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# ***JPRS Report***

## **Soviet Union**

***USA: ECONOMICS,  
POLITICS, IDEOLOGY***

No 8, August 1987

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# Soviet Union

## USA: Economics, Politics, Ideology

### No 8, August 1987

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## USA: ECONOMICS, POLITICS, IDEOLOGY

No 8, August 1987

[Except where indicated otherwise in the table of contents, the following is a complete translation of the Russian-language monthly journal SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA published in Moscow by the Institute of U.S. and Canadian Studies of the USSR Academy of Sciences.]

### Survey of U.S.-Soviet Relations

18030012a Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 3-13

[Article by V.L. Chernov: "USSR-United States: Some Past Experience"]

[Text] At the end of the second millennium of our era the states making up the international community are in the same position as the tenants of a building with a cellar filled with gunpowder, requiring only a single spark to send the entire structure and all of its tenants flying.

Huge stockpiles of nuclear weapons have been accumulated and it would be easy to name 10 or so situations in which they could have been used. It is clear that the avoidance of this kind of finale will require, first, the kind of behavior in the world arena that will not blow up the nuclear cellar and, second, the quickest possible disposal of its contents. This is precisely what the Soviet Union, guided by a sense of responsibility to keep the peace, is advising.

The opponents of nuclear disarmament assert that only the presence of nuclear weapons makes restraint and cautious behavior in international relations possible. As a rule, they make references to the more than 40 years of peace—or, rather, the absence of war—between East and West. This was the import, for example, of the remarks Prime Minister M. Thatcher of Great Britain made during her visit to the United States in November 1986 and her official visit to the USSR at the end of March 1987.

There is no question that fear has a sobering effect and can motivate the people responsible for making decisions to weigh their actions carefully and to consider their possible impact on their own security under the conditions of the grim realities of the nuclear missile age. But can a concept of peace be considered acceptable or valid if it holds out the alternative of global catastrophe by assuming that this peace is guaranteed by nuclear weapons? No, it cannot, and not only because of moral considerations.

The strategy of "nuclear intimidation" is an unacceptable way of keeping the peace over the long range because it has severe functional flaws. The main condition for the effectiveness of this strategy is the credibility

of the threat created—the expectation that the other side will believe it is real. Obviously, this means that the threat must be reinforced regularly both on the level of doctrine, by stressing the willingness to take the risk of thermonuclear war, and on the material level, by building up strength. This kind of intimidation alone is enough to start an armed conflict.

"Nuclear intimidation" might not work for several reasons, including the conditional and limited nature of the politico-psychological premises lying at its basis. The "fine matter" representing the target of this strategy is the opponent's mentality, perception of the threat, and capability for rational thought. The side being deterred (or intimidated), according to this theory, must be convinced not to take certain actions on the grounds that the costs and risks of these actions outweigh the possible gains. But is the existence of rational thinking always a certainty? Furthermore, can some kind of standard be applied to this thinking? Whereas President R. Nixon of the United States believed that he was acting rationally in October 1973 when he put U.S. strategic forces in a state of heightened combat readiness without any good reason, we must firmly say that we find this kind of "rationalism" incomprehensible and unacceptable in matters involving nuclear weapons. The very theory of "nuclear intimidation" suffers from major flaws, and it is probable that renowned American historians G. Craig and A. George (both from Stanford University) are correcting in writing, without referring to any specific states, that "not all opponents think rationally, and even if they do, some might be unable under certain circumstances to adhere to their common 'rational' methods of analysis." For this reason, the assumption that the opponent will act rationally could be the first and most serious mistake.<sup>1</sup>

In addition, the strategy of "nuclear intimidation" is flawed because it transfers most of the peace-keeping functions to complex military technical systems in which breakdowns, malfunctions, design defects, and other flaws are possible. Besides this, the level of security achieved with the aid of this kind of intimidation, connected with restrained behavior, will be unavoidably nullified by the constant threat of the unauthorized use of nuclear weapons with the risk of the escalation of an unprovoked conflict to global levels.

Finally, it is disturbing that scientific and technical progress in the sphere of military technology means the development of more accurate, less vulnerable, and fundamentally new strategic systems, which could give rise to the illusion that the side has acquired the ability to deliver a first, disarming strike. After taking the lead in the arms race, the United States has tried to materialize this illusion by proposing the "Star Wars" program. In light of the certain Soviet response to the deployment of space-based attack systems within the SDI framework, it is obvious that a pre-emptive strike will not work, but it certainly could lead to the kind of situation discussed by

M.S. Gorbachev: "The continuation of the nuclear arms race will inevitably heighten...equal danger, and to the point at which even parity will cease to be a politico-military deterrent."<sup>2</sup>

The Soviet Union has countered the prospect of the dangerous destabilization of the strategic situation and the uncontrollable growth of the arms race with the program of nuclear disarmament announced in the statement of 15 January 1986 and the creation of a comprehensive system of international security, the bases of which were set forth at the 27th CPSU Congress. This discussion was accompanied at the congress by an appeal "not to lose sight of social, political, and ideological contradictions, to learn the science and art of behaving with restraint and caution in the international arena, and to live in a civilized manner—that is, to observe the proprieties of international communication and cooperation."<sup>3</sup>

But what are the incentives for exemplary behavior? Will the elimination of nuclear weapons put mankind back in the trenches of a world war? The prevention of this turn of events is to be guaranteed by the new way of political thinking with its key principle: Security must be universal, and in Soviet-American relations it must be mutual. The negotiation of specific measures to prevent the use of force in a nuclear-free world as part of the disarmament talks would help in realizing this principle. Several factors which seem capable of counteracting the threat to use force are already known to us. In particular, the desire to avert the danger of the restoration of nuclear weapons as long as the knowledge of the secrets of their development still exists should be a strong incentive for the maintenance of stability and order. Some of the ideas American author J. Schell expressed in his book "The Abolition"<sup>4</sup> are interesting in this connection. He proposes, for example, "intimidation without weapons," and explains that "each state would know that if it began rearming, the other would do the same, and this would make things worse for everyone."<sup>5</sup> What is more, the very acknowledgement of the fact that the abrupt escalation of international tension could heighten the probability of attempts to resurrect nuclear weapons could have a restraining effect on the behavior of states and prevent the start of acute international conflicts.

We cannot agree with all of the premises of J. Schell's theory. For example, he makes the bewildering statement that "each state should be given the option to rebuild nuclear weapons within a specific agreed period"<sup>6</sup> and thereby be able to threaten potential adversaries with this prospect. In general, however, his ideas are of indisputable interest.

An analysis of the criticism of these ideas in American political literature indicates the underestimation of a factor capable of regulating the interrelations of states—the augmentation of the role of international verification agencies monitoring the fulfillment of the disarmament program and the augmentation of the significance and

effectiveness of the United Nations, the Security Council, and specialized UN establishments in keeping world peace. Nuclear disarmament would be unthinkable without some reorganization of the system of international relations, during the course of which a shift in the balance of national and general human interests in favor of the latter would be essential.

In this connection, it would be useful to recall the Joint Soviet-American Statement on Agreed Principles for Disarmament Negotiations (known in diplomatic circles as the "Zorin-McCloy Agreement") of 20 September 1961. This document, approved by the UN General Assembly, said that "to implement control over and inspection of disarmament, an International Disarmament Organization including all parties to the agreement should be created within the framework of the United Nations. This organization and its inspectors should be assured **unrestricted access without veto to all places as necessary for the purpose of effective verification.**" Further on, in Point 7, the statement declares: "Progress in disarmament should be accompanied by measures to strengthen institutions for maintaining peace and the settlement of international disputes by peaceful means. During and after the implementation of the program of general and complete disarmament, there should be taken, in accordance with the principles of the UN Charter, the necessary measures to maintain international peace and security, including the obligation of states to place at the disposal of the United Nations agreed manpower necessary for an International Peace Force to be equipped with agreed types of armaments. Arrangements for the use of the force should ensure that the United Nations can **effectively deter or suppress any threat or use of arms in violation of the purposes and principles of the United Nations.**"<sup>7</sup>

Nuclear disarmament would also be unthinkable without agreement by the members of the international community on certain fundamentals of interrelations or principles of behavior to strengthen security guarantees and, besides this, to cultivate new political standards in the spirit of K. Marx' hope that "the simple laws of morality and justice by which private individuals should be guided in their interrelations would also become the highest laws in relations between nations."<sup>8</sup>

The Soviet Union holds indisputable priority in working out the basic principles of the relations between socialist and capitalist states. Even at the dawning of Soviet rule, V.I. Lenin was already advancing the principle of the peaceful coexistence of states with different social structures as the essence of socialist foreign policy and an essential condition for the very survival of the young republic of workers and peasants in the capitalist world surrounding it. In the nuclear age peaceful coexistence is viewed as an essential condition for the survival of all humanity.

The ideas of peaceful coexistence were reflected in the Soviet-American documents signed when diplomatic relations were established between the two countries in

1933, in the agreement between the governments of the USSR and the United States on the principles of mutual assistance in the war against aggression of 11 June 1942, and in the UN Charter. Neither the pledge not to interfere in internal affairs and to respect the irrefutable right of the sides to "build their lives within their own jurisdiction at their own discretion,"<sup>9</sup> recorded during the establishment of diplomatic relations, nor the corresponding provisions of the UN Charter kept the United States from launching the "cold war" and trying to undermine the international influence and internal basis of socialism. The reliance of American ruling circles on dealing from a position of strength and Washington's rejection of peaceful coexistence with the USSR effectively removed the question of the basic principles of interrelations from the American foreign policy agenda for many years. It took massive changes in the world balance of power and the tremendous efforts of the USSR to build up its own economic and defensive potential to convince American imperialism, during the course of its agonizing adaptation to the changing realities of international life, of the inevitability of the protracted coexistence of the two systems, and to fill the principle of equality in economic, political, and military relations with concrete meaning and establish it *de facto* as well as *de jure*.

One of the first admissions by American leaders of the possibility of the coexistence of the two systems dates back to the second half of the 1950's, when President D. Eisenhower of the United States assessed the implications of nuclear war between the two countries and had to say that "for decades or even a century or two, it is probable that freedom (this is the pompous term used in American documents to refer to capitalism—V.Ch.) and communism will live together on earth in some form of coexistence."<sup>10</sup> The first chance to agree on some of the basic principles of Soviet-American relations also dates back to this time. As we know, the principle of the necessity and expediency of the peaceful settlement of disputes was recorded at a meeting of the leaders of the USSR and the United States in September 1959. "The chairman of the USSR Council of Ministers and the President of the United States," a joint Soviet-American communique said, "agreed that all unresolved international issues should be settled not by the use of force, but by peaceful means, by negotiation."<sup>11</sup>

This mutual wish, however, remained outside the bounds of practical policy because the overwhelming majority of members of U.S. ruling circles were unwilling to accept the idea of peaceful coexistence, and this unwillingness stemmed from their hope of relying on the United States' then superior strength in confrontations with the USSR.

A much more serious approach to the basic principles of interrelations was taken by the Kennedy Administration after a thorough review of all previous American foreign policy strategy. Its position was marked by a keener sense of the need to avoid head-on Soviet-American

confrontations. To this end, it was proposed that something like a buffer zone be created in relations with the USSR by disclosing and developing spheres of bilateral cooperation in various fields. This was supposed to neutralize possible conflicts. At that same time the U.S. leadership began negotiating certain principles with the USSR to serve as a basis for the multilateral disarmament talks mentioned above and advanced its proposals regarding the basic principles of relations with the Soviet Union.

This was probably no coincidence, because many of the people J. Kennedy had asked to take part in foreign policymaking already knew that, even in theory, progress in disarmament would presuppose the reinforcement of political and international-legal instruments for keeping the peace. The direct connection between military force and political means of strengthening security was not fully revealed until later, however, and the Kennedy Administration was mainly concerned about shifting the emphasis of "cold war" from the extremely sensitive sphere of bilateral relations to what the United States regarded as a less sensitive sphere—the periphery of these relations, the developing countries. It was there that Washington hoped to change the course of events in its own favor, and without being overscrupulous in its choice of means. It was for this reason, to draw a distinction between these two areas of American foreign policy, that the United States had to agree with the USSR on the basic principles of interrelations—or, more actually, on the new and adjusted rules of "cold warfare."

The Kennedy Administration proposed the discussion of three "philosophical theses." One was the thesis of the "balance of power." In the words of the President, "the equilibrium of force between the United States and the Soviet Union...was now roughly in balance—if not in the sense of numerical parity, at least in the sense that neither could hope to destroy the other and emerge unscathed."<sup>12</sup> The implication was that the United States did not want any confrontations with the USSR on the nuclear level and did want to avoid situations capable of leading to direct Soviet-American conflicts.

The President later advanced the thesis of the "conservation of peace," which his national security adviser, W. Rostow, interpreted as "efforts by each side to avoid actions that might change the balance (of power between East and West—V.Ch.) to the detriment of one side's interests."<sup>13</sup> In essence, Kennedy advanced the need to maintain the sociopolitical status quo as the minimum goal. This objective, however, represented only a basis for the subsequent acquisition of advantages in the balance of power, primarily through attempts to intervene in the national liberation struggle in the world arena.

Acknowledging, on the one hand, the objective realities of the international situation of that time and, on the other, the need to protect major sociopolitical processes

in the world from the influence of socialist ideas, Kennedy advanced his third thesis—the “diversity of the world,” in accordance with which, as W. Rostow writes, “the driving forces of history...lead to diversity and to the independent development of states.... The United States could acknowledge the results (of political struggle in the countries of the world—V.Ch.) if they are the people’s choice and have been chosen without any outside intervention.”<sup>14</sup>

This statement could seem completely sound if it did not exclude the forces and movements advocating the non-capitalist course of development and friendship and cooperation with socialist countries. According to the new American theories, the assumption of power by these forces and movements would violate the principle of the “conservation of peace” and the balance of power between East and West and could lead to confrontation between the United States and the USSR. For this reason, to avoid confrontations of this kind, the Soviet Union was asked to refrain from assisting them and to avoid the establishment of friendly relations with them. This was clearly the import of W. Rostow’s statement that “a problem would arise in American-Soviet relations if communism were to triumph in some regions and if these regions were to converge with the Soviet Union.”<sup>15</sup>

The United States itself, however, reserved the right of active intervention in politics abroad on the pretext of “defending the independent development” of various states, without concealing its anticommunist aims. In practice, this took the form of armed U.S. intervention in Southeast Asia and more vigorous aggressive actions against Cuba.

For the Soviet Union, the goal of normalizing relations with the United States was something other than the creation of a buffer zone in bilateral relations. The USSR wanted the kind of normalization that would be accomplished within the context of the overall improvement of international relations and the rejection of power politics by imperialist circles in the West. The Kennedy Administration’s ideas about the basic principles of interrelations, which still included reliance on military strength in the resolution of international problems, certainly could not serve as a constructive basis for genuine detente or the genuine reduction of the danger of military confrontations. After the American attack on Cuba in April 1961, Chairman N.S. Khrushchev of the USSR Council of Ministers sent President J. Kennedy a letter expressing bewilderment at the U.S. interpretation of the principles of interrelations with the USSR. “Just recently, when we exchanged views through our representatives, you and I spoke of the mutual desire of our two sides to work together for the improvement of relations between our countries and the prevention of the danger of war,” he wrote. “How then can we possibly understand what the United States is doing, now that the attack on Cuba has become a fact? ...Military equipment and the world political situation are now such that any

so-called ‘small war’ could evoke a chain reaction in all parts of the world.... It would hardly be right to put things in order and put out a fire in one region while starting a new fire in another.”<sup>16</sup>

Predictably, the massive contradictions could not coexist for long within a single U.S. foreign policy line. The unrealistic belief in the possibility of combining power politics with the normalization of relations with the USSR was shattered on contact with reality. The Caribbean crisis of 1962 proved conclusively that power politics, conducted directly or indirectly, would inevitably hurt American-Soviet relations by increasing the danger of military confrontation and jeopardizing international security in general.

The experience of the early 1960’s did, however, provide several valuable lessons. It demonstrated, first, that the principles of relations between the two countries should regulate the entire range of relations, with no division into central and peripheral categories, because they are closely interrelated. The violation of these principles in one sphere could undermine the entire negotiated code of behavior of the two sides. Second, these principles cannot be formulated without a view to the inevitability of constant sociopolitical change in the world. Third, they should not restrict the interests of other peoples, particularly their sovereign right to choose their own friends and allies. In other words, there was a need to give up imperious ambitions and the attempts to regard processes of international development as a “no-win situation,” in which the gains of one side automatically signify losses for the other.

