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

No 4, April 1988

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## USA: ECONOMICS, POLITICS, IDEOLOGY

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**U.S., NATO Opponents of Nuclear-Free World**  
*18030008a Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian*  
*No 4, Apr 88 (signed to press 22 Mar 88) pp 13-21*

[Article by Yuriy Aleksandrovich Shvedkov, candidate of historical sciences and senior researcher at the Institute of U.S. and Canadian Studies: "The Breakthrough to a Nuclear-Free World and Who Opposes It"]

[Text] The past year ended with an important milestone in world history. The treaty on intermediate- and shorter-range missiles, signed in Washington, marked the beginning of the elimination of two classes of nuclear weapons. Considerable effort also went into the drafting of a treaty on the reduction of U.S. and USSR strategic offensive weapons by 50 percent. Broad-scale negotiations are being conducted with the ultimate goal of the complete cessation of nuclear tests everywhere. In this way, the program set forth by the Soviet Union on 15 January 1986 for the complete elimination of nuclear weapons throughout the world began to be implemented during the course of difficult and complicated negotiations.

There has been increasing support for this program by broad segments of the world public and the majority of states in the world—socialist, non-aligned, neutral, and even countries belonging to U.S.-created military blocs. The vital requirements of human survival have dictated the need for a new way of thinking and a resolute move from nuclear intrigues to the assignment of priority to the reinforcement of peace and from the unbridled accumulation of means of mass destruction to their elimination everywhere.

The United States and some West European countries, however, still have some political and military leaders who have been frightened by the scope of antinuclear movements and are trying to update the doctrine of nuclear war and hang on to the thesis of "nuclear deterrence." This is certainly not surprising. After all, the greatest human minds were already warning against this kind of nuclear obsession long ago.

### Development of Nuclear Paranoia

Even at the dawn of the nuclear age, prominent thinkers and scientists—A. Einstein, B. Russell, F. Joliot-Curie, and J. Bernal—were raising their voices against the use

of the great scientific discovery of the atomic chain reaction as a means of mass destruction. The Soviet leadership submitted conclusive proposals regarding the prohibition of the atomic bomb. Nevertheless, against the wishes of humanity, the next four decades were marked by a mounting nuclear threat and the constant augmentation of nuclear arsenals.

There is documented evidence that when the results of tests of the atomic device in the New Mexico desert and of the atomic bombs dropped on Hiroshima and Nagasaki became evident, even members of the highest government circles in Washington were confused and made contradictory recommendations. The focus of the debates was the memorandum President H. Truman had received from retired U.S. Secretary of War H. Stimson on 11 September 1945. He was one of the statesmen and scholars of that time who tried to take a realistic look into the future. The secretary was disturbed when he heard that Secretary of State J. Byrnes had suggested that the atomic bomb be used as a threat in the upcoming peace talks. He expressed the opinion that the bomb "is only the first step toward a situation in which man will control the forces of nature in new ways too revolutionary and dangerous to accord with old ideas."<sup>1</sup>

From this standpoint, Stimson urged the U.S. Government to initiate direct and confidential contacts with the Soviet leadership regarding the use of atomic energy. The memorandum contained the warning that if the United States should use the atomic bomb as an "implied threat" in talks with the Russians, "their suspicions about our aims and methods and their distrust of them will be reinforced."<sup>2</sup>

In the beginning some members of the cabinet, including Secretary of Commerce H. Wallace and D. Acheson, representing the State Department, supported Stimson's point of view. The opposition to Stimson was headed by Secretary of the Navy J. Forrestal, who did not conceal his belief in the atomic bomb as a means of probable warfare against the USSR.<sup>3</sup>

As a result, President Truman, who had already been inclined to agree with the experts who said that the United States could keep its monopoly on the atomic bomb for at least a decade and use it to pressure the USSR, did just the opposite of what Stimson advised. He approved the "Baruch plan"—an attempt to impose the American nuclear monopoly on the world—and rejected the Soviet-proposed ban on atomic weapons. The military establishment acquired a chance to draw up plans for atomic strikes against the USSR. This was the beginning of an arms race unprecedented in history.

The next, equally indicative phase of the debates in Washington government circles over the development of nuclear energy as a means of mass destruction took place in late 1949 and early 1950. This time the hydrogen bomb was the subject of the debates. As D. Acheson commented in his memoirs, the members of the U.S.

Atomic Energy Commission's General Advisory Committee, consisting of prominent scientists, were unanimously against this decision, while the majority of members of the commission itself, including political and military officials, were inclined in favor of it.

Those who objected to the creation of the hydrogen bomb, according to Acheson, believed that "research of this kind should not be undertaken at all.... Atomic bombs have already added enough evil elements to human life," people at the highest levels of science, education, and government argued, "to make the addition of even more terrible thermonuclear weapons inconceivable. If the United States with its colossal resources should demonstrate the possibility of this kind of explosion, others will have to strive for the same."<sup>4</sup>

The opposition was joined by leading American diplomatic experts on the USSR, G. Kennan and C. Bohlen, and even the chairman of the Atomic Energy Commission, D. Lilienthal, had similar objections. Kennan submitted a note to the government in which he said that if the United States wanted to secure nuclear disarmament, it should pledge not to be the first to use atomic weapons. Kennan also proposed some sort of international control of atomic weapons "even if this should entail some risk."<sup>5</sup> Kennan, Bohlen, and Lilienthal expressed the opinion that reliance on atomic and hydrogen weapons in long-range foreign policy plans would deprive American policy of the necessary flexibility by attaching it to ideas about the use of such weapons.<sup>6</sup>

Just as in the previous case, President Truman acted against these recommendations. He approved a rush program for the development of the hydrogen bomb and ordered the Defense Department and State Department to review American peacetime and wartime priorities and the effect of these priorities on U.S. strategic plans in light of the "potential of the nuclear bomb."<sup>7</sup>

This "review" resulted in the submission of the notorious NSC-68 memorandum to the President. This document, which gained White House approval in April 1950, advised the much more rapid buildup of American military strength (with a view, of course, to the "potential" of the nuclear bomb) to force the USSR to "retreat" and "radically change its policies."<sup>8</sup> When the United States lost its nuclear monopoly, however, the nuclear blackmail of the USSR became futile because a U.S. nuclear strike would certainly be followed by a retaliatory strike.

