soundness-unsoundness of the Renner-Adler-Bauer positions to **Marxist teaching** or, to be historically more specific, its level which had been qualitatively enriched and developed by October, Lenin and the Bolsheviks. And V. Shveytser operates with it perfectly successfully. In the channel of the overall development of the Soviet science of the workers movement he has overcome the polemically simplistic trivial approach in the spirit of "exposure-ism," which was prevalent in the not-too-distant past, when social reformism and its content and methods were recognized insufficiently as having been

brought about historically and socially and were interpreted in a subjective plane—chiefly as a product of treachery, betrayal, deception, splittist-party agitation and such. The roots of the Austro-Marxist variety of revisionism are deduced by the author also from the general characteristics of the era of imperialism and the distinctiveness of political conditions and social and class relations in Austro-Hungary and the First Republic (see, for example, pp 71-72).

Comparison of the victorious experience of Bolshevism and Lenin's theory of socialist revolution with the ideological equipment and political practice of the SDPO reveals the essential ideological and political foundations of Austro-Marxism. The confinement of the 1918 Austrian revolution to a bourgeois-democratic framework, the soviets' surrender without a fight of all positions to the Constituent Assembly, noninfringement of the old machinery of state and capitalist and manorial property—all these were the direct consequences of the irresolute and half-baked leadership of the Social Democratic Party, its leaders reverence for bourgeois constitutionality and the fetish of the continuousness of the economic process, their organic incapacity for methods of revolutionary violence, their fear of the masses and such. It is my belief that under the unique conditions of 1918-1920 Bolshevism represented in practice the "model of tactics for all" which alone afforded an opportunity for the victory of proletarian revolutions. For this reason a direct comparison of the revisionist-centrist and creative-Leninist approach to the science and practice of revolution is an irreplaceable analytical method of disclosure of the essence of social reformism at that pivotal stage. However, the temptation to interpret and "expose" social reformism (of the SDPO included) from "consistently revolutionary" standpoints outside of the framework of a perfectly particular historical period (for example, both at the time of a partial stabilization of capitalism and prior to the start of WWII altogether) and convert the obvious qualitative noncorrespondence and active opposition of social reformism to Leninism and the Bolshevik experience essentially into the basic criterion of an evaluation of the content and historical function of the social democratic movement would seem far from always justified today.

It is perfectly possible that the idea expressed by M.S. Gorbachev that neither the communists, the social democrats nor any other political movement has ready-made and the sole correct prescriptions<sup>3</sup> pertains not only to the present situation but to the world development and class confrontation of the period between the wars also. Can it be maintained, viewing things from the heights of the experience of today, that in the 1920s-1930s some people had sole possession of Ariadne's disappearing thread?

Inasmuch as proletarian revolutions in Europe after 1923 objectively did not figure on the agenda (this can hardly be disputed now), should it not be acknowledged that various ways of upholding the working people's

interests and struggling for socially progressive development existed and were justified at that time also? Meanwhile our literature has yet to completely overcome prejudice when examining the policy of the social democratic movement between the wars, and harsh verdicts are still being passed by force of inertia on the social democratic parties merely on the basis of a comparison of their positions with those of the Comintern or its corresponding sections.<sup>4</sup> It is somehow forgotten here that many fundamental strategic reference points and tactical decisions of the international communist movement represented as of the mid-1920s and, at least, through the mid-1930s an extreme "left" reading, oversimplified in a sectarian manner and committing the sin of dogmatism, of the legacy of Marx, Engels and Lenin.

V. Shveytser, a thoughtful and skilled researcher, cannot be accused of such a nonhistorical approach (the shadow of which creeps in only once or twice, perhaps). One might with greater reason complain at the insufficiently consistent pursuit of another procedural principle of considerable importance for a study of such a scale—examination of the ideological and political processes in each of the two main currents of the workers movement in their dynamic interdependence (particularly in the said segment of history). In the monograph in question this approach has been realized in full measure only in one (central, it is true) instance—in the analysis of the ideological and program debate against the background of the Great October Socialist Revolution. And to a lesser extent, for example, in connection with Bauer's "integral socialism" idea.

Finally, the third criterion designed to bring us close to a more objective and comprehensive evaluation of the social reformist movement between the world wars consists, we believe, of **study of its concepts in the light of their subsequent fate also**. This is of absolutely particular significance in the case of Austro-Marxism.

In the last chapter the reader will find an interesting outline of the fate of the interwar legacy in the overall ideological evolution of the SPO in the past four decades, the resumption of the Renner, that is, center-right, trend and its role in the shaping of the doctrine of the Socialist International and the distinctive renaissance in the 1970s-1980s of the ideological legacy of O. Bauer and the lively, growing interest therein on the left flank of West European social reformism. The latter point is particularly important and significant.

It remains only to be regretted that, while having explained the reasons for this interest, adducing a number of highly noteworthy opinions from the camp of West European social democratism on the relevance of many of O. Bauer's approaches and ideas (pp 200-207), the author moves to the sidelines, as it were, and refrains from analytical and evaluative conclusions. It would seem to us, however, that a historically objective assessment of Austro-Marxism should have incorporated, together with a scrupulous criticism of its mistakes and

weaknesses (this is done intelligently and convincingly throughout the book), a frank acknowledgment also of the positive, creative impulse which emanated from it for the development of the general theory of class struggle in the zone of developed capitalism.

Figures of the Austro-Marxist school engaged in an intensive theoretical quest and raised—and partially developed—a substantial list of fundamental problems of socialist strategy. We would note merely the most essential of them reflected in the given study also: the analysis of new phenomena in the evolution of the imperialist phase of capitalism; series studies pertaining to the national question; search for ways to progress toward socialism via a combination of class and democratic struggle on the grounds of bourgeois democracy and its institutions (and, consequently, reflection on the correlation of reforms and revolution, the gradual movement of the working class and its party toward positions of power, the extent and nature of revolutionary violence and the working class' alliances with the broad working masses, specifically, with office workers).

There is no doubt that this theoretical quest did not lead to full and correct answers and was often accompanied by mistaken conclusions and disastrous practice, slid toward a revisionist interpretation of Marx's legacy, was acutely contrary to the communist current and proved virtually fruitless and, toward the end, catastrophic even in the practical political respect. But the irony of history is thus: whereas many of the bold revolutionary formulas and ideas of the first two decades of our era belong entirely to the past, the above-mentioned problems are even today also at the center of the attention of all socialistically oriented forces in the zone of developed capitalism.

It is by no means, of course, a question of the wholesale varnishing and "rehabilitation" of the social reformism of the period between the wars. Of the several criteria, that of practice remains decisive, and the history of the German, French, British or Austrian reformism of that time contains many very inglorious pages. But historical truth cannot be accommodated on a one-dimensional basis—it needs a broader combination of criteria.

#### Footnotes

1. V.Ya. Shveytser, "Austrian Social Democracy. Critique of Political Concepts and Programs," G.G. Diligenskiy, doctor of historical sciences, executive editor, Moscow, "Nauka", 1987, 220pp.
2. M.S. Gorbachev, "Political Report of the CPSU Central Committee to the 27th CPSU Congress," Moscow, 1986, p 94.
3. M.S. Gorbachev's speech at a meeting of representatives of parties and movements in attendance for the celebration of the 70th anniversary of the Great October. PRAVDA, 5 November 1987.

4. A decisive step away from such a one-sided procedural method was taken by the group monograph "Ideology of International Social Democracy in the Period Between the Two World Wars," A.S. Chernyayev and A.A. Galkin, executive editors, Moscow, 1984.

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