The United States had to experience defeat in Vietnam before it learned these lessons. Under the conditions of the severe crisis of American power politics, reflected in the impossibility of dealing effectively from a position of strength on the strategic and regional levels, these lessons were precisely formulated by none other than President L. Johnson. At the time he was no longer bound by any kind of political considerations: He had refused to run for re-election in 1968 and could speak frankly. In Johnson’s words, “the United States and the Soviet Union should see themselves as the two eldest sons in a big family. It is their responsibility to maintain peace and order in this family. But the younger children are already too mature and independent to take orders. For this reason, the United States and the Soviet Union should carry out their joint mission by using three other methods: setting a good example with their bilateral relations; cooperating with other countries to establish an atmosphere of peace and stopping fights between the others if possible; and, if possible, refusing to become involved in the fights.”<sup>17</sup>

In this way, the American President and many members of U.S. ruling circles took the empirical road and arrived at a fact of immutable significance. It is important to underscore the absence in L. Johnson’s statement of any mention that the relations between the “eldest brothers”

are based on mutual threats. He had already rejected this type of relationship! It is also important that this statement was made just before the start of the Soviet-American talks on the limitation of strategic offensive arms. In the late 1960's and early 1970's the determination of the basic principles of relations between the USSR and the United States began to be regarded as an alternative, and not a supplement, to nuclear strategy.

On 29 May 1972, 15 years ago, a document was signed in Moscow—the "Basic Principles of Relations Between the Union of Soviet Socialist Republics and the United States of America." This truly unique document marked the end of an important stage in the development of Soviet-American relations, during which Washington tested various types of power politics and means of adapting to the conditions of a changing world. Various types of conflict relations were tested—from total confrontation and direct threats of military force to isolated and limited confrontations accompanied by attempts to agree on matters of central importance. During the years of the "cold war" Democrats and Republicans, liberals and conservatives, took turns at the helm of U.S. foreign policy. This makes it all the more significant that it was the Nixon Administration, which certainly could not be accused of sympathizing with communism, that had to draw a conclusion from all of this experience.

The conclusion was recorded in the first point of the "Basic Principles": "They (i.e., the USSR and the United States—V.Ch.) will proceed from the common conviction that in the nuclear age there is no basis other than peaceful coexistence for the maintenance of their relationship. Differences in ideology and the social systems of the USSR and United States are not an obstacle to the development of normal relations based on the principles of sovereignty, equality, non-intervention in internal affairs, and mutual benefit."<sup>18</sup>

It would be wrong, however, to take the Americans at their word and assume that they subscribed to the principle of peaceful coexistence in the sense in which it is interpreted by the Soviet Union. It is no secret that American ideas about detente and its aims differed substantially from Soviet thoughts about the prospects for the development of bilateral relations. With the aid of detente, the U.S. leadership hoped to influence Soviet foreign and domestic policy for the purpose of transforming it in ways benefiting of the United States, and this, strictly speaking, attested in itself to continued intolerance for a different social system and, consequently, an unwillingness to coexist with it on equal terms. But the methods the United States planned to use for this purpose—negotiations, agreements, the creation of a network of interrelated interests on various levels, the exertion of influence through channels of bilateral and multilateral cooperation, etc.—fit in with Soviet ideas about the nature of the competition between the two systems under the conditions of peaceful coexistence.

The main provision of the "Basic Principles" was the renunciation of the use of military force in the resolution of American-Soviet conflicts.

Why did all of this have to be recorded in an official document on the summit level? The answer necessitates consideration of the fact that the sides concluded agreements of major importance on the limitation of strategic offensive and defensive arms, which extended to the most sensitive spheres of their security. They took an important step to curb the arms race and to achieve the final goal of their efforts, which is stated in Point 6: "Accomplishing universal and total disarmament and establishing an effective system of international security in accordance with the goals and principles of the United Nations."<sup>19</sup> It is understandable that the sides wanted to be certain that neither their partner nor third countries would make use of this in their own unilateral interests. They had to look into the future and exclude any possibility of unforeseen actions. In other words, the "Basic Principles" were supposed to serve as a substitute for nuclear deterrence, and it would have been natural to assume that progress in disarmament would lead to more extensive and stricter agreed rules of behavior in world affairs.

The document laid a good foundation for this. After outlining their plans for the development and reinforcement of bilateral cooperation, the sides focused on the need to avert nuclear war and to establish the prerequisites for the transition to a system of international security. In particular, in Point 2 they objected to attempts to "gain unilateral advantages, either directly or indirectly, at the expense of the other side," and Point 11 said that they "will not claim and will not recognize anyone else's claims to any kind of special rights or privileges in world affairs. They recognize the sovereign equality of all states. The development of Soviet-American relations will not be directed against third countries and their interests." Last but not least, the pledge recorded in Point 3, "to promote the efforts of all countries to live in peace and security, without being subjected to outside interference in their internal affairs," was of fundamental significance.<sup>20</sup>

Today this document is being pointedly criticized in the United States. In particular, the idea that the Russians used the "Basic Principles" to "lull" the unsuspecting Americans into a false sense of peace and then treacherously broke at least half of their promises is quite popular among the people who try to gain temporary advantages by publicizing foreign policy issues. In this way, they imply that force is needed as a means of influencing the Soviet Union. People who take a more serious view of the matter try to find flaws in the wording of the document, as Harvard University Professor J. Nye does, for example, when he says that the rules recorded in it are "ambiguous and have not been acknowledged completely by both sides" and that this "ambiguity" has

given rise to certain "exceptions"—in the case of "national liberation wars," for example.<sup>21</sup> The opinion that the "Basic Principles" are worded in terms that are too general, non-specific, and unclear has also been expressed.

There is no need to enter into arguments with the opponents of detente or to reconstruct the sequence of events in the 1970's here. It is enough to admit that the Soviet and American interpretations of the "Basic Principles" did not agree. From the standpoint of these interpretations of the document, the Soviet Union did not violate a single one of its provisions, but this cannot be said of the United States, which was already openly attempting to interfere in Soviet internal affairs and to institute discriminatory trade restrictions by the end of 1973, contrary to the very letter of points 1 and 7 of the document.

The "Basic Principles of U.S.-Soviet Relations," as the very title of the document testifies, did not and could not pretend to be a detailed "code of behavior" for the two countries. They stipulated the general guidelines of the development of Soviet-American relations under the conditions of detente and did not cover all of the problems in these relations (particularly the approaches of the two sides to conflicts in the Third World). But this did not mean that it would have been impossible to reach an understanding on these matters during bilateral negotiations, to clarify various commitments, and to eliminate "ambiguities."

It appears that the main problem was that political detente in the 1970's was not accompanied by the kind of military detente that would have transferred most of the work of keeping the peace to political and legal instruments for the reinforcement of security. If the emphasis had actually been shifted from military force to legal methods of regulating Soviet-American relations, the "Basic Principles" would naturally have led to specific agreements on matters that were difficult to foresee at the beginning of the process. There do not seem to be any problems on which agreements cannot be reached to the benefit of both sides and of world peace.

Unfortunately, when U.S. ruling circles resumed the practice of dealing from a position of strength at the end of the 1970's and, in particular, after Ronald Reagan entered the White House, the need to observe agreed standards and principles of international communication dropped to the bottom of the list of U.S. foreign policy priorities. The threat to international security was so much greater by that time, however, that the mere limitation of arms is no longer enough, and only radical steps toward disarmament can change the situation for the better.

The Soviet Union is willing to disarm and has issued urgent appeals to the United States to do likewise. The fundamentals of a comprehensive system of international security—a broad program of military, political,

economic, and humanitarian measures set forth in the documents of the 27th CPSU Congress and designed to reorganize international relations to meet the needs of a nuclear-free world—were submitted to the United States and to other countries for their consideration.<sup>22</sup>

Cynics might say that these are only words, and skeptics might say that the necessary level of trust and other prerequisites for this program are lacking. In fact, however, the fundamentals of a system of common security are an effective guide for action. Proof of this will be seen when real steps toward disarmament and toward the substitution of legal agreements for military force lead to a situation in which binding agreements based on the guidelines stipulated in these fundamentals will compensate for the shortage of trust.

This can be illustrated with a specific example. During the talks between Soviet leaders and U.S. Secretary of State G. Shultz in April 1987, our side put forth new proposals aimed at the quickest possible conclusion of an agreement on the elimination of medium-range missiles in Europe. The Soviet Union, as we know, was willing to include a commitment in the agreement for the complete elimination of its operational-tactical missiles in Europe within a relatively short and precisely defined period. Obviously, such major steps toward disarmament should be accompanied by the appropriate verification measures. If the process of eliminating nuclear weapons should actually begin, M.S. Gorbachev told G. Shultz on 14 April, we will take the strictest position on the issue of control and demand verification and inspections everywhere—on the sites of the dismantling of missiles, on the sites of their destruction, on testing sites and military bases, including those in third countries, and in warehouses and plants, regardless of whether they are private or government-owned.<sup>23</sup>

These strict measures have obviously been made necessary by a lack of trust, but their implementation (during the course of disarmament) is the best way of strengthening trust. The development of a system of international verification would aid in creating a fundamentally new political atmosphere, in which new major steps in disarmament and in other spheres would be possible.

"Trust must be built on experience in cooperation, mutual recognition, and the resolution of common problems," M.S. Gorbachev observed. "In principle, it is wrong to say that trust must come first and everything else must follow: disarmament, cooperation, and joint projects. Work in common leads to trust—building it, strengthening it, and developing it. This is the rational way. In any case, this is what we believe."<sup>24</sup>

Power politics and civilized international communication are incompatible. In today's world, restraint will be followed by disarmament and the renunciation of threats and violence. This is an urgent requirement of our era.

Footnotes

1. G. Craig and A. George, "Force and Statecraft. Diplomatic Problems of Our Time," New York, 1983, p 181.
  2. "Materialy XXVII syezda Kommunisticheskoy partii Sovetskogo Soyuza" [Materials of the 27th CPSU Congress], Moscow, 1986, p 65.
  3. Ibid.
  4. J. Schell, "The Abolition," New York, 1984 (see *SShA: ekonomika, politika, ideologiya*, 1985, Nos 5-8—Editor).
  5. Quoted in: J. Nye, "Nuclear Ethics," New York-London, 1985, p 94.
  6. Ibid.
  7. "The United Nations and Disarmament, 1945-1970," United Nations, New York, 1970, pp 88-89.
  8. K. Marx and F. Engels, "Works," vol 16, p 11.
  9. "Dokumenty vneshney politiki SSSR" [USSR Foreign Policy Documents], vol XVI, Moscow, 1970, p 642.
  10. D. Eisenhower, "The White House Years: Waging Peace, 1956-1961," New York, 1965, p 370.
  11. *Pravda*, 28 September 1959.
  12. A. Schlesinger, Jr., "A Thousand Days. John F. Kennedy in the White House," Boston, 1965, p 348.
  13. W. Rostow, "The Diffusion of Power. An Essay in Recent History," New York, 1972, p 225.
  14. Ibid.
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  16. "Vneshnyaya politika Sovetskogo Soyuza. 1961. Sbornik dokumentov" [The Foreign Policy of the Soviet Union. 1961. Collected Documents], Moscow, 1962, pp 89-90.
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- 8588
- European Defense Initiative—An Adjunct to SDI**  
*18030012b Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 24-33*
- [Article by V.A. Mazing and S.K. Oznobishchev]
- [Text] The Reagan Administration is trying to create the semblance of the unconditional support of the SDI by the West European NATO countries. Washington is using the most diverse means and methods to persuade the allies to make statements in favor of the SDI, ranging from "tempting" proposals of "long-range mutually beneficial agreements" on the exchange of the latest technological achievements to threats and the exertion of overt pressure on its partners to involve them in financing various projects connected with the American program. In an attempt to portray the alleged consensus with the allies as a real fact, Washington officials are asserting that "friendly countries" are aware of the military situation in which the "Strategic Defense Initiative" was proposed and support the SDI research program.<sup>1</sup> Statements by some U.S. politicians and military leaders allude to the supposed "unconditional commitment" of not only the United States but also other Western states to the goal of creating a "highly reliable system of defense."
- The reality, however, is far removed from the situation portrayed in the American capital. Even the United States' allies that do support the SDI with some reservations and have announced their participation in the program (mainly on the level of private corporations) just during the stage of "research and development," have reserved the right of inclusion in the next round of talks, when the deployment of antimissile systems will be negotiated. Several countries—France, Norway, Greece, Denmark, Canada, and Australia—have officially refused to participate in the "Strategic Defense Initiative."
- It is difficult to guess how these differences will be resolved in the future, but we should recall that the United States never felt the need to consult its allies on fundamental matters of military policy in the past, especially when a decision had to be made on the expediency of developing antimissile systems. In most cases, the U.S. administration's announcements of plans

for their development came as a surprise to West European leaders. This was the case at the beginning of 1967, when the President of the United States first announced the program for the deployment of ABM systems and asked Congress for 375 million dollars for this purpose. The United States did this again in 1969, when it decided to revise the structure of its projected antimissile system radically by moving from the defense program based on Sentinel missiles to the use of Safeguard missiles in ICBM launch sites. History repeated itself again in spring 1983: Reagan's speech which provided the initial momentum for the creation of the broad-scale antimissile system with space-based elements was, just as the SDI program itself, a complete surprise to the allies.

The allies' serious worries that the SDI might not strengthen Western security, and that it might even undermine it considerably, led to the advancement of the so-called "European Defense Initiative" (EurDI). Different versions of this initiative, largely a copy of the American program, both in name and in substance, have recently been considered by political, military, and scientific groups in the NATO countries. The ideas connected with the planning and development of the EurDI have been the subject of particularly lively discussion in the FRG, Great Britain, France, and Italy. The corresponding research has already begun in these countries. In particular, they are studying the possibility of creating land-based systems using a high-energy laser and an electromagnetic gun with a high maximum rate of fire for the destruction of missiles—cruise, medium-range, and operational-tactical—and tactical aircraft. Several European research organizations are working on these projects. Plans are also being made for the use of air- and space-based systems equipped with modern technical detection, tracking, and targeting equipment and with the latest technological achievements resulting from SDI research. In the words of Dutch General C. de Jager, former chairman of the NATO Defense Planning Committee, the European programs "have no direct connection with the work on the SDI, but close contact is being maintained with the Americans so that the most suitable technology will be used and the duplication of efforts will be avoided. The SDI Organization also plans to finance part of the work on a system of defense against tactical missiles in Europe."<sup>2</sup>

The idea of creating Western Europe's own antimissile system is associated primarily with the name of FRG Defense Minister M. Woerner. At the NATO Council session in Brussels in December 1985, the West German military leader officially submitted a draft "defense initiative," prepared in Bundeswehr headquarters with a view to the specific needs of Western Europe, to the allies for their consideration. The draft referred to a weapons system intended primarily to ward off enemy tactical ballistic missiles and various types of cruise missiles. At the next spring session of the NATO Council (in 1986), Lord Carrington, the secretary general of NATO, announced the need to consider the organization

of defense against tactical missiles, and the matter was included in an official NATO document—the Defense Planning Committee communique of 22 May 1986.<sup>3</sup>

The plans for the initial stage of work on the EurDI are connected with measures to improve and modernize the American Patriot missile complexes already deployed on the European continent, and to replace the Hawk and Roland-1 anti-aircraft missiles with new systems capable of being used against all types of missiles and other air targets.

Many Western military experts believe that the creation of systems in Western Europe for defense against tactical missiles and other air targets is completely feasible from the technical standpoint. Patriot missiles, re-equipped in systems for combat with tactical missiles, the Forrestal report prepared for the NATO Council session in November 1983 said, could be deployed in Europe by the middle of the 1990's.<sup>4</sup> The advocates of the inclusion of these systems in European theaters of military operations believe that around 1,000 Patriot missiles equipped with improved sensors and operating in conjunction with two air-based radars could secure the defense of many key NATO installations against air attacks.<sup>5</sup> A comprehensive study of various aspects and implications of the appearance of new antimissile complexes in Europe, conducted by the technological university in Enschede (Netherlands), also contains the important conclusion that "there are no fundamental technical obstacles to the modification of the Patriot system and its endowment with the properties needed for its use against missiles...with a kill range of 3,000 kilometers."<sup>6</sup> This conclusion gives Western military strategists a basis for predicting the kind of technical potential that would allow for the use of the system against medium-range weapons and SLBM's launched from certain parts of the world ocean. American arms control expert J. Deane has noted that the systems created within the framework of the EurDI "should be used against warheads comparable in speed and trajectory to SLBM's."<sup>7</sup>

The possibility of resisting ICBM's could be the next "step" in the improvement of the system. The aforementioned study by the university in Holland says that the development of the system in this direction would essentially require only "an increase of just over 150 kilometers in radar range and the quicker processing of incoming information." The potential of the system in this sphere could be expanded even more by its inclusion in the satellite program of information and target identification and by the creation of a European antimissile system with space-based elements, as proposed in the report of the "Hoffman Commission," created by the U.S. administration for the thorough investigation of questions connected with the SDI program.<sup>8</sup>

Several Western experts have directed attention to the high cost of the EurDI project. For example, J. Deane has cited figures as high as 40 or 50 billion dollars.<sup>9</sup> *Aviation Week and Space Technology* cited the opinion

of a Dutch member of the staff of the supreme allied commander of European NATO forces: "If you use a missile costing 25 million dollars to shoot down a plane costing 15 million, you will undermine cost-effectiveness criteria. By the same token, if you spend all of your money on a system of defense against tactical nuclear weapons and leave nothing for conventional air defense, you are probably betting on the wrong horse."<sup>10</sup>

Questions connected with the funding of the new NATO military program already seem, therefore, quite serious and difficult to solve. The work on the EurDI will not alleviate the problems and will even aggravate them.