American officials occasionally made the statement that there could be no winners in a nuclear war. Against all logic, however, the military leaders in the United States and other Western countries elaborated the doctrines of "flexible response" and "limited nuclear war" and later even came up with the idea of "protracted nuclear war," all of which presupposed the use of nuclear weapons against the potential adversary. The debates of that time were not concerned with the elimination or destruction

of nuclear weapons, but with their improvement. Even in 1983 when President Reagan announced his "Strategic Defense Initiative," which would supposedly make nuclear weapons useless, he only spoke of the possible elimination of these weapons in the vaguest terms. Western strategists were most energetic, on the other hand, in their efforts to substantiate the need to keep nuclear weapons and even the insistence on first use with the theories of "nuclear deterrence" or "nuclear intimidation."

### Arguments Over "Nuclear Deterrence"

In all fairness, we must admit that some sensible politicians and scientists in the Western countries who criticized the theory of "nuclear deterrence" stressed that it was based on a dangerous contradiction between two opposing approaches to nuclear weapons. One approach consists in the idea that the use of nuclear weapons under present conditions will necessarily start a suicidal conflict and that these weapons must not be regarded as a means of conducting rational policy or as instruments of this kind of policy. The other approach, however, is connected with the idea that the use of nuclear weapons, even the first use, should be considered in order to secure their deterring impact, contrary to all of the implications of the previous approach. Former U.S. Secretary of State H. Kissinger summarized the contradictory and dangerous ramifications of this situation: "In the nuclear age a bluff is useful if it is taken seriously; a serious threat could be catastrophic if it were to be taken as a bluff."<sup>9</sup>

On 30 March 1987 M.S. Gorbachev provided a succinct description of the dangers inherent in the idea of "nuclear deterrence." He said: "First of all, this is not a foolproof instrument, and its continued use is heightening the risk of the unpremeditated start of a nuclear conflict. This is the fuse of a weapon capable of destroying civilization. Second, 'deterrence' is a policy of blackmail and threats and, consequently, constantly feeds the arms race and escalates tension. Third, the logic of 'deterrence'—i.e., the accumulation and improvement of weapons—signifies submission to the policy of militaristic interests with all of the ensuing severe consequences for human welfare and democracy itself."<sup>10</sup>

Many politicians in the West are still hanging on to the theory of "nuclear deterrence" even today. It is true that they do not agree on the scales and goals of "nuclear deterrence" and are engaged in heated debates. There are three main currents in these debates.

Those in the first current are essentially in favor of keeping "nuclear deterrence" in its present form and continuing the modernization of nuclear weapons, with a possibility of slight reductions but only on the condition that the United States gain unilateral advantages during this process. It was precisely in defense of this point of view that Z. Brzezinski, who was President J. Carter's national security adviser from 1977 to January 1981,

wrote an article for the NEW YORK TIMES MAGAZINE. He described the idea of a world without nuclear weapons as "sheer illusion" on the grounds that existing knowledge will leave the possibility of producing nuclear weapons open and that international conflicts and the threat of war involving conventional weapons will still exist.<sup>11</sup>

Of course, this is true, but the elimination of these dangers is the precise aim of the proposals of the USSR and other socialist countries regarding a comprehensive system of international security and the reduction of conventional weapons to the point of reasonable sufficiency. Brzezinski ignores these proposals.

What does he suggest as an alternative? He advises the United States to pursue a "strategy of nuclear arms deployment" unilaterally and "in line with the probable political and technical conditions of the next decade and century." He proposes the perpetuation of the nuclear arms race and its extension to outer space.

We might wonder how Brzezinski and others like him fail to realize what Kissinger realized years ago<sup>12</sup>—that the further augmentation or improvement of nuclear weapons would not only be of no help in stabilizing the strategic situation but would even destabilize it by heightening the risk that these weapons would go out of control and that an unpremeditated nuclear war would break out. Is it possible that they cannot see that the new way of thinking, corresponding to the mounting threat to the very survival of humanity, has given us a unique chance to solve security problems on a basis other than "nuclear deterrence"?

Of course, there is much that they do see and realize, but they still cannot give up their insistence on nuclear superiority because of what former Director Eugene Rostow of the Arms Control and Disarmament Agency once acknowledged as the desire to "gain relative freedom to defend" American interests,<sup>13</sup> or, in short, to dominate the whole world.

Today, after the Washington summit meeting, the supporters of this idea are trying to update it to meet the requirements of the coming century. As the INTERNATIONAL HERALD TRIBUNE Washington correspondent J. Fitchett reported on 13 January 1988, President Reagan had been informed the day before of the conclusions drawn in a report by Pentagon experts. They included such well-known "hawks" as F. Ikle and A. Wohlstetter. The report proposed the replacement of NATO's current doctrine of "flexible response," envisaging the escalation of a conflict to the point of an exchange of full-scale nuclear strikes, with a new doctrine of "selective deterrence." It is intended to put the United States in a state of readiness for various types of military operations below the level of nuclear war. These operations would range from small "surgical" nuclear strikes to "low-intensity conflicts" and would be a response to the most diverse "threats" to U.S. interests

throughout the world. It also envisages the modernization of strategic missiles for the perfection of highly accurate small warheads with a longer range.

Obviously, these recommendations attest primarily to a desire to keep nuclear weapons as a means of attaining strategic objectives.

Of course, some members of U.S. ruling circles have a more realistic frame of mind and are more aware of the gravity of the nuclear threat hovering over mankind. Even they, however, usually do not advise the renunciation of nuclear weapons. They make up the second current in the debates and advocate only the dramatic reduction of nuclear weapons and the achievement of "minimal nuclear deterrence."

Former U.S. Secretary of Defense R. McNamara proposed the minimization of "nuclear deterrence" at the beginning of last year. He suggested that the United States and USSR keep no more than 1,000 nuclear warheads each. As for the SDI, he regards it only as a remote possibility and as a program incapable of solving any of today's problems.<sup>14</sup>

We must admit that the idea of "minimal deterrence" has been criticized by the Right and the Left. Militarist groups have ignored it because it does not accord with U.S. strategic objectives. Those who consistently support nuclear disarmament, and most of them are active in the peace movement, believe it is inadequate from one standpoint, namely that the adoption of "minimal nuclear deterrence" could stimulate the horizontal proliferation of nuclear weapons. Many countries, including states with unstable or repressive regimes, would also want a thousand nuclear warheads and could get them. The main consideration, however, is that the continued production and improvement of nuclear weapons will perpetuate the danger of their use. For these reasons, even the Catholic bishops in the United States announced that they could not "regard it as a long-term basis for peace."<sup>15</sup>

Representatives of the third current, reflecting primarily the views of peaceful forces, also advocate the minimization of nuclear arsenals but only as a step toward total nuclear disarmament. They support the Soviet program for the complete elimination of nuclear weapons, but actual statements in support of this program have been complicated by the debates in Western Europe over the importance of nuclear weapons in the "flexible response" strategy of NATO countries.