### Political Prerequisites and Goals

According to the supporters of the EurDI, this program could solve a number of problems that have arisen in Western Europe in connection with the commencement of work on the SDI. Members of political and military circles in the West European countries have expressed, in particular, the fear that the United States' creation of an "antimissile umbrella" will nullify American "nuclear guarantees" in Europe. As French General G. Bullie, former president of a national defense research foundation, wrote, "one of the reasons for the anxiety of West Europeans is the fear that American will turn into a fortress protected by an antimissile umbrella and that Europe will be left defenseless."<sup>11</sup>

French Defense Minister P. Quilès expressed the fear that the "space shield" envisaged in the SDI plan would be "absolutely ineffective against short-range ballistic missiles," although the EurDI, in his opinion, "will not provide any additional guarantees of stronger deterrence" either.<sup>12</sup>

The justification for current and projected actions in this sphere in the West is the widespread belief in political circles that the Soviet Union has already been conducting this kind of research for many years. More than enough statements of this kind have been made by U.S. political and military officials.

We should also consider another frequently cited "argument" with regard to the Soviet Union, especially since it is used by members of the highest political circles in Western Europe. This is the idea that the creation of ABM systems by both superpowers "would increase," as Secretary of State to the FRG Ministry of Defense L. Rühl has declared, "the strategic significance of modern armed forces of the conventional type, and especially all of the offensive weapons with a shorter than intercontinental range, because they would be the only means of warfare with unlimited effectiveness." He also said that the work on the development of these conventional weapons systems in the Soviet Union, especially cheap short-range ballistic missiles and cruise missiles with conventional and chemical warheads, "has progressed so far that Western Europe now faces many problems which must be solved."<sup>13</sup> West German Defense Minister M.

Woerner, as England's *Guardian* reported, announced that his country "is within the range of Soviet tactical missiles, which, because of their highly accurate warheads, could inflict tremendous damage if used as artillery shells with a relatively long range, even if they are equipped with non-nuclear warheads."<sup>14</sup>

Some people are even trying to find a place for the "European defense initiative" in the nuclear disarmament process. The creation of antimissile systems is regarded as an "essential" condition and guarantee of the elimination of nuclear weapons in Europe. The initiator of the EurDI project, M. Woerner, has "warned" that after nuclear weapons are destroyed, they could be developed again at any time, and constant defense against them would therefore be necessary.

This could hardly be called a logical deduction. After all, the complete implementation of the Soviet proposals on the elimination of Soviet and American medium-range and operational-tactical missiles in Europe in the near future, with the establishment of the strictest system for the verification of the fulfillment of commitments, and the resolution of the problem of tactical nuclear weapons in Europe, including tactical missiles,<sup>15</sup> will essentially eliminate the nuclear category of arms in Europe, and the primary purpose of the EurDI would be defense against these arms.

### Driving Forces of the Project

Most of the work on the EurDI is being influenced by the same forces advocating Europe's active involvement in the SDI. Above all, the American administration is striving for the closer military attachment of Western Europe to the United States, no matter how much some supporters of the EurDI would like to call the new initiative "strictly European." A man as well informed about future military plans as American General B. Rogers said in Munich in November 1985, when he was the supreme allied commander of NATO forces in Europe, that the EurDI would be "just a simple supplement to the SDI" and that it should be viewed as a "program of mutual stimulation" rather than of "competition" with the SDI. The majority of American political and military leaders do not believe that the European program can be implemented outside the framework of bloc military policy. For example, former Assistant Secretary of State R. Burt, who is now the U.S. ambassador to the FRG, sent a letter to European political leaders, in which he expressed support for the plans to develop an antimissile system in Europe, but only on the condition of its incorporation in the NATO military structure and its coordination with the SDI program.<sup>16</sup>

The possibility of the creation of a so-called "comprehensive program of defense against tactical missiles" in Europe was widely debated by the U.S. Congress and by commissions set up by the administration to study the prospects for the development of a broad-scale antimissile system.

It is also significant that the United States has almost completed the technical development projects connected with the ATM program (the antitactical missile system essentially representing a theater-based ABM system) and based on the modification of the Patriot missile system. The main contractor, the Raytheon corporation, announced that it would be ready to begin modernizing the Patriot system in September 1987. The budget of the U.S. Department of the Army allocated 20 million dollars in fiscal year 1983 for projects connected with the development of the "antitactical missile."<sup>17</sup>

Another factor is working in favor of the EurDI project along with the pressure from the United States—the interest expressed by European private capital and the influential political groups associated with it.

Leading military-industrial concerns in the West European countries are supporting the new "European" project because they hope to earn larger profits through the acquisition of the latest technology. Above all, these are firms and companies intending to participate simultaneously in the EurDI, the SDI, and the "Eureka" project—Siemens, AEG-Telefunken, Messerschmitt-Belkov-Bloehm, and MBB (FRG); General Electric and British Aerospace (Great Britain); Thomson, Matras, and Aerospatiale (France); Phillips (Netherlands); Aeritalia (Italy); and others.

It is indicative that the plans have won the most active support in political circles closely associated with the aerospace industry. The constant lobbyists for these programs include the Bundestag deputies from Bavaria and Baden-Wuerttemberg, where such large corporations as MBB and Dornier are located.

Although the initiators of the scientific and technical project proposed by France, "Eureka," take every opportunity to underscore its purely peaceful aims, there is the indisputable objective possibility that the work connected with it could be used for military purposes, including the EurDI. In September 1985 the military-political leadership of the FRG decided to allocate 700 million dollars in the next 5 years as Bonn's contribution to the "Eureka" project. Commenting on this, Chancellor H. Kohl advocated the coordination of military and civilian work on the project, noting that "the common security interests of Europe and the United States necessitate the balancing of economic and technical projects in each specific case."<sup>18</sup>

The idea of creating a "defense for Europe" is also quite popular in other NATO countries. In spite of France's official lack of support for the SDI program, some members of the country's military-political leadership are in favor of creating separate European "defensive" systems and even SDI-linked systems. Former French Defense Minister C. Hernu, for example, said that "the European countries should unite their efforts to consider the possibility of organizing a European research program on the government level on space-based defensive

systems." He stressed that if the European partners should refuse to participate in this kind of project, "France will have to begin working on this kind of program by itself."<sup>19</sup>

In France, just as in the FRG, attitudes of this kind are fostered by the leading corporations producing aerospace equipment, weapons, electronics, etc. Many of the corporations already hoping to work with the United States on the SDI program have also expressed great interest in a similar project in Europe. As J.L. Lagardere, president of Matras, one of the largest companies in this field, remarked, "without a military program in space, neither France nor Europe can hope for a front-row seat."<sup>20</sup>

The work on the EurDI should provide new momentum for France's military cooperation with the FRG. There is also the possibility that this project could become the connecting link between "Eureka" and the American SDI program. It has recently become increasingly obvious that the results of the work on the French plan for the coordination of the research projects of West European countries in the main fields of scientific and technical progress (the "Eureka" project) will have a direct and sizable impact in the military sector. This applies above all to space technology for military purposes and a new generation of non-nuclear weapons systems.

#### Possible Consequences of Implementation

The position taken by the West European political and military officials supporting the EurDI has been colored to a certain extent by the confidence of American supporters of the SDI in the broad-scale antimissile system with space-based elements now being developed in the United States. Some responsible politicians in Western Europe and the United States believe that nothing can stop the European project from turning into something like an SDI for Europe. At this time, however, even the absolute majority of experts in the United States have serious doubts about the possibility of creating an effective antimissile system for reliable defense.

The very idea of deploying the elements of this kind of antimissile system in space is based on the premise that each separate tier, according to theoretical calculations, is obviously incapable of securing an adequate defense. The Americans are trying to minimize these shortcomings by making each subsequent tier correct the operational errors of previous ones—by "finishing off" the warheads they miss. This possibility is not being envisaged during the first stage of work on the EurDI project, however, and the effectiveness of the system will obviously be reduced considerably by the very fact that it has only one tier—on the ground.

The creation of an objective or zonal system (and this is precisely the kind of system primarily envisaged in the EurDI project) in Europe, on the other hand, would mean that the West European states would have to be

defended against nuclear and conventional weapon carriers of a type completely different from ICBM's. Medium- and short-range missiles with a low-angle trajectory and a much shorter flight time (only half or one-third as long as that of ICBM's) could be used in the European theater.

These and other specific properties of carriers could reduce the effectiveness of the projected European system even more. It could also be reduced by the following factor: In the event of the future inclusion of other antimissile tiers, including space-based ones, for the interception of missiles in the European theater, it will have to be borne in mind that, in contrast to ICBM's, medium-range and operational-tactical missiles have a flight time even shorter than the minimum period required for the effective operation of the first tier of the antimissile system.<sup>21</sup>

It is also doubtful that the defense of objects on the European continent (primarily the launch sites of the American Pershing II and cruise missiles, airfields, and command, control and communication centers) by means of the deployment of an "improved" missile or air defense system can be accomplished much more easily with a view to the fact that the flight speed and altitude of operational-tactical missiles and other such weapons are much lower than in the case of ICBM's.

Calculations of this kind, in which the adversary's capabilities are assessed with a view to the current state of enemy armed forces and military technology, can hardly be called rational. Just as in the case of the broad-scale antimissile system with space-based elements, these installation-related complexes can be counteracted with the aid of many relatively cheap devices, including those that are being developed for ICBM's and supersonic aircraft. They could include, for example, decoys and maneuverable warheads and missiles, radar jamming devices capable of putting the entire command and control system of the adversary's armed forces in a state of chaos, the use of technology of the "Stealth" type to restrict radar targeting range, etc. From the technical standpoint, the possibility of creating a short-range missile with a higher flight speed cannot be excluded either.

The creation of a limited (zonal or objective) "defensive system" is usually associated with the defense of the site of a particular object or group of objects of greater strategic value than objects in other locations. The choice of this site necessitates a precise knowledge of the criteria used in determining the value of each defended object. On the European continent the high concentration of industry and high population density must also be taken into account. The continent does not have any ICBM silos, the defense of which could be expedient from the strategic standpoint. Even if it were possible to use an objective defensive system, given a specific balance of offensive and defensive weapons, to limit local damages in the attacked region, it would be virtually impossible to avoid a high level of material damages and

human losses. "If these new systems are deployed," J. Deane writes, "they will be designed to defend NATO air bases, depots, and command posts, and not the civilian population."<sup>22</sup> G. Bullie stresses that, in view of the high concentration of civilians in Western Europe and the high density of military installations, even the slightest doubts about the reliability of defensive systems of this type would make them unacceptable.

Because of the close objective connection between offensive and defensive arms, even the mere deployment of EurDI components would disrupt the European balance of power and undermine military stability on the continent. In connection with this, we should recall that President Reagan's speech of 23 March 1983, which marked the beginning of the SDI program, included the remark that if "defensive systems are combined with offensive ones, they could be seen as a contributing factor to aggressive policy."<sup>23</sup> But it is precisely in this direction that the United States and its West European allies are moving.

The plans for securing effective defense with the aid of "defensive" systems have no serious basis. They will simply provide additional momentum for the arms race. The uncertainty about the reliability of the "defensive" EurDI systems will serve as a pretext for their constant augmentation, and this will naturally lead to new countermeasures.

Other factors will also contribute to the destabilization of the situation in Europe. The fairly lengthy evolution of the projected system within the EurDI framework, including its testing and deployment, could give the NATO bloc temporary advantages, and these could stimulate aggression (including the use of nuclear weapons) in the expectation of limited losses as a result of a retaliatory strike.

#### Some International Political Aspects

Regardless of whether they support or oppose the SDI and EurDI programs, the absolute majority of politicians and public spokesmen in Western Europe are demanding the maintenance and observance of existing nuclear arms limitation agreements as a vital element of policy.

In Article VI of the Soviet-American ABM Treaty, the sides pledge not to give other systems and installations "the capabilities for combat against strategic ballistic missiles or their elements in flight or to test them for ABM purposes." The plans for the modification and qualitative improvement of the air defense system in Western Europe, however, essentially envisage the creation of a missile with the properties of an antimissile system. It is also exceptionally difficult to distinguish between "improved air defense" and "insufficiently effective missile defense," between a system designed for the interception of non-nuclear weapons and a system designed to destroy nuclear missiles. The creation of an objective or regional system, officially intended for the

destruction of operational-tactical missiles and tactical aircraft but actually capable of defense against strategic nuclear missiles, would be a direct violation of Article VI of the treaty.

According to A. Carnesale, one of the American delegates involved in the drafting of the ABM treaty, "the broad-scale deployment of Patriot complexes with anti-missile capabilities would surely undermine the treaty."<sup>24</sup>

West German specialist H. Brauch from the University of Stuttgart believes that the transfer of U.S. technology for the creation of antimissile complexes in Europe would violate Article IX of the ABM treaty, and the possible use of these systems in a mobile form would be contrary to Article V. He has also pointed out the fact that the creation of a European antimissile system with space-based elements, as proposed by the "Hoffman commission," would undermine the 1967 Treaty on the Principles of the Activity of States in the Exploration and Use of Outer Space, Including the Moon and Other Celestial Bodies, which was signed by all of the European countries.<sup>25</sup>

There is no question that the current extensive involvement of many leading West European industrial corporations in military production will also pose a threat to the future development of the military-political situation on the continent. The inclusion of West European business in the work on the U.S. and NATO "defense initiatives" is enough in itself to destabilize the international situation. The distribution of SDI and EurDI contracts among firms and companies representing various branches of West European industry will give this work considerable momentum and will create a powerful lobby in Western Europe, capable of influencing the policy of governments in favor of increasing involvement in the programs the United States imposes on its allies. In this way, by making use of private West European capital, Washington hopes to heighten its allies' dependence on its own military policy line, even in matters obviously contrary to the security interests of the West European states.

There is also no truth to the assertions of some Western politicians and experts that military research and military production, particularly projects using the latest technology and the "best minds," will have an extremely important and favorable impact on civilian branches of the economy and industry. The technical systems envisaged in the SDI and EurDI programs are so specialized and restricted that in most cases they will be of no value whatsoever in the civilian sector. The benefits of the non-military use of part of the military technical projects will be incomparable to the losses society will suffer as a result of the colossal expenditures on the military programs.

When people speak of the prospects for the implementation of "defensive" programs for Europe in the West, including people in the United States, they often mention the advantages of "technology exchange" during the process of the work on these programs. This is an extremely dubious prospect in view of the existing legislative restrictions on exports of advanced technology in the United States and some other NATO countries. This matter was discussed by the supervisor of a project in one of England's large research centers engaged in military-technical projects, P. Hussein, who expressed great doubts about Great Britain's ability to engage in the full exchange of technical information with France and the FRG, because exchanges of this kind are already subject to strict limitations in existing American-English agreements. We should also recall the disagreements between France and the FRG over their joint technical development of the Spot space probe.

The appearance of new weapons systems which undermine strategic stability and disrupt the approximate balance of power between the opposing military-political groups would have the most adverse effect on the political climate in Europe. To some extent, it could also have a negative effect on the possibility of strengthening the system of European security and of implementing the initiatives put forth by the Soviet Union and the socialist states and any other proposals aimed at lowering the level of military confrontation in Europe and the rest of the world.

The road to stronger security and disarmament does not lie through rearming, arms buildups, the development and deployment of the latest and most highly perfected weapons systems, or the revision of treaties and agreements, but through the observance of existing agreements and the institution of new measures to limit and reduce weapon stockpiles. As long as the military programs connected with the EurDI have not acquired irreversible momentum, the hope of their deceleration and curtailment will be realistic and feasible. The peace initiatives of the USSR include a precise and specific plan for the elimination of all types of nuclear weapons and the radical reduction of conventional arms on the European continent. It is precisely this, and not the creation of new types and systems of weapons, that can guarantee the genuine security of all states and peoples.

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**Expansion of Canadian-Chinese Trade Relations**  
*18030012c Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 53-59*

[Article by B.I. Alekhin: "Canada-PRC: Broadening the Horizons of Cooperation"]

[Text] The People's Republic of China ranks third (after Japan and South Korea) among Canada's trade partners in the Asian-Pacific region. In the 1980's there have been significant changes in Canadian-Chinese economic relations, indicating the coming of a new stage in their more than 100-year history. The most significant new feature is the decline of the importance of trade in grain and the introduction of such non-traditional forms of cooperation as joint enterprises, compensatory transactions, and scientific and technical exchanges.

Canada established diplomatic relations with the PRC in October 1970 and thereby rejected the "two Chinas" policy the United States was trying to impose on it. This move was dictated not only by Ottawa's desire to normalize relations with one of the largest states in the world, but also by the Canadian business community's interest in penetrating the Chinese market, which seemed to offer colossal opportunities for the expansion of exports. Nevertheless, although in 1973 the two countries were already concluding a trade agreement envisaging the mutual granting of most-favored-nation status and the creation of a joint advisory commission to promote mutual trade, it was not until the end of the 1970's, when the Chinese intrigued the Western business community with their "open door" policy, that this interest evoked the appropriate response from Beijing. As the Canadian Government's 1985 white paper on foreign policy said, "Japan is not the only factor responsible for the economic dynamism of the region.... Economic reforms in China also indicate its broader participation in international trade.... China, a nuclear state with superpower potential, has reopened its door to contacts with the West."

The general outlines of the "open door" policy began to take shape from 1976 to 1978.<sup>1</sup> As the Chinese themselves stress, however, a "historic turning point" in its development was the CCP Central Committee Plenum of December 1978. Its resolution stated that China would engage in broader economic cooperation with other countries on the conditions of equality and mutual advantage and, in particular, that it would want to use advanced foreign equipment and technology. In July 1979 a law on joint enterprise based on Chinese and foreign investments had already been passed in the country and represented an important step toward the implementation of the policy line announced at the plenum.

The Chinese authorities encouraging joint enterprise are motivated by more than just the hope of retooling industry. After increasing the portion of national income spent on consumption and thereby cutting resources for exports and domestic investment, Beijing began making more extensive use of foreign sources of financing for economic growth. Joint enterprise appeals to it because it lightens the burden of foreign debts. It presupposes the division of profits among co-owners, and this means that China will not be burdened by excessive payments to foreign banks and governments in the event of complications. What is more, joint enterprises must satisfy their own need for foreign currency by earning it through the export of their own products. In turn, the foreign firms engaging in joint enterprise with the Chinese side receive their rightful share of profits and guaranteed participation in the management of the joint enterprises.

China has made a greater effort to build up exports in recent years to acquire the funds to pay for imported technology and other investment goods. Whereas natural resources were almost never exported in the past, exports of oil, gas, and some scarce metals are now being stimulated on a planned basis. The Chinese authorities are encouraging foreign firms to participate in the exploitation of natural resources in exchange for shipments of raw materials.

The Chinese "open door" policy does not appear to be a harbinger of another wave of technological imports (there have already been four such waves in the PRC), but a long-range foreign economic policy of actively involving the country in international division of labor. As Premier Zhao Ziyang of the PRC State Council noted, "by connecting our country with the world market, expanding foreign trade, importing advanced technology, using foreign capital, and developing various forms of international economic and technological cooperation, we can develop our strong points to compensate for our weak points."

In addition to the changes in Chinese domestic policy, the official recognition of the PRC by the United States in January 1979 was extremely important in broadening the horizons of Canadian-Chinese commercial cooperation. This event made Canadian businessmen more enterprising because it left their American competitors free to take action. After all, as Canada's *Financial Post* commented, "before the face of the President (J. Carter—B.A.) had disappeared from the television screen, American businessmen were already knocking on the doors of the Hong Kong and Beijing pagodas in an effort to make up for lost time." It was no coincidence that Canadian Minister of Industry, Trade and Commerce J. Horner set off for China that same month, accompanied by representatives of 20 leading Canadian firms competing vigorously for the Chinese market.

As a result of this visit the Chinese agreed to sign a long-term contract on purchases of Canadian wheat and to send a high-level delegation to Canada to hammer out an agreement on economic cooperation between the two countries in such fields as power engineering, agriculture, communications, transportation, mining, and the oil and gas industry (in which Canada has accumulated considerable experience). This gave J. Horner reason to predict that Canadian exports to the PRC could easily exceed a billion dollars<sup>2</sup> even in 1980—i.e., double the 1978 figure. Three months prior to this statement, P. Desmarais, a prominent Canadian businessman and co-chairman of the Canadian-Chinese Trade Council, declared on his return from China that commodity turnover between the two countries would reach 10 billion dollars by 1985—i.e., 25 times as high as the 1978 figure. When the agreement was renewed in 1979, Canada and the PRC signed a protocol on economic cooperation, specifically listing the fields in which imports from Canada would be of special interest to China. These were agriculture, forestry, the oil and gas industry, metallurgy, light industry, power engineering, and communications. A year later Canada granted China preferential customs status. The import duties for this status are equivalent either to British preferential rates (the lowest Canadian duties) or two-thirds of the most-favored-nation rates (the lowest of these minus one-third). This privilege, however, was not extended to the main products of light industry—textiles and clothing, which give China more than half of its income from exports to Canada. Canadian imports of these goods have been limited by extremely strict quotas since 1976.

The predictions made by Horner and Desmarais, however, did not take all of the complexities of China's inclusion in the world economy into account and clearly overestimated Canada's ability to compete with the United States, Japan, the FRG, and France. In 1986 Canadian exports to the PRC amounted to only a billion dollars, which was far below the 1983 figure (Table 1). "China is still a tough nut to crack, in spite of the open door," Canada's *Globe and Mail* remarked. There are several reasons for this. The Chinese themselves were not as lavish with contracts as they had been painted by the captains of Canadian industry. Their meager gold and currency resources and their traditional ideological objections to the accumulation of debts to the West affected their behavior. The reduction of grain imports, primarily from Canada, allowed China to achieve a "satisfactory" level of gold and currency reserves (13 billion American dollars at the end of 1985), but Western observers predict that expenditures in foreign currency will continue to be meted out carefully. And this means, among other things, that the reduction of the scales of various contracts is a real possibility.

Table 1. Canada's Trade with China, in millions of dollars

	1980	1981	1982	1983	1984	1985	1986
Turnover	1026	1225	1433	1853	1572	1664	1663
Exports	871	1005	1229	1607	1236	1260	1097
Imports	155	220	204	246	336	404	566
Balance	716	785	1025	1361	900	856	531

Another reason is that Canada does not have a market as large as the Japanese or American markets. This alone can explain why U.S. and Japanese firms have received contracts worth far more from China than Canadian companies. Imports from China must be increased in exchange for large Chinese orders, and this is difficult for the relatively small Canadian market. Besides this, Canada is least able to import what China is most able to export, namely the products of light industry. These goods represent more than 50 percent of all Chinese exports to Canada and are subject to the highest import duties there (up to 19 percent in 1987). Furthermore, these imports are limited with the aid of quotas.

Although the most active supporters of expanded trade with China are advising the relaxation of restrictions on imports of the products of light industry, which now represent one of the most serious obstacles impeding the growth of Chinese exports, Ottawa has made it clear that these restrictions are not negotiable at this time. The social and political costs of their abolition would be too high. Even without this, the number of jobs in the textile and garment industries has decreased by an average of 3 percent a year since 1963, and the proportion accounted for by imports in Canada's consumption of the products of these industries was 25 percent and 32 percent respectively in 1983. In view of the fact that most light industry enterprises are located in Quebec, the elimination of import restrictions could also complicate the traditionally difficult relationship between Ottawa and this French-speaking province.

China is also offering Canada raw materials, but it can only supply Canada with limited quantities of the resources it wants to import. As for the oil which Canada receives for its participation in the exploitation of off-shore deposits and which can be sold to third countries (Japan, for example), the matter has not reached the point of large shipments from China yet.

The Chinese, in turn, would like Canada to supply them with technology, machines, and equipment for such fields as satellite communications, data processing, the aerospace industry, coal mining, oil refining, transportation, electrical power engineering, electronics, electrical engineering, and medicine. Nevertheless, although exports of Canadian high technology products to China have increased recently and now include communication satellites, satellite observation stations, jet aircraft, and computers, they represent only around 1 percent of all Canadian sales to China.

Table 2. Commodity Structure of Canadian-Chinese Trade,

	1970	1975	1980	1985
Exports				
Grain	86	82	61	55
Machines and equipment	—	1	1	3
Nonferrous metals and semimanufactured goods	13	8	8	12
Wood products	—	5	12	13
Other goods	1	3	18	17
Imports				
Textiles and clothing	47	48	55	53
Other finished goods	—	2	3	6
Agricultural products	22	16	14	15
Other goods	31	34	28	26

Grain has traditionally been the central issue in Canadian-Chinese trade relations. In fact, this trade began with shipments of Canadian grain to China. They have represented just over 60 percent of Canada's exports to the PRC on the average over the last 10 years, and because China is unable to compensate for them with its own sales on the Canadian market, the balance of trade is tipped heavily in Canada's favor. Although the imbalance was corrected to some extent in recent years by good harvests in China, it is still quite substantial. For this reason, it is understandable that the Chinese are striving to make maximum use of currency-saving forms of foreign economic operations—cross-trading, compensatory transactions, and joint enterprise. As Chairman Reng Yiren of the PRC Commission on Foreign Investments remarked, China is more interested in the joint production of high technology items than in paying cash for them. This is precisely what Chinese leaders tried to bring to Canadian Prime Minister B. Mulroney's attention when he visited the PRC in spring 1985.

**Table 3. Canadian-Chinese Joint Enterprises and Compensatory Transactions (the first three enterprises are already functioning and the rest are in various stages of completion)**

Name of Canadian firm	Type and cost of project	Contribution of Canadian side	Nature of operations and output
Petro-Canada, Ranger Oil	Consortium with three firms from other countries	10 percent of capital each; equipment and expertise	Oil and gas prospecting on Chinese continental shelf
Great Wall Machinery	Mixed enterprise in Canada	50 percent of capital (in the future)	Sales of Chinese machines and equipment in Canada
Bombardier	Enterprise in PRC on compensatory basis	Technology and equipment	Production of 2,000 snow-going vehicles a year for sale in PRC and abroad
Interimco	Joint enterprise in PRC, 150 million dollars	49 percent of capital; technology and equipment	Cattle raising, comprehensive meat processing
Group of firms from Alberta	Joint enterprise in PRC, 600 million dollars	50 percent of capital; technology and equipment	Production of petrochemical items
Alcan Aluminum	Joint enterprise in PRC, 20 million dollars	45 percent of capital (through subsidiary in Hong Kong); technology and equipment	Production of 5,000 tons of aluminum items a year
Consolidated Bethurst	Joint enterprise in Canada, 95 million dollars	50 percent of capital; technology and equipment	Cellulose production for export to PRC
Axiom International Development	Joint enterprise in PRC, 50 million American dollars	15 percent of capital in joint enterprise or 5 million American dollars in cash	Hotel in Beijing for 400-500 guests

From 1983 to 1986 Canadian companies withstood the fierce competition of American, Japanese, and West European firms for several agreements on joint enterprise with the PRC in the traditional fields of Canadian foreign economic specialization—agriculture, metallurgy, the oil and gas industry, oil refining, the pulp and paper industry, transportation, and construction (Table 3).

With a view to the business community's growing interest in the development of economic relations with the PRC, the Canadian Government extended 2 billion dollars in credit to China back in 1979 to promote Chinese purchases of manufactured goods in Canada. In 1984 the credit agreement was renewed for another 5 years. It is true that the Chinese were able to use only around 38 million dollars of this impressive sum (the largest in the history of the Canadian Export Development Corporation, in charge of financing foreign trade) between 1979 and 1986. To facilitate Chinese purchases of Canadian equipment, B. Mulroney announced during his visit to the PRC in May 1985 that another 350 million dollars would be added to the 2-billion-dollar credit, but at an extremely low rate of interest. In this way, Canada embarked on the kind of mixed crediting of exports of manufactured goods that has long been practiced by Japan, Great Britain, Switzerland, and some other Western countries and is more appealing to the PRC.<sup>3</sup> Citing the advantages their competitors gain from this mixed crediting, Canadian businessmen are insisting that Ottawa make even more extensive use of this form of export support. They also believe that China's colossal import potential justifies occasional departures from the principle of "Canadian content" by which the

Export Development Corporation is guided in the extension of credit. By law, it must finance exports of only those goods in which at least 60 percent of the value is Canadian. There have been cases, however, when it has closed its eyes to a lower "Canadian content" and has even credited exports of goods not manufactured in Canada at all.

The Export Development Corporation frequently acts in conjunction with the Canadian International Development Agency (CIDA), which is in charge of aid to developing countries. The agency charter states that the satisfaction of the basic needs of developing countries should be accomplished internally and that aid should only promote the achievement of a level of economic development allowing for the replacement of this aid with reciprocal trade and investments. Between 1981 and 1985 the agency allocated 25 million dollars for the transfer of technology from Canada to China, the training of Chinese specialists,<sup>4</sup> the development of the oil and gas industry, the familiarization of the Chinese with robot engineering and computers, the management of railways, the development of satellite communications and power engineering, the dissemination of medical information in China, the development of agricultural machinery, the management of forestry, animal husbandry, and plant breeding, and the restoration of farmland.

The economic and political interests of Canadian capital are behind this aid but are interpreted by the agency as the need to not only demonstrate Western technical potential to the Chinese, but also to convince them that Western equipment and technology will produce the maximum yield if they are combined with the "social

and economic philosophy" of the West, to stimulate pro-Western tendencies in China, and to help China avoid major "political errors and political crises."

The Canadian Ministry of External Relations is also working toward these goals. Ever since 1975, when it began managing scientific, technical, and cultural contacts with the PRC, Canadian politicians and diplomats have looked for ways of achieving a better balance of these contacts, which have weighed heavily in China's favor to date. Members of the political and scientific community in Canada believe that an important objective has been attained through their efforts: Canadian specialists know more about their Chinese colleagues and their work, and exchanges have strengthened mutual trust. Between 1981 and 1985, 725 Canadian initiatives for the development of relations with the PRC were supported financially through the ministry's program for the development of export markets. Allocations for this period amounted to 18 million dollars, but the amount spent was just over 3 million, while the amount returned to the treasury (as a result of sales of Canadian goods to China) was only 38,000 dollars. But after all, when P. Trudeau made his official visit to the PRC in 1973, the Chinese authorities painted him a rosy picture of "full-scale" projects for the delivery of whole factories.

Many other Canadian organizations, both public and private, are also working toward "Chinese" objectives. The aforementioned Canadian-Chinese Trade Council and World University Services Canada are publicizing trade with China and assisting Chinese citizens to become exchange students in Canada. The Canadian Ministry of Agriculture holds a unique record in the development of relations with the PRC. In September 1980 it signed a memorandum on agricultural cooperation with the corresponding Chinese agency, envisaging more intensive contacts in the form of joint projects, the exchange of information and materials, and scientific and commercial contacts. This was the first such document signed by a federal agency with the Chinese side. Several measures have been taken in the 1980's in line with this agreement, including joint research in pasture management, the establishment of a model livestock breeding farm equipped with Canadian technology in China, the exchange of plant breeding material, and the training of Chinese farmers. In July 1985, during PRC Chairman Li Xiannian's visit to Canada, an agreement on the creation of a Canadian-Chinese advisory commission on agricultural cooperation was signed.

In general, according to members of the Canadian business, scientific, and political community, cooperation with the PRC has not been of equal value to both sides. The Canadians complain that China is benefiting more from scientific and technical exchanges and that Canada is being left out of the mainstream of large Chinese orders. Nothing is said, however, about the grain exports that give Canada such a huge advantage in mutual trade. Beijing has responded with the polite suggestion that the memory of Canadian Doctor Norman Bethune,<sup>5</sup> who

nursed the Chinese through hard times, and Ottawa's refusal to adhere to the American policy of "two Chinas" should be reinforced by more enterprising activity on the part of Canadian firms and greater flexibility on the part of Ottawa in economic matters if Canada wants to initiate large commercial transactions with the PRC. Both sides admit, however, that political changes and economic reforms in China have created a qualitatively new atmosphere for the development of cooperation between the two countries. They have secured the closer coordination of the needs of economic construction in the PRC with the benefits of international division of labor and have given Canada new export opportunities.

#### Footnotes

1. The Chinese "open door" policy has nothing in common with the capitalist policy of free trade, which is supposed to open national borders for the free flow of goods and capital. In the opinion of the Chinese leaders, imported goods and capital can inhibit the development of China's economy and make it more dependent on the West unless they are dictated by the needs of economic construction; the door will remain open as long as this does not have an adverse effect on the PRC's sovereign rights and national interests.

2. All dollars are Canadian unless otherwise indicated—Editor.

3. Mixed credits are those consisting of credit extended by the government at the official rate of interest and generally cheaper commercial loans from private banks.

4. Between 1979 and 1984, 1,000 Chinese students and 580 specialists were educated in Canada.

5. N. Bethune, a physician, lived and worked in China for many years and is remembered fondly by the Chinese. His name has almost become a symbolic term for friendly relations between Canada and China.