### Doubts About the Strategy of "Flexible Response"

Since the beginning of the 1960s the cornerstone of NATO strategy has been the idea of "flexible response," envisaging the bloc's use of conventional and nuclear weapons in a non-nuclear conflict. It has simultaneously united the NATO countries and divided them by means of constant arguments and doubts. It is distinguished not

only by the contradictions of the theory of "nuclear deterrence" but also by other contradictions connected with the geopolitical position of Western Europe and the United States. The West European NATO countries feel that the use of nuclear weapons during the early stages of a military conflict in the form of an exchange of nuclear strikes between the United States and the USSR is permissible in extreme cases. In this way, they believe, there will still be some chance that part of the territory of the old continent will not be reduced to ashes. American strategists, on the other hand, feel that if a nuclear war should break out in Europe, it should be confined to this continent and should not reach the territory of the United States.

This situation nurtured the mutual suspicions of the NATO allies. In past years there was a prevalent fear in Western Europe that the United States would try to keep its own population out of danger by failing to fulfill its ally obligations in a conflict. This fear was realistic. As H. Kissinger says in his memoirs, when U.S. Secretary of Defense M. Laird returned from a session of the NATO nuclear planning group in 1969, he reported to President Nixon that "the old problem of diverging American and West European views on strategy still exists."<sup>16</sup> By the beginning of the 1980s the West European fears had been redefined. The first secretary of state in the Reagan Administration, A. Haig, admits in his memoirs that under the influence of Washington's quite definite rhetoric, "many Europeans were seized with the fear that the United States would eventually be ready for nuclear war with the Soviet Union but would arrange its theater nuclear forces in such a way as to confine the conflict to Europe."<sup>17</sup>

This is the reason, as well-known American correspondent W. Pfaff commented, that West European politicians were so vehemently opposed to the previously mentioned Pentagon report regarding the creation of a new "applicable" nuclear weapon. West European officials prefer "inapplicable" nuclear weapons and "inflexible response." They are hoping that a nuclear war will also affect the territory of the United States.<sup>18</sup>

It is not surprising that in this contradictory situation the disagreements over the retention of American nuclear weapons in Western Europe as a "deterrent" became particularly heated and multifaceted. Once again there were several points of view on each side of these disagreements.

One is that American nuclear weapons for tactical purposes, or dual-purpose weapons, as they are also called, should be left in Western Europe. They should, however, be modernized. A NATO decision authorized this modernization in principle 4 years ago, as THE WASHINGTON POST reported on 28 December 1987. No one is in any hurry to act on this decision, however, and the debates on the implementation of this decision were not resumed until recently.

Representatives of the United States and Great Britain insisted primarily on the replacement of the American Lance missiles with a range of around 100 km in the FRG with other missiles with more powerful warheads and a range of up to 500 km. It was obvious that the authors of this proposal assumed that military operations involving these weapons could be conducted essentially within the territory of the two German states.

It was precisely for this reason, in the fear of new stormy protest demonstrations, that ruling circles in the FRG opposed the proposed plan for the modernization of short-range weapons. This was reflected, in particular, in an interview with FRG Foreign Minister H.D. Genscher in the 18 January 1988 issue of WELT AM SONTAG. After saying that it would be better to correct imbalances through the reduction of conventional weapons in Europe rather than through a buildup, Genscher continued: "This should also be borne in mind when we begin drafting a mandate, in accordance with the NATO announcement made in Reykjavik, for talks on the limitation of short-range nuclear missiles." According to reports in the American press, the FRG, Belgium, and the Netherlands are taking their time in reaching their decision on the "modernization" of tactical nuclear weapons, while Norway and Denmark have made it clear that the response to the expansion of NATO's nuclear potential will be less than enthusiastic on the bloc's northern flank.

The position of several NATO countries, especially the FRG, is also clearly connected with economic considerations. Washington is trying to give them a larger share of NATO expenditures in order to reduce its own federal budget deficit. Their reaction to this has been extremely bitter because of negative trends in economic conditions. Nevertheless, as the Western press reported, various "compromise" plans for the modernization of tactical nuclear weapons are being drawn up in Great Britain and they could presuppose either air or sea basing methods.

It is significant that public opinion in favor of the serious consideration of the new foreign policy initiatives of the Soviet Union and other Warsaw Pact countries, including the removal of all nuclear weapons from the continent, is growing stronger in the NATO countries. Some American authors have even suggested setting an example in this sphere. For instance, former U.S. Ambassador to NATO H. Cleveland wrote last March: "If people in the West do not even consider the possibility of using nuclear weapons and act accordingly, if people in the West change their military posture in such a way as to make the 'no-first-use' premise credible, if they truly realize that there can be no such thing as limited nuclear war, especially in Europe, and begin removing these nuclear weapons from its territory, there is a good chance that the Russians will follow suit."<sup>19</sup>

Unfortunately, this point of view is not widely supported in the United States yet.

As for the West European countries, the public there is beginning to express an even more resolute opinion. The supporters of this point of view want all American nuclear weapons withdrawn from Europe, they want to renounce the reliance on "nuclear deterrence," and they want to organize an "alternative," non-nuclear defense. This is the point of view of not only West European peace movements and organizations but also of extremely influential forces in the Labor Party in England and the Social Democratic Party in the FRG. The strong pressure the peaceful public is exerting on these governments and on the U.S. administration can no longer be ignored by anyone. Well-known American political scientist S. Serfaty had good reason to note in a FOREIGN POLICY article that the Reagan Administration "is torn between the European governments, which are criticizing U.S. policy for wanting too much, and the European public, which is complaining about the meager results of U.S. policy."<sup>20</sup>

The issue of nuclear disarmament is closely related to the issue of a comprehensive system of international security.

#### From National to Common Security

It is indicative that when American statesmen or politicians discuss matters of war and peace, they are governed by a single thought: the need to safeguard "national security"—i.e., the security of only the United States. According to the traditional interpretation of this term, this kind of security can only be safeguarded if the United States is superior to any probable adversary. We can definitely say that this kind of thinking in its modern form made its appearance at the same time as the first nuclear weapons.