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#### Review of U.S.-Greek Relations

18030012d Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 60-65

[Article by V.I. Kalugin: "Washington and Greece"]

[Text] American-Greek relations are distinguished by complexities and contradictions. The entire postwar period has been marked by Washington's interference in internal Greek affairs. Taking advantage of the problems engendered in Greece by the fascist occupation and the civil war, the United States adopted the "Truman Doctrine" for Greece in 1947, and it, in combination with

the Marshall Plan, served as the main economic, military, and political instrument for the subordination of Athens to American dictates. Making use of the imaginary "threat to Greece from the north"—i.e., from the Soviet Union and neighboring socialist countries—Washington was able to convince Greece to join NATO in 1952 and then to situate its bases, other military installations, and nuclear weapons on Greek territory. The ships of the American 6th Fleet gained the ability to use Greek territorial waters and ports for their own purposes. The United States' direct involvement in the imposition of a military dictatorship on the Greek people and its open support of the "black colonels" junta from 1967 to 1974 provide clear evidence of the United States' domination of Greece. Washington also took a position contrary to Greek interests in the 1974 events on Cyprus.

The Panhellenic Socialist Movement (PASOK), headed by A. Papandreou, became the ruling party in Greece after its victory in the 1981 parliamentary elections. Within the framework of the multifaceted independent foreign policy announced by the PASOK leadership, efforts were made to gradually eradicate the country's dependence on the United States, eliminate the old standards of domination and submission in Greek-American relations, give them a more equal nature, and thereby strengthen Greek national independence and sovereignty.

In 1983 the Papandreou government concluded a new Greek-American agreement on defense and economic cooperation for the next 5 years and announced its intention to proceed at the end of this period with the procedure stipulated in the agreement for the removal of U.S. bases from Greek territory. Greece has already refused to take part in NATO maneuvers in the Aegean Sea for several years now, on the grounds that these maneuvers are in violation of Greek national rights and interests. PASOK supports the creation of a nuclear-free zone in the Balkans and has reserved the right to make a unilateral political decision at the appropriate time on the removal of nuclear weapons from Greek territory. The removal of U.S. bases and nuclear weapons from Greece was included in the program of the second PASOK government, which was formed as a result of this party's conclusive victory in the parliamentary elections of 2 June 1985. The program specifically stresses that "bases will be removed completely in accordance with the agreed schedule. Nuclear weapons will be removed from our country."

The PASOK government does not agree with the U.S. and NATO doctrine that Greece is being threatened from the north, by the Warsaw Pact countries. Papandreou has repeatedly said that Greece has an "excellent relationship" with the Balkan socialist countries and that the Balkans "represent a model of the implementation of the Final Act of the Conference on Security and Cooperation in Europe." The Greek Socialists insist that the real threat to Greece will come, paradoxically enough,

from a NATO ally, from Turkey, which is trying to encroach upon Greek national rights and interests in the Aegean and to change the status quo there, recorded in the appropriate international agreements, in its own favor. With a view to this, in contrast to the previous rightwing New Democracy government, the Greek Socialists will not agree to talks with Ankara on Greek-Turkish disputes, in the belief that any such dialogue would presuppose only concessions by the Greek side. In view of this "Turkish threat," the PASOK government adopted a national doctrine of Greek defense at the beginning of 1985. In contrast to NATO strategy, it presupposes the training of Greek armed forces primarily for the repulsion of a possible Turkish attack.

The Greek Socialists have suspended some of the provisions of the so-called "Rogers agreement" concluded by the New Democracy government, which served as the basis for Greece's decision to rejoin the NATO military organization in October 1980 after 6 years of non-participation resulting from the bloc leadership's indifferent attitude toward the landing of Turkish troops on Cyprus in 1974. The Papandreou government maintains that the fulfillment of this agreement would put Greek rights in the Aegean in question. Athens is trying to gain the bloc leadership's confirmation of the Greek side's earlier operational responsibilities in the Aegean, which essentially extended to the entire Aegean zone, all the way to Turkey's territorial waters, prior to Greece's withdrawal from the NATO military organization.

In general, the unresolved differences between Greece and Turkey are having a serious negative effect on the state of American-Greek relations. As A. Papandreou has repeatedly said, the axis of Greek-U.S. relations passes through Ankara. The disagreements between Athens and Ankara have raised questions about the air space over the Aegean: Back in 1931 Greece established a Greek air space 10 miles in width, and the Athenian air traffic control zone includes, according to international agreements, the air space over the Aegean all the way to Turkey's territorial waters. Turkey, however, does not recognize the 10-mile Greek air space over the Aegean because it feels that this zone should not exceed the width of Greek territorial waters. Ankara has also supported the revision of the boundaries of the flight information zone in the Aegean in its own favor. The Greek Government, citing international standards of maritime law, has insisted on its sovereign right to extend its territorial waters in the Aegean from 6 to 12 miles when necessary, including the territorial waters around the Greek islands. Turkey has responded with the declaration that it would regard any such Greek decision as cause for war.

The Aegean continental shelf, where preliminary studies have indicated the presence of oil deposits, is the object of another Greek-Turkish dispute. Greece contends, on the basis of international conventions on the law of the sea, that its islands have their own continental shelf. With a view to this, it wants the shelf to be divided

midway between the Greek islands and the Turkish coast. Turkey insists that the Greek islands are located on the continental shelf of Asia Minor and therefore have no shelf of their own. It maintains that the conventional standards of the law of the sea cannot be applied automatically to the situation in the Aegean, wants the matter to be decided by means of bilateral negotiations based on the "principle of justice," and has proposed the delimitation of the continental shelf through the middle of the Aegean Sea at an equal distance from the mainland of the two countries.

The disagreements between Greece and Turkey have caused the Greek side to take some steps for the military fortification of the Greek islands near the Turkish coast. According to Turkey, these should have a demilitarized status, in accordance with international agreements. The status of the Greek and Turkish minorities in each of these two countries is another cause of friction between Athens and Ankara.

The PASOK government has taken an independent stance, transcending U.S. and NATO stereotypes, on several current issues in world politics, primarily issues connected with disarmament. Greece has participated (and has been the only NATO country to do so) in the initiatives of the "Delhi six" to stop the arms race on earth and prevent its transfer to space. It has consistently been part of the bloc opposing the presence of American cruise missiles and Pershing II missiles in Western Europe and advocating the removal of nuclear weapons from the European continent. The Greek Socialists condemn the buildup of nuclear arms and the restoration of the "cold war" climate and support nuclear disarmament, the cessation of nuclear tests, a return to detente, and the development of broad-scale East-West cooperation. They have taken an openly negative position on pro-American dictatorships and support national liberation and peace movements.

All of this is affecting the state of Greek-American relations and is arousing Washington's displeasure and anger. Greece's position is contrary to Pentagon strategic plans, is creating difficulties in NATO, and is disrupting the functional capabilities of its southeastern flank. Striving to preserve its influence in this region, the United States has made constant attempts to deal with Greece from a position of strength and to force it to make the decisions Washington wants. The Reagan Administration has exerted flagrant and concerted pressure on Athens to force it to give up its independent national positions, to follow in the wake of American policy, to firmly display "Atlantic solidarity," and to carry out all of Greece's NATO obligations.

Insisting on the fulfillment of the "Rogers agreement," the Pentagon is trying to establish a NATO staff in Larisa (Greece) along with the existing one in Izmir (Turkey) and to revive the participation of Greek armed forces in NATO maneuvers in the Aegean. Taking advantage of

NATO's failure to decide the issue of the final distribution of operational responsibilities between Athens and Ankara for the air space in this region, the United States has hinted that the Turkish side could be assigned more control if Greece continues to refuse to participate in the NATO exercises.

The Reagan Administration is making every effort to inflate the myth of the danger to Greece from the north and, by the same token, to convince the Greek Government that no "Turkish threat" exists. Washington has stressed that Greek-Turkish disagreements are of a strictly bilateral nature and therefore should not be allowed to have a negative effect on NATO but should be settled by means of direct negotiations between Athens and Ankara. In the Pentagon's opinion, Greek-Turkish disputes allegedly can be settled only by the comprehensive reinforcement of NATO and contributions to the bloc from both Greece and Turkey.

In addition to the pressure Washington is exerting on Athens and Ankara for the purpose of the quickest possible settlement of their disputes in NATO's interest, another tendency is also becoming apparent, consisting in the Pentagon's use of the Greek-Turkish conflicts to encourage both countries to arm themselves, to militarize the east Mediterranean, and to escalate tension in the region in this way. The encouragement of competition between Greece and Turkey in the sphere of armaments is giving the Pentagon a chance to urge the observance of the notorious NATO decision on the annual increase of 3 percent in the military budgets of its members. The United States is insisting that the Greek programs for purchases of modern weaponry specify American models rather than West European combat equipment, which the Greek Government has recently been inclined to prefer, in line with its policy of gradually reducing its dependence on the United States in the sphere of military technology through the diversification of arms sources.

Washington is using American military assistance and its distribution between Athens and Ankara as one channel for the exertion of pressure on the Papandreou government. The Greek Government is extremely vulnerable in this area and has insisted on the United States' observance of the traditional ratio of 7:10 in the distribution of this aid to Greece and Turkey, which the Greek side sees as one of the main guarantees of the maintenance of the existing balance of power between the two states in the Aegean and, consequently, of peace and stability in this region. The U.S. administration, however, sees Turkey as a strategically more important NATO partner and has declared that its armed forces have certain special needs, requiring higher allocations for military and economic assistance to Ankara. It was only through considerable effort, through contacts with individual American senators and congressmen, and with the aid of Greek-American organizations in the United States and the so-called Greek lobby in the American Congress, that Athens was able to block the excessive annual increase in

military assistance to Turkey the U.S. administration had requested and to thereby preserve the aforementioned ratio. Actions of this kind by the Greek leadership evoke a negative response in Washington and create additional causes of friction in Greek-American relations.

The unresolved problem of Cyprus, where Turkish troops have been occupying northern regions ever since the events of 1974, also has a negative effect on the nature of U.S.-Greek relations. The Greek Government regards the Cyprus question as a national Greek and international issue and has demanded the removal of Turkish troops from the island as the primary condition for a settlement. Officials in Athens cannot close their eyes to the fact that the Turkish troops on Cyprus are equipped with U.S. and NATO weapons and combat equipment and that, despite the continued presence of the Turkish expeditionary corps on the island, the American administration is striving for the extension of even broader military assistance to Ankara. The Greek side is seriously worried that Washington will be more inclined to take Turkish views and interests into account at Greece's expense in the Cyprus issue, just as in other Greek-Turkish disputes. The Greek Government has repeatedly stressed that the United States is not making use of its potential to influence Ankara to seek a just and lasting settlement in Cyprus.

One vivid example of Washington's flagrant pressure on Greece was the openly anti-Greek campaign following the hijacking of an American passenger plane from Athens' Ellinikon Airport in summer 1985. On the pretext that security at the airport was inadequate, the U.S. State Department recommended that American citizens avoid using the services of Greek airports, which was essentially a form of economic sanctions against Greece. This impertinent boycott of an ally injured the weak Greek economy, because the United States accounts for 20 percent of the currency receipts of the Greek tourist industry.

In spite of mounting pressure from Washington, the Greek Government is not giving up its principled and constructive line in world politics. It has expressed its approval of the USSR's foreign policy initiatives in the sphere of disarmament, has commended the Soviet comprehensive program of peace set forth in the 15 January 1986 statement of General Secretary of the CPSU Central Committee M.S. Gorbachev, and has taken a position close or identical to the position of the Soviet Union on matters of peace, security, and disarmament in the United Nations and other international organizations.

The PASOK government has supported a new and important Soviet move: the proposal regarding the elimination of U.S. and USSR medium-range and operational-tactical missiles in Europe. In a televised speech, A. Papandreou addressed the governments of the West European states with an appeal for their consent to the

"zero option," stressing that the opportunity afforded by the Soviet initiatives should not be missed and that the West European countries should promote the conclusion of a Soviet-U.S. agreement. When Prime Minister A. Papandreou had a meeting on 13 May 1987 with M.S. Solomentsev, who was in Athens to attend the 12th Congress of the Communist Party of Greece, both sides expressed a desire to intensify the efforts to curb the arms race and to uphold the peace in Europe and the rest of the world.

In spite of Washington's objections, A. Papandreou is still taking an active part in the work of the "Delhi six." In a joint statement of 22 May 1987, the prime minister of Greece and the leaders of Argentina, India, Mexico, Tanzania, and Sweden underscored the need to eliminate intermediate-range nuclear forces in Europe and issued an urgent appeal to the United States and the USSR for the successful conclusion of the current talks before the end of 1987. They also advocated the cessation of all nuclear tests and the prevention of an arms race in space. The Greek Socialists still want Europe to be completely free of nuclear weapons, have reaffirmed their commitment to the idea of creating a nuclear-free zone in the Balkans, and have supported the proposal of the leaders of Bulgaria and Romania on the creation of a zone free of chemical weapons in the Balkans.

This is a good place to recall M.S. Gorbachev's words at the Romanian-Soviet friendship rally in Bucharest on 26 May 1987. "The Soviet Union," he said, "is prepared to offer the necessary guarantees with regard to the non-deployment and non-use of nuclear and chemical weapons in this zone. It would probably be worthwhile to go even further, ridding the Balkan peninsula of all foreign troops and military bases."

It is indicative that, both on the national level and in the joint documents of the "Delhi six," the PASOK government has resolutely denounced the SDI as a threat to peace, the subversion of the ABM treaty, and the U.S. attempts to achieve military superiority and to create the necessary conditions for the delivery of a first strike with impunity.

The Greek leadership is striving to give the legal-treaty basis of American-Greek relations a more just and equal nature. It has announced that it will not be bound by the "gentlemen's agreements" concluded by earlier right-wing Greek governments with the United States and has proposed the review and annulment of the oldest and most odious bilateral agreements. After the Greek-American agreement on defense and economic cooperation was signed in 1983, the Greek side initiated the review of 108 Greek-American agreements in the military-technical sphere and the discussion of the future of the Voice of America station in Greece.

Greece is defending its economic independence and sovereignty in foreign policy affairs but is simultaneously displaying goodwill and a desire to improve

American-Greek relations and avoiding the kind of actions that might cause their deterioration. The Greek leadership is trying to create a positive political atmosphere in the relations between Athens and Washington, has shown restraint and tact in its statements about the United States, has expressed its willingness to conduct constructive bilateral talks on unresolved issues, and expects the American side to reciprocate.

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### 10th Anniversary of Moscow University American Studies Program

18030012e Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 65-68

[Article by I.V. Galkin and Ye.F. Yazkov: "The Moscow State University Laboratory of American Studies"; first paragraph is *SShA: ekonomika, politika, ideologiya* introduction]

[Text] The American Studies Laboratory in the Department of Modern and Contemporary History of the School of History of Moscow State University imeni M.V. Lomonosov will be 10 years old in November 1987. A decade of research is a long enough period to sum up some results.

By the time Moscow State University acquired the new structural subdivision, the history, economy, law, literature, philosophy, and geography of the United States had already been studied at the university for 25 years, and in May 1975 a special Scientific Coordinating Council on American Studies was created. Its chairman was a prominent Soviet historian, the late Professor N.V. Sivachev. In addition to performing its own scientific and academic functions, the American Studies Laboratory was expected to serve as the scientific-organizational nucleus of the coordinating council.

It was no coincidence that the Department of Modern and Contemporary History served as the basis for the establishment of the laboratory. The department had been conducting basic research in the field of U.S. history for a long time and had given rise to its own school of research. Works by the department's leading experts on American affairs were awarded the State and Lomonosov prizes in 1974 and 1975. An elaborate system of specialization was established here and was combined with intensive language training.

The new laboratory concentrated on the study of history and political trends in the United States. The history of the two-party system in the United States was chosen as the main field of research. In the beginning of the 20th century, V.I. Lenin was already observing that the so-called "system of two parties" served as "one of the most

powerful ways of inhibiting the development of an independent workers—i.e., genuine socialist—party" (vol 22, p 193). In essence, the two-party system in the United States is one of the instruments with which the American bourgeoisie has secured its political dominion for more than 200 years. Special studies of the history of the main bourgeois parties in the United States, however, were virtually non-existent in Soviet historical research.

The study of the past and present of this system and the teaching of this special subject were impossible without the accumulation of facts and without their conceptual-methodological interpretation. The performance of these interrelated tasks began in 1978-1982 with the publication of a series of articles by leading department researchers. In particular, they proposed a scientific system for the division of the history of the two-party system in the United States into specific periods, disclosed and analyzed the principles of party interaction within the framework of the two-party mechanism,<sup>1</sup> and suggested areas of future investigation. They also examined the main aspects of the evolution of the organizational structure of American bourgeois parties between the end of the 18th century and the present day, revealed the role of ideology in the history of this system, and analyzed the effects of so-called third parties on the development of the two main parties during all stages of their existence.<sup>2</sup> The basic premises of a general theory of the history of the two-party system in the United States were clarified in a special course of lectures, published in 1981.<sup>3</sup>

Laboratory researchers and post-graduate students in the department worked together on a series of studies of specific topics covering all of the main events in the history of the two-party mechanism—from the time of its birth at the end of the 18th century to the present day. The Moscow State University Scientific Coordinating Council on American Studies helped to supplement and amplify these studies on the basis of an interdisciplinary approach. As a result, the laboratory staff and researchers and post-graduate students in the School of History, other liberal arts departments of Moscow State University, some institutes of the USSR Academy of Sciences, and higher academic institutions wrote two collective works on the history of the American political parties, which were published in 1981 and 1982,<sup>4</sup> and defended a series of dissertations. All of this made it possible to move on to the qualitatively new research task of composing a massive collective study in which concrete historical analysis would be supplemented by functional analysis.

This comprehensive, interdisciplinary approach led to the publication of a two-volume work, "Printsipy funktsionirovaniya dvukhpartynoy sistemy SShA; istoriya i sovremennyye tendentsii" [The Functional Principles of the Two-Party System in the United States; History and Current Trends]. The first work has been completed and sent to the Moscow State University publishing house,

and the second is almost finished. Elements of comprehensive analysis and the concrete historical approach were also reflected in the study of U.S. constitutional doctrines.<sup>5</sup>

Another significant achievement is the entire series of anthologies of papers and surveys compiled by the Moscow State University School of History and USSR Academy of Sciences Institute of Scientific Information on the Social Sciences, published since 1981.<sup>6</sup> Last but not least, in 1984 laboratory researchers began publishing individual studies of various, generally little-researched stages in the history of the bourgeois parties in the United States.<sup>7</sup>

A procedure was developed for the use of the reference base of laboratory research, particularly data processing methods. A computer office was opened in the Department of Modern and Contemporary History of the School of History in the beginning of the 1980's. Since that time the results of the computer processing of U.S. political statistics of the 19th and 20th centuries, particularly data on the election behavior of American voters, have been used in dissertations and theses defended in the department. The use of computers in our historical research has been extremely effective.

All of this has been accompanied by the continued study of the key phases of the genesis of state-monopolist capitalism,<sup>8</sup> the policy of U.S. ruling circles on the working class,<sup>9</sup> U.S. foreign policy, and the struggle of ideas in American public life in connection with foreign policy.<sup>10</sup>

The School of History has established closer scientific contacts with specialists from academy institutes and higher academic institutions where American affairs are studied—the Institute of U.S. and Canadian Studies, the World History Institute, and the Institute of World Economics and International Relations. Joint scientific conferences at Moscow University have been attended by Academician G.A. Arbatov, corresponding members of the USSR Academy of Sciences V.V. Zhurkin and T.T. Timofeyev, doctors of sciences A.A. Kokoshin, O.M. Bykov, Yu.A. Zamoshkin, V.V. Sogrin, G.N. Sevastyanov, K.S. Gadzhiev, A.D. Nikonov, G.A. Trofimenko, and B.A. Shiryayev, and many other leading experts on American affairs.

The first issue of the *Problemy amerikanistiki* periodical was published in 1978. Now the seventh issue of this interdisciplinary periodical, which became an annual publication in 1985, is being compiled.<sup>11</sup> The publication usually consists of sections dealing with specific subjects (history and law, economics and geography, philosophy and literature) and contains articles by Soviet experts on U.S. history, philosophy, and economics. During the preparation of each successive issue, the research team of the American Studies Laboratory serves

as the organizational and scientific-auxiliary body of the editorial board of this fundamentally new type of periodical in our social sciences.

Instructors in the Department of Modern and Contemporary History and the laboratory staff took an active part in the preparation of several basic scientific works (among which the four-volume "Istoriya SShA" [History of the United States] warrants special mention) published by other research establishments. The laboratory participates in international scientific and educational cooperation between the USSR and the United States. For the 13th year in a row, students of American studies in the Moscow State University School of History are being offered a semester of special classes taught by American historians, visiting Fulbright scholars sponsored by the American Studies Laboratory. In past years the students have taken lecture courses from historians J. Cronin, J. Brodie, E. Smith, P. Walker, R. Kelley, L. Litwack, W. Solberg, E. Triney, G. Frederickson, R. McKenzie, E. Pessen, R. Jensen, and J. Cooper. Our young researchers of American affairs have learned the skills of constructive argument from their conversations with non-Marxist historians from the United States.

Laboratory researchers compiled the Soviet section of the five-volume "International Annotated Bibliography on U.S. History" and are preparing the yearbook "Soviet-American Dialogue on History," which will include articles in English by Soviet historians, reviews of these articles by American scholars, and the responses of Soviet authors to the reviews. This is the first time in the history of Soviet-American contacts in the social sciences that the publication of this kind of yearbook in the United States is being undertaken. The Moscow State University laboratory has taken on most of the scientific-auxiliary and organizational work involved in its preparation. The first edition of this yearbook, setting forth the views of Soviet historians on the history of U.S. sociopolitical development during the years of F. Roosevelt's "New Deal," has been compiled. Experts on American history from Moscow State University now regularly address conventions of the American Historical Association and the Organization of American Historians and submit articles to American scientific periodicals.<sup>12</sup>

The laboratory research team is now working on an analysis of general trends in the evolution of the U.S. political system. Articles analyzing individual aspects of this topic have already been published.<sup>13</sup> Future plans include studies of the system of public administration, mass movements, and the political culture, the collection of information about the history of the social psychology and historical demography of American society, and much more. All of this will require broader and closer contacts between researchers of American affairs within the university and between them and the researchers of other scientific and educational establishments.

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### Reviews of Recent Books

#### "Anatomy" of Reaganism

18030012f Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 101-103

[Review by V.A. Savelyev of book "Prisoners of the American Dream" by Mike Davis, New York-London, Verso, 1986, 320 pages]

[Text] Prominent American Marxist historian E. Foner has accorded M. Davis' book high praise: "Combining an innovative interpretation of the history of the American working class with a profound analysis of contemporary advances in political economy and a brilliant assessment of the ideological and social bases of Reaganism, Davis' book proves that the author is a discerning critic of American society and politics." This is a complimentary statement about any academic, and it is especially important to the author of this book in view of his career history.

In the 1960's Davis was connected with the New Left movement, was active in the civil rights struggle, protested the war in Vietnam, worked with Students for a Democratic Society and the Communist Party, USA, and then worked for the Southern California Teamsters Union. He was a meat cutter for some time and it was not until the 1970's that he had a chance to return to the scientific and academic community. Now he is the editor of the "American Socialist Yearbook" and a member of the editorial board of the *New Left Review*.

The author explains that the popularity of Reaganism was due to a group of changes within the Republican Party and in the two-party system in general. After 1968, he writes, groups of capitalists occupying a comparatively peripheral position gradually took control of the Republican Party. The political representatives of the traditional groups of capital began to side more and more with both of the main bourgeois parties. Therefore, this was not so much a transfer of power from the "Yankee financiers" of the northeast to the "capitalist cowboys of the Sun Belt," as many American researchers have said, as the creation of an unstable and largely undefinable consortium of power and interests by various groups of capital.

It would be wrong to say that the American political system is distinguished from the typical West European systems only by the absence of a mass workers party, M. Davis writes. In general, the European political spectrum of "left-right-center" has little appeal to Americans. The author lists such distinctive features of the American system as the subordination of the labor movement to one of the main bourgeois parties; the political division of the working class and middle strata due to racial, ethnic, and religious conflicts; the exceptional strength and militancy of the petty bourgeoisie; the complexity and variability of the internal structure of the grand bourgeoisie; the importance of regional polarization within the confines of the federal political system (p 163).

The author says that the last two factors are particularly important for an understanding of the present state of the Republican Party. In contrast to the geofinancial centralism in other capitalist states, the financial domination of Wall Street groups was always challenged by financial centers in Cleveland, Chicago, and San Francisco, and recently by those in Los Angeles and Houston. As a result, the decentralized political system gave relatively new regional groups of capital a chance to challenge the traditional financial center.

The growing economic strength of the southern states in the 1970's brought new groups to power, and these replaced the "eastern liberal establishment," connected primarily with the Rockefeller empire, in the Republican Party leadership. The new conservative coalition of southern and western capitalists included Texas oil millionaires, real estate entrepreneurs in Florida, and California industrialists. Davis lists the main supporters of the "New Right," including members of Reagan's "kitchen cabinet"; these are oil industrialists H. Salvatore, L. Hess, E. Noble, and N. Simon; "leisure industry" magnates B. Hilton, W. Knott, and W. Marriott; agribusiness and real estate entrepreneurs W. Wilson, C. Week, and W. Smith; supermarket owner T. Cummins, automobile dealer H. Tuttle, and millionaire J. Dart (p 172).

The author divulges an interesting fact: The large defense contractors who made Reagan's victory in 1980 possible and the capitalists of Silicon Valley (who control enterprises in the electronics industry and electronic scientific centers) did not affiliate themselves directly with the New Right.

The groups of capital casting their lot with the conservatives are distinguished by family business clans striving for financial independence, actively opposing labor unions and social programs, engaging in economic expansion (in contrast to the "old right") in the Middle East and Central America, and hoping for the continuation of the disproportionate redistribution of federal taxes and expenditures in favor of the south (despite their fervent anti-statist rhetoric). Suffice it to say that the northern states paid 151.4 billion dollars in federal

taxes in 1976 while federal expenditures there amounted to 118.7 billion dollars, whereas the respective figures for the south were 89.7 billion and 102.3 billion.

The author also makes note of a few megatrends that brought rightwing forces to the political forefront in the United States in the late 1970's and early 1980's. The first was the increasing popularity of rightwing neopopulism as a result of the more pronounced social polarization of the middle strata and the low-income people living on welfare, and differentiation within the working class; the tendency toward the social-property fragmentation of the laboring public, in which the comparatively well-to-do members are being opposed more and more by the "unfortunates." The second was the rightward shift of the political axis in the United States as a result of the decline of mass protest movements, the growing strength of conservatives in both of the main bourgeois parties, the mounting attacks on the ineffectiveness and wastefulness of the mechanism of socioeconomic regulation, and the consequent inclination toward anti-egalitarianism and even the simple redistribution of the federal budget in favor of the haves (corporations or middle strata) at the expense of the have-nots, the lower social classes that were allegedly only sapping the strength of the United States.

As far as changes in the structure of the ruling class are concerned, the author makes note of the tendency for Pacific groups of capital to grow stronger at the expense of Atlantic groups. Several indicators attest to this. Since 1980, for example, the Pacific basin has surpassed the North Atlantic as the main zone of trade (for instance, the volume of U.S. trade with Taiwan surpassed trade with Great Britain). In 1983 the "Atlantic" share of foreign trade—or, more precisely, the proportion of industrial imports on the American market from Europe and Canada—was 43 percent, while the "Pacific" share (Asia and Latin America) rose to 54 percent. Growth rates in California were twice as high as in Europe. Last but not least, the high technology branches of industry have been connected more and more directly with the development of California (pp 251-252).

Besides this, we should not forget, M. Davis writes, that Reagan's victory was also made possible by a rightward shift and a tougher U.S. domestic and foreign policy in the Carter Administration. The splitting of the Democratic Party, the erosion of its mass base, and the failure of Reagan's opponents to propose a serious alternative economic program also played their part. There is no question that Reagan's extraordinary television presence also played into the hands of rightwing forces. "The American electoral system," Davis remarks, "which has traditionally been the most hostile, by its very structure, to signs of radical or independent policy, has actually become an appendage of the advertising and television industries" (p 297).

In the author's opinion, however, Reaganism is unlikely to be a lasting phenomenon in American politics, and it is doubtful that the erosion of the traditional bases of the

two-party system in the United States will cease or that the main groups of monopolist capital will be reconciled for a long enough period. The popularity of Reaganism, judging by all indications, is temporary, Davis writes, because it has temporarily reconciled the interests of all strata of property owners by means of the vigorous redistribution of income to the detriment of the lowest social strata. Sooner or later, however, this will be followed by political instability, and this, in turn, will have to be compensated for by political methods rather than socioeconomic ones due to the absence of a reliable economic mechanism.

Dramatic changes in domestic policy, in the author's opinion, cannot fail to influence foreign policy. Now that the American monopolist elite has lost its earlier economic hegemony, it is relying more and more on the inclusion of the United States' Western partner-rivals in its military-strategic plans. This is also the reason for the general emphasis on the use of force in foreign policy, neoglobalism, militarist "Rambomania," adventurism, and the unpredictability of foreign policy. There is the danger, Davis writes, that American ruling circles are being taken in by the illusion that the United States will be able to stop undesirable political and economic processes in the world by means of political blackmail and the strategy of nuclear superiority.

M. Davis' book reveals the absence of historical prospects for Reaganism, although the "melting pot of contradictions" has not produced a political alternative to the Republican administration's policy line yet.

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**Problems of Management and "New Competition"**  
*18030012f Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 103-106*

[Review by B.N. Porfiryev of book "The New Competitors. A Report on American Managers from D. Quinn Mills of the Harvard Business School" by D. Quinn Mills, New York, Chichester, Brisbane, Toronto, and Singapore, John Wiley and Sons, 1985, xxii + 391 pages]

[Text] The work under review was written by a famous American expert on management. Daniel Quinn Mills is a professor in the Harvard School of Business, an adviser to giant corporations and several U.S. government agencies, and a member of the Reagan Administration's National Committee on Employment. Close contact with managers on different levels has allowed the author to make competent appraisals of corporate managerial practices. His work as a researcher and educator has always been connected with the development of the theory of management.

This kind of reputable study by an authority would be appealing in any case, but another factor is even more important. The report was published in 1985—that is, after the most severe economic recession of the postwar years in the United States, the recession of 1980-1982—when indicators of economic growth began to rise. Under these conditions, a more optimistic assessment of the prospects for economic development and management in the United States in comparison with works published in the early 1980's could have been expected. Nevertheless, D. Quinn Mills is quite reserved in his assessments of the development of American management, the crisis of which became particularly apparent at the end of the last decade and the beginning of the current one. The purpose of the book consists, as the author himself says, not only in providing an "informed opinion of the state of management in corporations" but also in "revealing ways of improving the performance of the managers themselves and the companies they head" (p vii). To carry out this extremely difficult task, D. Quinn Mills made maximum use of his rich experience as a consultant and educator and of the extensive information collected during the survey of 400 executives from more than 300 firms he conducted with his Harvard Business School colleagues in 1983. These included the giant firms on *Fortune's* annual list of the most successful corporations and relatively small high technology companies which proved to be viable even at a time of economic upheavals.

Many studies of management proceed from the assumption that work is performed by an organization, D. Quinn Mills says in the introduction. A deeper analysis of managerial practices, however, leads to the simple conclusion that work is performed not by an organization, but by specific individuals. Their energy, imagination, and ability to adapt to their surroundings are the foundation of any organization (p viii). It must be said that although this approach represents an advance in comparison with the works to which the author refers, it is not original because it is based on the still extremely popular (and not only in the United States) theory of "human relations," which is still the methodological basis of many bourgeois studies of management. The theory propounded by Mayo and his followers and its class essence have been analyzed repeatedly by Soviet economists and sociologists. For this reason, there is no need to discuss it in detail here. This book by D. Quinn Mills is distinguished by something else: a more balanced presentation of analytical and empirical material and a more discerning and valid (within the framework of the theory chosen), although not always sufficiently deep and comprehensive, analysis of the latest trends and experience in American corporate management, including those regarded by many experts as the standard.

The author says that the changes in the world economic situation in the 1970's were accompanied by the perceptible reinforcement of the positions of Japan and Western Europe and the erosion of the U.S. position in the

world economy. He believes that this was connected, in particular, with the crisis of the system of management, which was geared almost exclusively to the attainment of the highest possible financial indicators of corporate performance. The intensification of economic conflicts between the United States and the two other centers of world capitalism on the one hand and between corporations and managers of the "old" type and those actively developing and introducing more modern forms and methods of management on the other, in D. Quinn Mills' opinion, was the main symptom of the "new competition" engendered under these conditions—a phenomenon which became more pronounced under the influence of several internal and external factors, among which the professor from Harvard first lists the danger of nuclear war and the unfavorable demographic and economic trends within the United States itself (p 8).

The author focuses attention on three processes, which he regards as the key to successful corporate management under the conditions of the "new competition": the delegation of functions and responsibility, the motivation of the actions of personnel, and the provision of the personnel of firms and their contractors with financial guarantees (p 40). An analysis of these processes could be of definite interest to Soviet specialists studying ways of improving the management of the national economy.

In a discussion of the problems of delegating the functions and responsibilities of members of the highest level of management to lower levels and then to specific individuals, the author underscores the special importance of the middle level of production management. This is frequently the site of the "black hole," or what the author terms the "Bermuda triangle," in which most of the information coming down from above (orders and directives) or moving in the opposite direction (requests and complaints) either drowns or is changed beyond recognition. This leads to the deterioration of contacts between labor and management, interruptions in the production cycle, and other problems which ultimately undermine the corporation's competitive potential. Analyzing the "circulating manager" as one way of surmounting this widespread bureaucratic illness (this method, incidentally, is practiced by the Hewlett-Packard company), D. Quinn Mills, in contrast to several researchers, including T. Peters and R. Waterman,<sup>1</sup> who regard these methods as something just short of a universal weapon in the fight against bureaucracy, expresses serious doubts. Although he agrees in general with the criticism of the office style of management, he nevertheless notes that, "unfortunately, even the circulating manager is not enough in many cases to solve the problem of the 'Bermuda triangle'" (p 54). D. Quinn Mills suggests that more workplaces be equipped with personal computers and that informal contacts between managers and subordinates and within both groups be improved and encouraged. It would seem that the latter is hardly feasible under the conditions of fierce intraorganizational competition.