There are other ways of explaining this approach. According to R. Reich, an American political scientist from Harvard University's Kennedy School of Public Administration, Americans are inclined in general, probably because of their earlier isolation from the outside world, to assign all blame to outside forces, to put the blame on others, on "them." This is true not only of the military threat but also of the surplus of imported goods on the U.S. market, the spread of illegal drugs, etc. "In the case of national security," the author writes, "there was an even greater temptation to build higher and higher walls instead of sharing the responsibility with 'them' for the creation of relationships capable of causing devastating losses on both sides."<sup>21</sup> Today this is particularly true of the hopes the average Americans are investing in SDI with the encouragement of their President. They do not care that this program could undermine the security of other countries.

Under the present conditions of the nuclear age, however, more and more people are realizing that the security of one state cannot be safeguarded at the expense of another's security. It cannot be safeguarded by escalating the arms race either. Furthermore, Americans are

becoming aware that the very parameters of security are changing. It is beginning to depend more on non-military—economic, political, and humanitarian—aspects of world development. This idea was expressed well by W. Rostow, once President L. Johnson's national security adviser and now a professor at the University of Texas: "If America slips back into its maddening complacency or continues to borrow money instead of augmenting labor productivity, this could start another cycle of cold war with potentially tragic results. One result could be the expansion of spheres of chaos, including the proliferation of nuclear weapons, beyond the control of Moscow or Washington."<sup>22</sup>

The idea was expressed more fully by renowned American political scientist R. Barnet. He wrote: "As we approach the new century, the creation of a worldwide system of security, free of the clouds of war, is becoming the most urgent national security requirement. A world without nuclear weapons is the only stable basis for guaranteed human survival."<sup>23</sup>

Now the 27th CPSU Congress' ideas about a comprehensive system of international security are winning the hearts and minds of more and more people on our planet and are taking the form of real actions by the international community. The policy line of the USSR and other Warsaw Pact states, which are persistently paving the way for the resolution of mankind's main problems, is clear and consistent. "We can never agree," M.S. Gorbachev stressed, "that nuclear weapons should be regarded as a reliable way of keeping the peace. It is our belief that powerful politico-legal mechanisms for the regulation of international relations must be established and must function in a nuclear-free world. Their establishment is the common responsibility of all states—nuclear and non-nuclear, developed and developing. The United Nations should clearly occupy an important position here, and we believe that its influence and significance should increase."<sup>24</sup>

We know how many important practical initiatives the Soviet leadership has recently advanced for the creation of such mechanisms. In Europe new momentum was created to free this continent of nuclear weapons, and proposals were made on the radical reduction of nuclear and conventional weapons from the Atlantic to the Urals. The talks on strengthening security and cooperation in Europe have been stimulated, and proposals have been submitted on the reinforcement of security in northern Europe. Specific and far-reaching proposals have also been formulated with regard to the creation of security systems in the Asian-Pacific region and in the Indian Ocean region, systems corresponding to the interests of all states in those regions.

All of these areas of consistent and dynamic international activity are helping to strengthen peace and mutual understanding between states in various parts of

the world and in various arenas of struggle against the arms race. The combination of all these will certainly lay a strong international-legal foundation for the edifice of the nuclear-free world.

#### Footnotes

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20. FOREIGN POLICY, Spring 1987, p 11.

21. INTERNATIONAL HERALD TRIBUNE, 24 March 1987.

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#### Review of U.S. Franchising System

18030008b Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian

No 4, Apr 88 (signed to press 22 Mar 88) pp 22-29

[Article by Irina Illarionovna Razumnova, candidate of economic sciences and senior researcher at the Institute of U.S. and Canadian Studies: "Franchising"—A System for the Sale of Goods and Services"; first paragraph is SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA introduction]

[Text] Our readers want to know about the development of small enterprises in the sphere of production and services, including trade, in the United States. These questions arose in connection with the expansion of cooperative and individual enterprise in our country. The editors intend to publish a series of articles to aid in the better understanding of the conditions of small business development in the United States, to adapt everything useful to our own conditions, or simply to gain a clearer understanding of the current growth of small firms in the economy.

One of the distinctive features of the American economy, controlled by large groups of financial capital, has always been the high percentage of small businesses: 97 percent of all American firms (with the exception of agricultural enterprises) are officially included in this category. Most of them are tiny enterprises: 80 percent have fewer than 10 employees. The annual sales volume of the majority does not exceed 500,000 dollars, and the sales volume of 80 percent is under 100,000 dollars a year. These firms operate in all spheres of the national economy and dominate whole branches. For example, they account for 64 percent of all sales of goods and services in wholesale trade, 73 percent in retail trade, and 57 percent in the service sphere.

In the middle of this decade there were 14.5 million small firms,<sup>1</sup> and the number is still rising.

The rapid growth of the dynamic small business sector in recent years has been due largely to the changing balance of the relative convenience of large-scale and small-scale



production as a result of technological and organizational changes, rising transport costs, and rapidly changing demand. Furthermore, the departure from the obsession with gigantic dimensions and the absolutization of large-scale production has been witnessed in different spheres, including the organization of sales.

This article is an attempt to describe the organizational mechanism of the inclusion of small firms in the system of national production and the development of cooperative relationships between large and small firms in the sale of goods and services. It will focus on an analysis of the development of the new form of contract relations between firms of different sizes in production and trade.

### Contracted Forms of Services

The most common form of the economic integration of large and small businesses in the sphere of sales is the system of contract relations known throughout the world as "franchising" (from the French word "franchise," meaning benefit or privilege).

In essence, this is a system in which a head firm, usually a large company, concludes an agreement with a small independent enterprise, giving it the exclusive right to sell its products or services under the company trademark.

The system was first used in the United States by automobile and oil corporations in the 1950s, but it was practiced on a broad scale in the last decade and now extends to almost all types of production and public services. Franchising under the trademark of well-known corporations guaranteeing high service standards is effectively crowding the independent small service enterprises in the United States out of the market.

The rapid spread and the large scales of the system can be illustrated with the following figures. In 1980 the small firms using this form of contract relations employed 4 million people (including part-time employees and the owners of the small enterprises), but in 1987 the figure was 6.7 million. The small enterprises in this network numbered 478,000 in 1986 and had a combined turnover of 576 billion dollars, and in 1987, according to the estimates of the U.S. Department of Commerce, the number reached 500,000 and their sales volume rose to 625 billion dollars. By 2005 this sector is expected to have an annual sales volume of a trillion dollars.

Enterprises in the franchising network produce 15 percent of the gross national product. The main role here is played by retail trade, which accounted for 88 percent of all sales transactions based on contract relations in 1986.<sup>2</sup> The assortment of goods and services offered by this system is quite varied. It includes all types of restaurants and cafes, equipment rental centers, domestic help, dry cleaning establishments, hotels, travel agencies, real estate agencies, advertising agencies, entertainment enterprises, freight carriers, apartment and

business office janitorial services, household appliance repair services, child care establishments, rest homes for the elderly, and many other types of businesses. The system is also quite common in medicine. It is developing particularly dynamically in public catering, vehicle repair and maintenance, building repair and maintenance, and a variety of commercial and professional services, including computer service and maintenance (see Table 1).

**Table 1. Sales of Goods and Services in Franchising Network, 1984**

Types of services	Sales, billions of dollars	Sales, % of total
Car and truck sales	252.1	51.2
Gas stations	101.0	20.5
Restaurants and other eating establishments	43.4	8.8
Soft drink sales	16.7	3.4
Retail trade in non-food items	15.5	3.2
Property rentals	13.2	2.7
Convenience stores	10.3	2.1
Business and professional services	9.8	2.0
Vehicle repair and maintenance	9.2	1.9
Other services	20.9	4.2
Total	492.1	100.0

Source: "Trade in Services, Export and Foreign Revenues. Special Report," Washington, 1986, p 68.

The contract relations in the franchising system leave no doubt that small enterprises are wholly under the control of large firms in this form of partnership. The contract concluded by the head company (or franchiser) and the small enterprise (or operator) stipulates that the operator will pay a one-time initial fee for the right to operate within a specific segment of the market. The fee is usually from 10,000 to 25,000 dollars, but it can also be lower or much higher. For a real estate firm, for example, the initial fee is 7,500 dollars; for firms in the retail computer trade, it is from 5,000 to 75,000 dollars; for automobile leasing firms, it ranges from 3,500 to 150,000 dollars.<sup>3</sup>

The capital invested in the business consists of the fixed assets the head firm leases to the operator and of the operator's own or borrowed capital. The head company can extend credit to the small businessman itself (usually on preferential terms for 2 or 3 years), can take out a bank loan for him, or can guarantee the repayment of his loan. In many cases the operator owns all of the enterprise assets and only pays the head firm for the use of its products, trademark, etc.

The contract stipulates variable or fixed payments and deductions from profits. They usually represent from 2 to 3 percent of the operator's monthly sales volume but can reach as high as 20 percent in some cases. For example, the owner of a dry cleaning establishment

might pay the head company only 100 dollars a month, but this company might have hundreds of establishments of this kind; a travel agency pays 750 dollars a month (but there are dozens of them); a health clinic pays a dollar a day for each client.<sup>4</sup> There are also other forms of remuneration.

Many corporations also require regular payments by operators for the advertising of the head firm—averaging from 1 to 5 percent of their receipts. The reason is that only large firms can afford the kind of expensive advertising on which the success of small enterprises also depends to a considerable extent, particularly in markets for consumer goods.<sup>5</sup>

The dependence of franchisees is compounded by the fact that they often have to lease buildings, equipment, raw materials, and semimanufactured goods from the franchiser. This includes not only the equipment needed for the manufacture of goods but also inventory, furniture for the place of business, uniforms for employees, etc.

In the contract the head company stipulates that the franchisee will be responsible for the appearance and quality of goods and services and the reputation of the trademark. In exchange, it offers the operator bookkeeping and statistical assistance, a recommended sales strategy, management consulting, and personnel training techniques.

The contract usually runs for 5 or 10 years or can cover a broader range, from 3 to 20 years. Usually, the head company can break the contract at any time without even notifying the franchisee in advance if it learns that he is not meeting company standards and is damaging its reputation.

The franchising system first made its appearance in the United States as a network of trade enterprises belonging to small owners and operating as middlemen between the producer of the goods and services and the consumer under the head company's name. Today the system uses two forms of contract relations. In the first and most common type, the small enterprise sells the head company's products or performs services in its name. In the second, corporative type, the small firm uses the name, products, and services of the head company and is also included in the complete cycle of its economic activity.

In the first case the small enterprises do not own the goods or services but sell them on behalf of the head company and keep a certain percentage of the sales volume. In this case, all of the risks connected with sales are naturally transferred to the franchisee. The use of the first form began with the development of independent relations between the head firm and the operating enterprise, which was then identified with the supplier in addition to acquiring its trademark and name. Usually, the large firms and the operators dealt in a limited

assortment of company items. A survey conducted by VENTURE magazine in 1986 indicated that half of the firms with the first type of contract relationship specialize in one commodity or one service.<sup>6</sup> Car and truck dealerships, gas stations, and sellers of soft drinks usually have this kind of contract relationship. This is still the prevailing type: In 1986 it accounted for around three-fourths of the sales volume of this entire system for the distribution of goods and services—425 billion dollars. The number of enterprises in this group, however, has been declining since 1972. In 1984 there were 160,700, in 1985 there were 153,200, and in 1986 there were 149,600.<sup>7</sup>

Contract relations of the corporative type have become quite popular in the last decade. In this case the small enterprises operate in accordance with the corporation's market strategy, plans, and management structure, observe its technical requirements, regulations, and quality standards, participate in production development and training programs, are part of a unified informational network, etc. The head company gives its operators the necessary assistance and consulting services because its sales volume and profits depend directly on the efficient operation of these enterprises. The contract also stipulates the franchiser's right to oversee all of the operations of these enterprises to secure the quality of products and services and the accuracy of their accounts while giving them extensive powers to solve production problems on their own. Inspections by representatives of the head company are commonly conducted once every 10 days.

This second form of contract relations is usually used in public catering, retail trade in non-food items, business and personal services, equipment rentals, and real estate services. This form is responsible for the overall growth of the franchising system as a whole, and it is this form that gives many small entrepreneurs a chance to start their own business. In contrast to the enterprises using only the products and trademark of the head company, the franchisees with contracts of the corporative type increased in number in the 1970s and 1980s: from 220,000 in 1976 to 352,000 in 1987. Their sales volume was 122 billion dollars in 1984 and 171 billion in 1987. More than 2,000 large firms are concluding the second kind of agreement in the United States today, or twice as many as there were 10 years ago.