Other interesting sections of the report are the author's discussions of the relative merits of various types of wages—salaries, the merit raises and bonuses following regular performance evaluations, and moral and material incentives; the criteria used in determining the salaries of workers and employees; the contradictory effects of salary raises on productivity. We will cite just one example we find quite indicative. After stating that, in the overwhelming majority of cases, the dismissal of a worker does not mean that he was unable to perform his work satisfactorily at the given enterprise or establishment, but that management was unable to find him a job corresponding to his abilities, the author writes: "It is often possible to 'breathe new life' into people who are regarded as dead weight in their present jobs by transferring them to another job at their own request or on the firm's initiative. Numerous cases attesting to this confirm the conclusion that the problem of dead weight apparently stems not from the specific workers or employees, as people usually assume, but from the very organization of the work" (p 182). D. Quinn Mills then goes on to express the following belief: "If a firm uses new large investments only for the improvement of technology, without modernizing the organization of personnel and labor, it could encounter serious problems and lose the advantages promised by the use of this technology" (p 183).

D. Quinn Mills lists the following as the fundamental features of the new system of operational organization corresponding to the conditions of the "new competition": flexible workplaces (the author gives the term "workplace" a broader interpretation) and the rotation of jobs; wages based on skills (in contrast to piece-work wages); the transmission of business information directly to workers by the manager; the direct supervision of work by management; moral incentives for workers from their peers (people in equivalent jobs, receiving equivalent salaries, etc.); constant retraining and advanced training; group (or brigade) forms of labor. The characteristics listed above seem to be of fundamental importance, transcending the bounds of specifically American experience, and their creative and discerning analysis could be of value in production in any other country.

In his analysis of the experience of the most successful American firms using the new system of production management, D. Quinn Mills provides a sufficiently objective and sound appraisal of the state of affairs in general. He repeatedly stresses, for example, that all of the elements of the new system of management are not being used in their entirety even in these corporations and that the system itself is still in its formative stage and is confined to a few of the most advanced enterprises of the leading companies.

D. Quinn Mills notes that the new system of production management, which is geared to the maximum satisfaction of demand in terms of quality, assortment, etc., does not ignore the financial criteria of corporate performance; production outlays are still an important factor

in the firm's competitive potential. The experience of the advanced enterprises of the General Motors, Dana, and Proctor & Gamble companies indicates that managerial innovations were responsible for a rise of 15-20 percent in efficiency at the beginning of the 1980's in comparison to "traditional" enterprises and to the enterprises of their competitors. By the middle of the 1980's, however, their competitive potential was shaken severely by the appearance of similar products from the Southeast Asian states on the domestic American market at prices 40 percent below the American prices, but this is another matter.

The author is not at all inclined to idealize the state of employment in leading U.S. companies. Although he commends the efforts of some managers to avoid the dismissal of personnel and underscores the successes some of them have had in this area, he also notes that this policy is adhered to by only 1.5 percent of all large corporations, much less medium-sized and small ones. During periods of crisis in the 1970's, IBM alone dismissed more than 9,000 people from their jobs (p 67). "It would be wonderful if dismissals could be dispensed with completely, but for the individual company this is impossible under the conditions of an economy as unstable as ours," D. Quinn Mills admits (p 75).

It must be said that this opinion is contrary to the assertions of many American experts on management, who see the new system of production organization as something just short of a cure for all ills. This is precisely the point of view of the aforementioned T. Peters and R. Waterman, who called IBM and Proctor & Gamble model corporations.

This book by D. Quinn Mills is filled with statistics illustrating the latest processes in American economic affairs and management. The author provides a highly professional description of the difficulties U.S. corporations are encountering under the conditions of more intense competition and an analysis of advanced forms and methods of production management and the difficulty of incorporating them in American companies.

#### Footnotes

1. For more detail, see T. Peters and R. Waterman, "In Search of Excellence," Moscow, 1986.

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#### SDI: The View from Western Europe

18030012f Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 106-107

[Review by A.P. Kireyev of book "La guerre des etoiles" by Carlos de Sa Rego and Fabrizio Tonello, Paris, La Decouverte, 1986, 125 pages]

[Text] This new book by French researchers gives the reader a detailed account of the American "Star Wars" plans, describes the different stages in the development

of U.S. militarist ideas connected with the deployment of arms in space, and analyzes technical aspects of the development and implementation of the program. The authors inform their readers in France of the conflicting reactions to President Reagan's initiative in the United States and cite scientists' arguments about the impossibility of securing the system's effectiveness and about its low level of technical reliability and excessive cost. They cite, for example, these figures: Whereas allocations for the SDI in fiscal year 1984 represented only 3.7 percent of all Pentagon R & D allocations, by 1990 the U.S. Defense Department will be spending 13.1 percent of all its research funds on "Star Wars" (pp 82-83).

It seems to us that the most interesting part of the book is the one in which the authors discuss the United States' attempts to involve its European allies in the work on the SDI. In particular, France is worried that the deployment of an antimissile system in space by the United States will inevitably be followed by Soviet counteractions, and this will reduce the effectiveness of French "deterrents" (p 102). France has also expressed quite valid apprehensions about the possibility that joint work on the "Star Wars" program will cause the European countries to fall behind the United States and Japan in the sphere of the latest technology and is encouraging the intensification of West European scientific and technical integration within the framework of the "Eureka" project it proposed (p 101).

As far as the FRG is concerned, its leadership has tried to alleviate domestic political conflicts by advertising the SDI as an ordinary commercial enterprise instead of a military-strategic program, the book says. Although England was quick to demonstrate its "Atlantic solidarity" and signed a "memorandum on mutual understanding" in December 1985, the English side has been unable to obtain any guarantees from the Americans regarding its share of 1.5 billion dollars in the SDI program (p 106).

Italy, on the other hand, did not want to aggravate relations with its overseas partner and officially announced its inclusion in the work on SDI-related programs.

The authors of the book under review argue that the benefits of the allies' cooperation with the United States in the production of space weaponry will be minimal. They cite the following data from the report of the Federation of American Scientists, submitted to the House of Representatives of the American Congress back in December 1985. West European firms were awarded only 0.1 percent (10 million dollars) of all American contracts for antimissile research between 1972 and 1985. The prospects for West European participation in the SDI are also quite limited (p 110). Here is what the authors predict: Of the total allocations of 30 billion dollars for the SDI from 1986 to 1990, representing 100 percent, the West European countries hope to

receive 3 billion, or 10 percent; they could receive 0.3 billion, or 1 percent; and the amount reserved for Western Europe is 0.03 billion, or 0.1 percent.

The inconsistency of Western Europe's stance on the SDI is described well in the book. The authors preferred to say nothing, however, about the West European initiative regarding the creation of a European antimissile system, which has been termed the "EurDI" and will supposedly be developed independently of the United States. The complete disclosure of the "double-dealing" of its initiator, the FRG, would have allowed the authors to draw more profound conclusions about the prospects for the development of the American-West European strategic partnership.

The absence of any mention in the book of the USSR's struggle against the militarization of space could give the unbiased reader the impression that all of the main international issues are decided according to Washington's wishes and that it is opposed only by a disunited Western Europe. This is an obvious flaw in the study, primarily because this is contrary to the facts, but the authors' logical and sound statements about the futility and danger of creating a broad-scale antimissile system with space-based elements command unquestionable respect.

The authors of the study conclude their work with these words: "The SDI was conceived for the creation of a space shield, which would supposedly be needed sooner or later to protect American cities from nuclear attack. After 3 years of research, however, it is clear that there will be no shield. At the dawn of the 21st century nuclear weapons will threaten the destruction of all civilization just as they do today." This is a completely realistic conclusion.

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#### Pessimistic Forecast

18030012f Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 107-110

[Review by V.B. Rasmustov of book "Right Turn. The Decline of the Democrats and the Future of American Politics" by T. Ferguson and J. Rogers, New York, Hill and Wang, 1986, 276 pages]

[Text] The reasons for the "conservative revival" are still being debated in the United States. Various interpretations of the "shifts," "declines," and "origins" of the political changes that took place in the country in the beginning of the 1980's are being offered. In this boundless flow of books and articles, however, the study by T. Ferguson and J. Rogers will not be lost, if only because these names are well known in the United States. Their articles on current sociopolitical and economic issues appear regularly in the liberal weekly *Nation*. The book

presents an extraordinary view of current events, a point of view differing dramatically from the traditional set of clichés used in American political literature.

The theory of "critical choices" and of party-political regrouping has become quite popular in political science in the United States. Basing their analyses largely on studies of voter behavior, the advocates of this theory portray political history as a cyclical process of alternating periods of stability and abrupt changes in American party affiliations. This essentially apologist theory is used to corroborate the democratic nature of the American political system, because the transformation of policy is supposedly the result of changes in the views of voters.

The authors of this book deny the validity of this approach. They believe that the real content of the political process in the country depends on the alignment of forces among the "main financial contributors" in the system of party politics. In contrast to the majority of individual voters, these contributors usually have definite reasons for financing the people in change and the ability to withhold funds (pp 45-46). A study of the campaign funds of the two leading bourgeois parties, including the materials of the Federal Elections Commission, is used as a basis for a discussion of changes in the positions taken by various groups of monopolist capital on the main domestic and foreign policy issues. The authors of the book try to show who "paid" for the political changes that have taken place in the country and why they did so. The disclosure of the class-related aims of these changes is one of the strong points of the book. It aids the reader in understanding changes in the balance of political power in the upper echelon of government.

The party affiliations of monopolist groups were decided at the time of the "New Deal" and have remained largely unchanged since that time. Democrats were supported by representatives of capital-intensive branches of industry, while representatives of labor-intensive branches rallied round the Republicans. Investment and transnational commercial banks, therefore, supported Democrats. Their views are described in the book as "transnational liberalism." It was distinguished by an inclination to resolve class conflicts within the country by means of the social contract and attempts to derive maximum benefit from the principle of "free trade" in foreign economic strategy. Later, several factors, primarily economic in nature, led to serious changes in the views of monopolist capital.

The authors take the economic crisis of 1973-1975, which was almost the most severe crisis since the time of the "Great Depression," as their point of departure. It is true that the tendency toward stronger conservative feelings within the capitalist class was already apparent in the 1970's. The low rates of economic growth, combined with the high rate of inflation throughout the decade and the chaotic state of government finances, led

to disillusionment with Keynesian recipes of economic regulation. Many sectors of big business resolved to rid themselves of the "obtrusive" interference in their activities by the government. As the authors demonstrate, in addition to objective difficulties which forced the ruling class to seek alternative courses of action, mercenary interests also played a definite role. For example, the petrochemical, chemical, and pharmaceutical transnational monopolies which had traditionally supported the Democratic Party decided to throw off the fetters of regulations governing environmental protection, labor safety, and the export of products injurious to human health. Through the foundations they owned, the Richardson, Olin, Scaife, and other foundations, the firms joined the campaign in support of "free enterprise" and began making contributions to such neoconservative publications as *Public Interest*. By the end of the 1970's the expenditures of all groups of monopolies on the popularization of "deregulation" programs totaled around a billion dollars a year (p 88).

The widespread belief in the need to minimize government regulation of economic activity eroded the Democrats' base among monopolist capital. The demands for severe tax cuts had the same effect. At a time of slower economic development, a high rate of inflation, and an arms buildup, social programs had to be cut. Another factor which made the Democratic Party's position weaker on the level of the elite was the desire of the ruling class for a return to power politics in international affairs. By the end of the 1970's debates in these groups were confined to the question of the "adequate level" of arms race financing. The Democrats, Ferguson and Rogers write, were aware of the impossibility of combining guns with butter, "which meant that they had to strike a balance between the demands of their main investors and the needs of their mass base.... Friction in the Democratic ranks made the party an unreliable promoter of the business community's plans" (p 79). In this way, the strength of the party which had kept most of the voters within its orbit for a long time by means of social manipulation was now seen by ruling circles as its weakness.

The Reagan bloc, whose platform in the 1980 campaign united most of the ruling class, derived political advantages from the reorientation of the monopolist bourgeoisie. The process which was mistakenly interpreted as a "conservative wave" from the south and the west was actually a rightward shift of all American big business, the authors stress (p 113).

The consensus big business had reached by the beginning of the 1980's was temporary and was confined to three basic premises: the reduction of expenditures on wages and social programs, lower taxes, and higher military spending. "The coalition consisted simultaneously of nationalists and some internationalists: These were the defenders of a stringent monetary policy and of unlimited financial expenditures; the supporters of free trade and of protectionism, of conflicting fiscal programs, and

of conflicting foreign policy interests. Although this coalition put Reagan in office, it was a mile wide and only an inch deep" (p 115). The political elite of the Democratic Party, however, was in no hurry to search for the weak spots in the policy of the Reagan Administration. After all, the party seemed "too liberal" to most of the monopolist bourgeoisie. At the beginning of Reagan's first term, many Democratic congressmen voted for the programs constituting the nucleus of his economic and military policies.

The regrouping of forces within the Democratic Party from 1981 to 1984 is described in detail in the book. Groups and organizations on the left flank of the party's mass base became much more active politically. They were unable, however, to exert any real influence on the party policy line. The authors blame the problems of leftwing forces on the shortage of funds for effective participation in political decisionmaking, the nomination of candidates, and mass media coverage. It is true that money plays an important role in election campaigns, and the last presidential elections set a new record (the combined expenses of the two leading bourgeois parties came to around a billion dollars). The reasons for the weakness of social protest movements, however, naturally lie much deeper.

The Democratic Party leaders eventually began seeking alternatives to Reaganism. Instead of making use of the potential of the widespread feelings of dissatisfaction in their mass base, however, they looked for support from the business groups dissatisfied with the concrete results of the Republicans' activities in the spheres of national economics and foreign policy. When priorities had to be set for the party platform in the 1984 campaign, the choice was made both by new organizations, such as Democrats for the 1980's and the Center for National Policy, and by old think tanks, such as the Brookings Institution. The directions of this search, however, are attested to by a remark cited in the book and taken from a magazine popular in the business community (*Industry Week*)—that the Brookings Institution "sounds more and more like Ronald Reagan each day" (p 144). The efforts of the Democratic Party leaders did not escape the notice of big business. They were supported by some defense contractors—United Technologies, General Dynamics, and Boeing, the largest banks, especially the Bank of America, many investment banks, transnational corporations, and real estate magnates.

What do the authors have to say about the country's immediate political future? One of the results of the changes in the strategy of U.S. ruling circles was, the authors write, the new "right-of-center orientation" of the party system (p 197). Although the Republican coalition turned out to be heterogeneous and contradictory, Reagan's victory was seen by his supporters as evidence that a "new conservative majority" had taken the place of the New Deal coalition. Their expectations that the new party system headed by the Republican

Party would last for many years, however, were groundless from the very beginning, the authors write. The Democratic Party's difficulties, they stress, are only temporary.

Democratic Party leaders are now continuing their reassessment of ideological premises. Many influential politicians are blaming the party's problems on the so-called "special interest groups" (the party's liberal wing) pursuing allegedly narrow and egotistical goals at the expense of the national interest. Today, "virtually every segment of the party elite sees the contraction of the mass base as the solution" (p 203). "Sensible" Democrats proceed from the thesis of the "total shift" to the right in American society. The authors of this study prove that the transformation of policy in the country was not accompanied by any qualitative changes in the views of voters. After comparing the data of public opinion polls over the last decade and a half, they ascertain the "relative stability of the basic attitudes" of the average voter toward social security, environmental protection, the civil rights of the colored population, the labor movement, issues of war and peace, and relations with the Soviet Union (pp 11-12, 196).

On the strength of their pro-monopolist orientation, the authors continue their political predictions, the Democrats will be able to gain strong support among high-income voters and will have a chance of winning the next presidential elections. This kind of victory would not bring about any fundamental political changes. Without strong pressure from below and without any change in the relatively calm economic situation, the authors conclude, the more conservative orientation of the party system will remain unchanged for some time.

The book ends on this pessimistic note, and the authors see just one solution: Leftist forces must wait until the "heterogeneous nature of American business" and the "uneven development of the world economy" aggravate conflicts within the political elite (p 219). This advice reflects the confusion of leftist radical forces in the face of concerted political and ideological attacks by conservative forces and the now traditional underestimation of the strength of social protest movements.