Now an increasingly high percentage of the total sales volume is being concentrated in the hands of a few giant franchisers using the corporative form of contract. In 1984 only 54 of these companies, each of which had more than 1,000 trade and service centers, owned half of all the small operating firms (142,000). They accounted for half of all sales. The 13 largest were in the public catering network and 9 were in vehicle repair and maintenance.<sup>8</sup>

In some cases the franchisers also develop their own network of enterprises, working on the same principles as the operator firms, but their number is usually much lower (see Table 2). For example, the Insty-Prints franchiser firm owned a chain of offices performing duplicating services, consisting of 1 of its own enterprises and 334 operator-enterprises; Mail Boxes (professional business services) consisted of 2 of its own enterprises and 400 operators; the Zachs company (ice cream and yogurt sales) had 10 of its own enterprises and 120 contracted operators.<sup>9</sup>

In the 1980s the number of small business owners wanting to enter into contract relations with supplier firms rose quickly. Many large companies have tried to create and develop their own retail network of formally independent operators. What is more, these contracts are not only concluded with new enterprises. An industrial firm, for example, could negotiate this kind of agreement with the owner of an existing store on the sale of its products in one of his departments.

A 1987 VENTURE magazine survey of franchisers attested to their impressive growth.<sup>10</sup> Most of the new firms have increased their turnover and expanded their network of enterprises each year. On the average, the 22 fast-food companies among the 100 franchisers displaying the most intensive development (in terms of sales volume) acquired 139 new enterprises in 1985 and 1986. The figure for the first company on the "list of 100," Domino's Pizza, was 650.

The saturation of many markets with goods and services, however, forced corporations to seek new ways of winning the market. Some are using the traditional method of taking over existing corporations. Others are developing a subcontracted distribution system, selling their own enterprises located at great distances from headquarters to their own operators. Many hope to find success by being the first to manufacture new items, perform new services, or strive for the timely satisfaction of a new demand. As the former chairman of the International Franchise Association remarked, "the strength of this system consists in its ability to respond to market demand at a moment's notice."<sup>11</sup>

Table 2. Sales of Goods and Services in Franchising System, billions of dollars

Categories	1972	1980	1981	1982	1983	1984	1985	1986	1987 (estimates)
Total sales volume	143.9	334.4	364.8	376.0	422.8	492.1	530.1-	575.8	625.3
At company-owned enterprises	16.8	48.5	50.6	54.9	59.1	63.6	67.8-	74.0	80.4
At operator-owned enterprises	127.1	285.9	314.2	321.1	363.7	428.5-	462.3	501.8	514.9

Source: "U.S. Industrial Outlook," 1986, p 58-1; 1987, p 57-1.

American experts have made different predictions regarding the development of the franchising system. There is no question that retail trade will continue to be the leader in this sphere. By the year 2000 more than half of its turnover is expected to be the result of franchising.<sup>12</sup> Retail trade in non-food items will be expanded, and new types of stores will be opened to adapt to the trade in new goods. Stores selling and renting video cassettes and selling personal computers and software are expected to display particularly rapid growth. The broader computerization of all retail operations, including sales and inventory, will also contribute to this growth.

Restaurants and fast-food enterprises are expected to remain the most popular sector of the system and to offer a greater variety of foods through the establishment of low-calorie cafes, salad and seafood bars, and other types of enterprises, although there is no question that it will be increasingly difficult to break into the market.

The use of franchises will also continue in such spheres as cleaning and repair services, domestic help, security system maintenance, home design, and various one-time services.

The number of medical services offered by the system, including care for the elderly and child care, is expected to rise. One reason is that company executives are more concerned with the health of personnel. Maintaining the health of workers is now regarded as an essential part of the corporate social plan in some firms. Franchisers immediately entered this market, organizing various weight-loss centers, health clinics, etc. In 1986, for example, the Diet Center already had 2,200 weight-loss clinics. The head company's payment for each client was 1.2 dollars a day.<sup>13</sup>

Daycare facilities represent a broad field of activity for franchisers. Only 2 million of the 8 million American children needing daycare are able to attend nursery schools. Companies employing parents are now trying to solve this problem. Sometimes one or a few companies can act as a franchiser and establish a network of child-care facilities in a region. For example, Hewlett-Packard and TRW cover 15 percent of the cost of a daycare center and offer their employees this service at a 20 percent discount.<sup>14</sup>

What are the reasons for the establishment and rapid growth of this huge and easily accessible service network? The conditions of market competition have been

changing in the United States in recent decades. The purchasing power of the population is rising, consumer tastes change rapidly, and retail trade and services are representing an increasing share of the economy and the national labor force: They employ women and youth on a broader scale than other sectors. More people want to start their own business, including members of ethnic minorities, who are given financial support by the Small Business Administration and the Department of Commerce. Under these conditions, large companies constantly seek more effective ways of using different segments of the market with a view to local demand and the different tastes of various population groups. For them, this means a changing approach to marketing and a departure from such forms of merchandising as large wholesale outlets, supermarkets, etc.

For small enterprises wanting to enter the system of contracted relations, the search is facilitated by the organized provision of information about companies wishing to make use of their services. The information is supplied by government organizations—the Small Business Administration, the Federal Trade Commission, and the Department of Commerce—and by local banks and state chambers of commerce. There are also magazines published by the Franchise Association—MODERN FRANCHISING and FRANCHISE JOURNAL. Franchisers and small business owners also place ads in the newspaper of the business community, THE WALL STREET JOURNAL, in the new magazines INC. and VENTURE, and in local newspapers and magazines.

Above all, however, the rapid growth of the franchising system was made possible by the fact that it is of mutual benefit to both contracting parties—large firms and small enterprises. The franchising system has radically changed the traditional approach to merchandising, based on the organization of supermarkets and other large trade and service enterprises. Under the aegis of large firms, small businessmen who do not have much capital or business experience can start their own business at a lower cost and with certain advantages and a definite chance of success. The marketing services of large firms conduct market analyses. The owner of a small enterprise who concludes this kind of agreement saves money on advertising and on organizational and other expenses covered largely by the head company. The uniform standards of the goods or services offered and trademarks familiar to the consumer allow enterprises operating on this kind of contract to gain a foothold in markets where independent small firms have much greater difficulty building a reputation.

When enterprises operating within the framework of this system of contract relations compete with independent firms specializing in the same goods or services, they have certain advantages. The system gives the small businessman a chance to compete successfully even with large corporations in some markets. As a result, the rate of bankruptcy among these enterprises is below the national average: 9 out of 10 small enterprises operating

within this system gain a strong position in the marketplace, whereas more than half of all small independent firms go bankrupt within the first 5 years. As for the second, corporative form, according to Department of Commerce data, only 3.7 percent of all these enterprises went out of business for any reason whatsoever in 1985.<sup>15</sup>

The use of franchising simultaneously solves two problems for large companies by expanding the market for their products and by attracting additional capital through the inclusion of personal savings in economic circulation. The system allows many companies to save money on the development of their own sales network and on construction. This lowers distribution costs, increases sales volume, and unites many small separate markets; by sharing responsibility with small businessmen, the large firms take fewer risks with their own capital.

In many cases the small enterprises in this system are family businesses with few hired employees, and these are usually young workers, temporary employees, etc. The psychological factor of common responsibility for the results of the small enterprise's work and the possibility of increasing family income and gaining extra earnings play an important role here. Besides this, according to surveys, labor intensity is much higher at these enterprises than among the hired personnel of large firms. When demand is high, the work week can be 60-70 hours or more. In contrast to hired personnel, the workers of the operating firm must take care of their own social insurance and have no negotiated collective labor contracts.

The success of the system is due to, in addition to objective factors, the organization of management. In the system as a whole, the strict control of work at the operating enterprise is characteristic. Middlemen at various levels of the hierarchical pyramid are used for this purpose. Their duties include not only the monitoring of enterprise operations, primarily to control the quality of products and services, but also the performance of the services needed for their normal operation. They have different titles in different companies—for example, consultant, management representative, regional manager, sales representative, regional marketing executive, or district coordinator. These matters will be discussed in greater detail in the next article. In the last few years some firms have begun using more flexible managerial structures, confining centralized control to small regions and granting enterprises the power to make independent decisions on routine matters.

#### Footnotes

1. Official statistics put all legally independent enterprises with under 500 employees in the category of small firms.

2. THE WALL STREET JOURNAL, 15 May 1987; "U.S. Industrial Outlook 1987," pp 57-1, 57-2.

3. VENTURE, January 1984, p 114; November 1986, pp 55, 57.

4. THE WALL STREET JOURNAL, 15 May 1987; VENTURE, November 1986, pp 52- 57; November 1987, p 47.

5. The advertising costs of firms manufacturing goods for production purposes are equivalent on the average to 1.5-2 percent of their total sales volume, but in the case of consumer goods the figure sometimes reaches 40 percent ("Monopolisticheskoye tsenoobrazovaniye: problemy i zakonomernosti" [Monopoly Pricing: Problems and Natural Tendencies], Moscow, 1980, p 28).

6. VENTURE, February 1987, p 41.

7. "U.S. Industrial Outlook," 1986, p 58-1; 1987, p 57-1.

8. Ibid., 1986, p 58-2; 1987, p 57-2; BUSINESS AMERICA, 3 March 1986, pp 11-12; VENTURE, November 1986, p 48.

9. VENTURE, November 1987, pp 44-47.

10. Ibid., pp 36-38.

11. NATION'S BUSINESS, February 1987, p 35.

12. INTERNATIONAL HERALD TRIBUNE, 26-27 January 1985.

13. VENTURE, November 1987, pp 45-46.

14. For more detail, see SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, 1987, No 3, p 79.

15. THE WALL STREET JOURNAL, 15 May 1987.

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**30 Years of U.S.-USSR S&T, Cultural Exchange**  
*18030008c Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian*  
*No 4, Apr 88 (signed to press 22 Mar 88) pp 39-43*

[Article by E.R. Andreyev: "The Roads to Trust"]

[Text] In January the 30th anniversary of the signing of the first Soviet-American agreement on scientific, technical, educational, and cultural exchanges was widely commemorated by political and social groups in the

USSR and the United States. The leaders of both countries sent messages of congratulations to Soviet and American participants in the anniversary celebrations, and festivities were organized in Moscow and Washington.

A representative delegation headed by USSR Minister of Culture V.G. Zakharov was invited to the United States to take part in the festivities there. The delegation's itinerary included meetings with officials and representatives of social organizations. During these meetings all aspects of Soviet-American cultural ties were analyzed. At a joint seminar organized in Gettysburg (Pennsylvania) by the Dwight D. Eisenhower Institute of World Affairs, named after the president under whose administration this agreement was concluded, participants discussed a program for future exchanges in culture, science, and education, the efforts of the sides to eliminate everything impeding their vigorous development, and the interaction of the two cultures.

Representatives of the Soviet public met in the Hall of Columns in Moscow's House of Unions to commemorate this anniversary, concerts by outstanding performers were held in the Soviet Union, and a commemorative postage stamp was issued.

Why did this bilateral document of the 1950s gain so much attention and arouse the interest of the leaders of both powers and broad segments of the public in the USSR and the United States?

As General Secretary of the CPSU Central Committee M.S. Gorbachev said in his message to the Soviet and American participants in events commemorating the 30th anniversary of the signing of the agreement, "this important date in the history of relations between the USSR and the United States allows us to review the experience we have accumulated in cooperation and learn lessons from this experience so that we can move ahead in the further development of cultural, scientific, and technical ties between our countries and the most diverse contacts and exchanges between the Soviet and American people."

An accurate assessment of the agreement's position in the overall structure of postwar Soviet-American relations will necessitate a look at the historical situation and the prevailing atmosphere in the international arena at the time it was signed.

The policy of cold war reduced Soviet-American relations to the minimum in the first half of the 1950s. The volume of trade was meager and there were virtually no cultural, scientific, or other exchanges or international or bilateral cooperation between the USSR and the United States in any sphere. The state of affairs in the world in general left much to be desired.

In the hope of solving the main problems in world politics and Soviet-American relations, the Soviet Union made a number of important moves in the 1950s to relax international tension and stop the arms race. The summit-level conference in Geneva which began on 18 July 1955 and was attended by the leaders of the USSR, United States, France, and Great Britain, did much to pave the way for the future joint discussion and resolution of international problems and had a beneficial effect on the subsequent course of events in Soviet-American relations.

In the hope of consolidating this progress in surmounting the cold war and normalizing relations with the United States, the Soviet Government made several proposals in January 1956 on the development and reinforcement of economic, cultural, and scientific cooperation.

The first steps toward good Soviet-American cultural relations were taken at that time. In 1955 the American Everyman Opera company toured the USSR, renowned Soviet performers D. Oistrakh and E. Gilels performed in the United States, and a delegation of Soviet writers and journalists headed by B. Polevoy visited the United States. That same year an agreement was reached on the distribution of magazines on a mutual basis—SOVIET LIFE in the United States and AMERIKA in the USSR.