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#### GI's in FRG and Illegal Drugs

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[Review by A.A. Trynkov of book "Die GI's. Amerikanische Soldaten in Deutschland" by Signe Seiler, Reinbek bei Hamburg, Rowohlt, 1985, 281 pages]

[Text] State customs control agencies in the USSR recently thwarted the attempted illegal shipment of 1.2 metric tons of a narcotic substance through the territory

of the Soviet Union. The hashish was concealed in a shipment of raisins loaded in a container of the American Specific International firm. The final point of destination was in the FRG. The vigilance of the Soviet customs service frustrated another provocative act by the West, which had tried, just before the hashish was confiscated, to accuse the USSR of attempting to "poison Western Europe" by encouraging the shipment of illegal drugs through its territory. It also prevented the distribution of a huge quantity of "sweet poison," valued at around 30 million dollars, in the FRG; this was equivalent to around half of all the illegal drugs confiscated in West Germany in 1985.

The U.S. Army is one of the main channels for the distribution of narcotics in the FRG. This is the conclusion drawn by West German researcher Signe Seiler, who was in daily contact with American soldiers in the FRG for 2 years before writing the book, studying their problems, difficulties, and interests, the reasons for the rising crime rate, and possible ways of strengthening "American-West German ties."

Seiler's study is, above all, a detailed analysis of the causes of the "extremely widespread drug addiction and alcoholism among American servicemen in the FRG" (p 14). The "alcoholism of poverty," which began to spread through the American zone of occupation and outside this zone 40 years ago, when the "respectable Yankees" arrived there, has now been supplemented with a wave of drug addiction. Heroin, cocaine, crack, cannabis (in the form of marijuana or hashish), "acid" (LSD), phencyclidine (PCP), amphetamines, barbiturates.... All of these are just as readily available in the American barracks in the FRG and outside their fences as the alcoholic beverages the soldiers are allowed to consume.

The number of American soldiers in the FRG who are discharged from the army for drug addiction almost triples each year (p 95). More than 13,000 soldiers were discharged in just 2 years (1982 and 1983). What is more, they are only discharged in cases of repeat offenses. Around 9,000 drug addicts and a slightly lower number of alcoholics are encouraged to seek treatment (pp 206-217).

Surveys of soldiers undergoing treatment for drug addiction indicated, the author writes, that almost all of them had used drugs before they joined the army. In spite of the treatment, the use of drugs by American soldiers is on the rise. This is attested to by periodic inspections. In some months, for example, up to 30,000 urine specimens are analyzed and more than 2,500 addicts are brought to light. There is every reason to doubt the accuracy of these data, because many commanders warn their subordinates of upcoming inspections, and some of them are drug users or dealers themselves.

Stricter measures to combat drug addiction usually lead to an increase in alcohol consumption (p 200). For this reason, persuasive methods are being tried on the soldiers. They are being promised reprieves in exchange for

voluntary confessions and the consent to undergo treatment. Only a few have agreed to this, however. This is due partly to a lack of faith in their ability to give up drugs under the conditions of their almost unimpeded distribution and consumption (p 205). Their accessibility is one of the reasons for the rise of drug addiction among American soldiers in the FRG: "It is no secret that virtually anything can be obtained in the barracks. There are no drug-free barracks in Europe or America" (p 209). They are sold at prices three times as high as in the United States. An individual portion of hashish, for example, costs 25 dollars (p 197). The GI's are welcome guests in the West German discotheques and bars engaged in the underground trade in drugs (p 140). Profits are huge in this business: A gram of cocaine costs 300 marks in one of these bars. Because of the high cost of drugs, theft and black marketeering are widespread among the American soldiers and are causing serious problems for the population of the FRG.

The Americans steal underwear, footwear, uniforms, and money from each other and they steal motor vehicles, vehicle accessories (such as tape players), bicycles, and furniture from the Germans (p 99). The American soldiers make some money from small-scale trade in cigarettes, instant coffee, watches, radios, cameras, clothing, and footwear and by selling army gasoline at half price.

In several cases American soldiers have been caught selling alcohol illegally. The public is particularly disturbed by the spread of alcoholism among the young. According to studies, the West Germans are among the biggest "drinkers" in the world. One out of every seven men and one out of every twelve women in the FRG suffers from alcoholism.

The American Army in the FRG is also spreading various diseases. According to the author of this study, there have been frequent outbreaks of venereal disease since 1944, when the Americans arrived on the territory of the former reich (p 39). Now the biggest problem is AIDS. The disease is spreading quite rapidly among homosexuals, and the number of people with these inclinations who are discharged from U.S. Army units in the FRG approximately doubles each year (p 95). The spread of AIDS in the FRG has taken on serious dimensions, and this is attested to by the mere fact that the government allocated 20 million marks for the fight against this disease just in 1987.

The West German public is deeply disturbed by the negative developments discussed in S. Seiler's book. Drug addiction and alcoholism are also alarming ruling circles in the FRG because they lead to weaker discipline in the U.S. Army in this country. Progressive West German political scientist H. Kade cited the following figures in his book "The Americans and We" (Koeln, 1983): Among the 400 personnel of the American missile subunits in the southern FRG, 129 are addicts. Half of

the personnel of one battery are addicts. Their commanders usually conceal this and protect them because they are afraid of losing most of their personnel (p 45).

Statistics of this kind, accompanied by reports of the rising crime rate among American servicemen in the FRG, are reinforcing antiwar and anti-American feelings in the country.

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### Financial Capital in Canada

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[Review by A.V. Anikin of books "Controlling Interest. Who Owns Canada?" by Diane Francis, Toronto, Macmillan of Canada, 1986, 352 pages, and "The Master Builders. How the Reichmanns Reached for an Empire" by Peter Foster, Toronto, Key Porter Books, 1986, 266 pages]

[Text] A translation of "The Canadian Establishment," a work by talented Canadian journalist and sociologist Peter Newman, was published in the USSR in 1980.<sup>1</sup> The books under review continue the discussion of Newman's topic, develop his research method, and even imitate his literary style to some extent. The first is a discussion of the structure of financial capital and of oligarchic groups in Canada in general, and the second deals with the postwar empire of the Reichmanns, one of the most aggressive and dynamic dynasties in Canada and in the entire capitalist world. In terms of its social nature and tone, this literature is reminiscent of the books of the American "muckrakers," a reaction to the dominion of the gigantic banks and trusts that sprang up like mushrooms. This is liberal bourgeois criticism of the excesses engendered by the omnipotence of monopolist capital and the financial oligarchy, but the books also have another purpose—they try to disclose the secret of the success of the rapidly growing firms and financial groups and they search for this secret in their economic effectiveness, innovativeness, and technical and financial boldness.

The new skyscrapers in the business districts of Toronto, Montreal, Calgary, and Vancouver symbolize the significance of Canadian big capital. In many respects, it is dependent on the even stronger groups of capital in the United States, but it also represents a strong power in itself. The five largest Canadian commercial banks occupy worthy positions on world lists. These banks, just as dozens of large industrial companies in Canada, are now transnational corporations. Businessmen, especially the Reichmanns, have been conducting operations for a long time in the United States and other countries in addition to their own.

When the author of this review took a trip to Canada in fall 1986, he met many members of the business community (especially the personnel of Gordon Capital, a Toronto financial firm), and this gave him a better basis for the assessment of some aspects of Canadian financial capital.

Diane Francis believes that economic power is more highly concentrated in Canada than in the United States. According to her estimates, only 20 of the 400 largest Canadian "public corporations" (joint-stock societies) have many shareholders, none of whom have a controlling interest. In the case of 374 corporations, a single shareholder or group of shareholders has a controlling interest of at least 25-30 percent of the stock. This is usually either a rich family or a conglomerate controlled by Canadian or foreign capital. At least 25 percent of the large corporations are controlled from abroad, almost exclusively from the United States. The level of concentration is constantly rising, and this is posing a serious threat to the tradition of free enterprise and to political pluralism. The author cites several indicative remarks by business and political leaders about the exceptional danger of this tendency. Numerous statistics cited in the book indicate that the subtitle "Who Controls Canada?" is indeed a burning question.

The first section of D. Francis' work, which takes up more than half of the book, deals with dynasties—the family industrial and financial empires that arose in the middle of the 19th century, such as the Webster group, and the newest of these, such as the Reichmann group, which grew up over the last quarter of a century. Many of them have contacts of various types with big capital in the United States, are dependent to some extent on American corporations and banks, and invest capital on that side of the border. One of the most prominent families of Canadian billionaires is a branch of the Bronfman dynasty. The center of its empire is the Cemp holding company (the name comes from the first letter of the first names of four family members). It controls the gigantic Seagram firm, one of the world's largest producers of alcoholic beverages and several other products. In 1980 Seagram invested 3 billion dollars in a block of shares in the American du Pont de Nemours chemical corporation, acquiring 22.5 percent of its stock. Now the Bronfmans have more influence in the corporation than its founding family, the du Ponts.

The author calls the tendency toward the replacement of the capitalist entrepreneur by the financier working only with a block of stock "paper enterprise." This is characteristic of dynasties, of big conglomerates, and even of royal (or government) corporations. The author is inclined to ascribe this phenomenon to the peculiarities of world economic conditions in the 1970's and 1980's and the distinctive financial and banking structure in Canada. Although these conclusions are obviously not groundless, there is no question that this is a characteristic tendency of our age and of the structure of financial capital in general, and not just in Canada.

The struggle between private and public financial wizards for the monetary capital accumulated by financial institutions is growing more intense. These are the resources of insurance companies, pension funds, and the trusts managed by big banks. These institutions are becoming the indirect owners of much of the capital stock in Canadian corporations. In 1985 institutional investors bought 56 percent of all the stock sold on the Toronto exchange (the largest in Canada and the second largest on the American continent after the New York exchange), as compared to 27 percent in 1965. The people who control these institutions can also control the corporations.

The author uses something like a variation on J. Galbraith's theory of equilibrium to portray the scales of the power of financial capital and examines the factors working against the concentration of economic strength. In Francis' opinion, these are the labor unions, which unite a much higher percentage of the labor force in Canada than in the United States, enterprises in the state sector, and the powerful cooperative agricultural, savings, and credit organizations. In recent years, however, the influence of these factors has declined. The state sector (and the author demonstrates this in the book) has never been an effective counterbalance to big private capital, and Canada, just as several West European countries, has now been engulfed by a wave of privatization. Part of the stock of enterprises in the state sector is being sold to private individuals.

The lively account of the history of the Reichmann empire in Peter Foster's book is reminiscent in some ways of the rise of the famous Rothschilds in Western Europe almost 200 years ago. Just as the founder of the Rothschild dynasty, who began his business activities in the Frankfurt ghetto, Samuel Reichmann began building up the family fortune in the first years after World War II in Tangiers. In the 1950's and 1960's the Reichmanns moved their money to Canada and settled in Toronto, where they began their business with a firm producing and selling ceramics. For around three decades the business was headed by Samuel Reichmann's sons Paul, Albert, and Ralph. The first of these was the most energetic and the most famous. At first the older brothers Edward and Louis were also active in the Reichmann family business in Canada. The Reichmanns moved on from ceramics to the construction of office and residential buildings, to trade, and to real estate leasing. The land and construction boom of the 1960's created favorable conditions for the display of their entrepreneurial talents. The family holding company, Olympia & York Developments Ltd., soon became the leader in its field in Canada and launched extensive construction in Canadian big cities and in New York and other American centers. The firm does not publish its financial data, but an informed estimate put its assets at 12 billion American dollars in 1982, and its annual income (or "cash flow"), in Paul Reichmann's own words, was equivalent to 233 million American dollars. Because the holding company belongs completely to the Reichmanns and

because there is no question that family members also own other property, the family is among the richest in Canada and in all of North America. Using the Reichmann empire as an example, it is easy to trace important trends in the structure and functioning of financial capital and in the formation of financial monopolist groups.

At the end of the 1970's the Reichmanns began their penetration of the oil industry, which culminated in the acquisition of control of the gigantic Gulf Canada company in 1985. This company is engaged, in particular, in oil and gas exploratory drilling and exploitation in the country's Arctic regions. Because Gulf Canada was once a subsidiary of the gigantic American oil companies, this operation by the Reichmanns was depicted as a patriotic action by Canadian press organs friendly to the family.

Earlier, the Reichmanns gained control of a giant pulp and paper company, entered the sphere of financial services and other fields, and effectively formed a huge conglomerate around their family holding company. As soon as they had absorbed Gulf Canada, the Reichmanns used its financial resources to gain control of another Canadian-American business giant—Hiram Walker Resources, a producer of alcoholic beverages and other goods. In the opinion of the author of the book (and of the Canadian business press), these ventures were not as successful as the Reichmanns' earlier operations. The deterioration of conditions in the world oil market has created unfavorable prospects for Gulf Canada, and the acquisition of Hiram Walker entailed a long and costly lawsuit.

All of this is described in the book with many juicy details about stock market operations, stock purchases during the battles for the control of corporations, interaction with large commercial banks, the political intrigues of businessmen, and the business intrigues of politicians. The personality features of Reichmann family members, as representatives of the younger generation of the financial oligarchy, are also of interest to readers. An indicative problem will also arise in connection with the prospect of the inheritance of the gigantic family fortune and the control of the conglomerate.

Both of the books reviewed here are important for an understanding of the actual functioning of financial capital and the study of present-day Canada.

#### Footnotes

1. P. Newman, "The Canadian Establishment," Moscow, 1980. For a digest of the book, see *SShA: Ekonomika, Politika, Ideologiya*, 1978, No 12.

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### Books in Brief

18030012f Moscow SSHA: *EKONOMIKA, POLITIKA, IDEOLOGIYA* in Russian No 8, Aug 87 (signed to press 16 Jul 87) pp 114-115

[Reports by Yu.I. Bobrakov on book "Tsenoobrazovaniye v mezhdunarodnoy torgovle. Teoriya i praktika formirovaniya tsen v usloviyakh NTR" [Pricing in International Trade. The Theory and Practice of Price Determination at a Time of Technological Revolution] by Ye.I. Punin, Moscow, Mezhdunarodnyye otnosheniya, 1986, 278 pages; by Ye.A. Biryukova on book "Kanada v mirovoy torgovle" [Canada in World Trade] by B.I. Alekhin and Ye.G. Komkova, Moscow, Nauka, 1986, 254 pages; and by V.I. Sokolov on book "Ekologicheskaya politika SShA. Gosudarstvenno-pravovoye regulirovaniya okhrany okruzhayushchey sredy" [U.S. Ecological Policy. Governmental-Legal Regulation of Environmental Protection] by Ye.N. Lisitsyn, Moscow, Nauka, 1986, 161 pages]

[Text]

### Pricing in International Trade

What kind of mechanism forms and changes world prices, what is of primary or secondary importance here, and how do the many different factors involved in pricing interact? This is the group of topics discussed in the book. The author views them in the broad theoretical context, covering not only the sphere of international trade but also fundamental problems of the theory of prices on the level of political economy. He advances an original theory—that the price of a commodity depends not only on its cost but also on use value as a "pricing factor." There are different points of view on this matter, but it is clear that this formulation of the topic will make a definite contribution to the development of the theory of commercial prices. The author also examines the material basis of the cycle under the conditions of technological revolution and explains the role of the life cycle of the commodity and its economic cycle, which have a combined effect on market price dynamics. Summarizing a great deal of statistical information about several large American companies, the author concludes that it is possible to some degree to forecast all of the factors involved in the pricing of each item even in the pre-production stage. This multifaceted and comprehensive study of extremely complex and now widely debated economic topics also contains a discussion of other important matters connected with the theory and practice of pricing in the capitalist marketplace at a time of technological revolution.

### Canada in World Trade

Canada's world economic relations and foreign trade policy over the last quarter of a century are examined in this work, with special emphasis on the 1970's and early 1980's. It was at this time that changes in the world capitalist economy which were extremely unfavorable

for Canada clearly revealed the need for the radical reorganization of the country's traditional system of foreign economic relations. Canada's dependence on the American market is now of special interest to researchers in connection with the Conservative government's active policy of closer integration with the United States. Canada's reliance on the American market could lead to serious economic and social problems and to the loss of Canada's independence and uniqueness. The chapters in which the authors examine Canadian protectionism and the system for the stimulation of exports are of great interest. The authors also focus their attention on Canada's trade relations with Western Europe, Japan, the developing countries, and the USSR. Canada has been less active in the Atlantic and Pacific zones since the middle of the 1970's, and this has been accompanied by changes in the foreign economic strategy of ruling circles. The authors discuss the causes of this in detail. This monograph is the first extensive study of Canada's world economic ties and foreign economic policy.

### U.S. Ecological Policy

The main distinctive feature of this work on the interaction of society and nature in the largest capitalist country consists in its legal interpretation of the state of affairs there and the measures that have been taken to protect the environment. In essence, this is an analysis of a new branch of law in the United States, the principles of its formation, its institutional mechanism, and the process of its inclusion in the system for the governmental-legal regulation of economic activity. The author presents a specific analysis of the legal mechanism of U.S. ecological policy, discusses general and particular legislative acts, and reveals the reasons for the passage of laws, the methods of their enforcement, and their results. This analysis points up the contradictory features of the system of governmental-legal institutions regulating actions to protect the environment. Although Congress and the administration publicize their environmental protection programs, they leave the final decision to capital, and this ultimately seals their fate.

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