The launching of the Soviet artificial satellite in October 1957 proved that the Soviet Union had reached the advance frontiers of world science. Ruling circles in the United States began to realize that the new balance of power gave them no choice but long-term coexistence with socialism. Speeches and statements by American leaders revealed their awareness of the need to establish a more secure basis for relations with the USSR. The Eisenhower Administration took some steps to relieve the tension in our relations under pressure from the segments of the American public advocating their normalization. At a session of the USSR Supreme Soviet then USSR Minister of Culture N.A. Mikhaylov told a group of deputies who were members of the Soviet Committee for the Defense of Peace that the general public in the United States did not support displays of hostility. This was attested to by numerous letters in which representatives of various segments of the American population insisted on regular cultural contacts with the Soviet Union.

In July 1957, in response to the U.S. State Department's proposal of an exchange of radio and television programs between the two countries, the Soviet side reaffirmed the USSR's willingness to develop economic, scientific, and cultural ties with all countries, including the United States, in the belief that their development would help to lessen international tension, strengthen mutual understanding between nations, and promote cooperation. The Soviet side also reminded the United States of earlier specific proposals regarding the development of contacts between the USSR and the United States,

particularly the exchange of various delegations of scientists and specialists, and of the reciprocal visits by musical and theatrical groups and individual performers which did not take place because of the position taken by the U.S. Government. The Americans were also informed that the U.S. immigration regulations requiring the fingerprinting of Soviet citizens as an essential condition for entry, regulations contrary to common international standards, were greatly impeding the development of contacts between the USSR and the United States. This requirement led to the cancellation of trips to the United States by several Soviet delegations and groups, while groups of American artists, such as the Everyman Opera company and the Boston Philharmonic, were able to perform on the Soviet stage. The American fingerprinting requirement also kept Soviet tourists from visiting the United States, while American tourists were free to visit the Soviet Union. More than 1,200 American tourists were in the USSR just in 1956. (The American authorities eventually cancelled this requirement.)

To surmount obstacles standing in the way of Soviet-American scientific and cultural exchanges, the Soviet Union proposed that in addition to considering the regular exchange of radio and television programs between the USSR and the United States, as Washington suggested, the two countries examine all of the problems connected with the development of exchanges between the two countries and that talks on the development of contacts and ties in general be held for this purpose.

Soon afterward, the two countries agreed on the topics for discussion and the scheduled date of the talks—October 1957. The American side was represented by Ambassador W. Lacey, who was then the special assistant to the secretary of state for East-West exchanges, and the Soviet delegation was headed by USSR Ambassador to the United States G.N. Zarubin.

The talks in Washington went on for almost 3 months, culminating in the signing of an agreement on scientific, technical, educational, and cultural exchanges on 27 January 1958.

The preamble to the document said that the Soviet Union and the United States agreed to secure specific exchanges (listed in subsequent sections) in 1958 and 1959 in the belief that they would do much to relieve international tension. The document stressed that the exchanges would be made in accordance with the constitution, laws, and statutes of each country. The 15 sections of the agreement envisaged the following: trips by specialists in industry, agriculture, and medicine, the exchange of radio and television programs, and trips by representatives of cultural, social, youth, and student groups with the aim of establishing contacts and learning more about the social and cultural life of the two countries; the exchange of writers, composers, painters, sculptors, etc.; cooperation in film, the purchase and sale of movies, the organization of film premieres in the

USSR and the United States, the exchange of documentary films and delegations of movie industry workers, the joint production of films, and the organization of film festivals in each country. Plans also called for the exchange of actors, theatrical companies, choirs, dance companies, and symphony orchestras through the USSR Ministry of Culture and Hurok Attractions, an American concert firm, and the National Theatre Academy (in particular, the agreement stipulated tours of the United States by the USSR Bolshoi Ballet company and performances in the United States by pianists E. Gilels and V. Ashkenazi, violinists L. Kogan and I. Bezrodnyy, singers I. Petrov, P. Lisitsian, and Zara Dolukhanova, the Berezka folk dance troupe, and others; the USSR anticipated performances by the Philadelphia Symphony Orchestra, singers B. Thebom and L. Warren, conductor L. Stokowski, and others).

The two sides also agreed on the exchange of exhibits, scientific and technical publications, medical journals, textbooks, scientific teaching materials, and medical films. It is interesting that the agreement also mentioned the exchange of delegations from the USSR Supreme Soviet and the U.S. Congress, the organization of joint conferences of interparliamentary groups and meetings of representatives of the Soviet and American UN and UNESCO associations, the establishment of contacts between Soviet and American cities, and the exchange of university delegations, athletes, and athletic teams.

The agreement also mentioned another matter discussed by the two delegations at the talks: the establishment of direct air traffic between the USSR and United States (a separate agreement on this was concluded later, in 1966).

As we can see, the range of topics covered in the agreement was quite broad and included the most diverse spheres of interrelations between the two countries. It is not surprising that in the 1970s and 1980s many of them were included in separate bilateral inter-governmental agreements on various fields of science and technology, working documents on cooperation between the academies of sciences, university centers, and so forth, and literally dozens of agreements between Soviet and American governmental, scientific, cultural, and social organizations and agencies.

The multifaceted nature of the 1958 agreement is one of the main reasons for its importance in the consistent development of Soviet-American relations in the late 1950s and early 1960s. It was virtually the first bilateral agreement concluded in the postwar period by the USSR and the United States to lay a solid international legal foundation for exchanges and contacts between the two countries and an important stimulus for the development of Soviet-American cultural ties. The agreement did much to surmount the barrier of hostility and alienation that had existed for many years in the United States with regard to the USSR. By laying the foundation for the further autonomous development of exchanges in various spheres, the agreement embodied the mutual

attraction of the Soviet and American people and their feelings of mutual respect and interest. There is no question that it put the relationship between Moscow and Washington on a qualitatively new level, helped to improve the Soviet-American political climate and to strengthen the atmosphere of trust and cooperation, and played a definite role in the relaxation of international tension.

The names of Maya Plisetskaya and Van Cliburn, Igor Moiseyev and George Balanchine, David Oistrakh and Leopold Stokowski, Academician A.V. Topchiyev and Professor J. Wiesner, and many other outstanding performers and scientists became well known in both countries and turned into symbols of our exchanges and contacts.

The most important thing is probably not the number of performances, exhibits, and scientific projects that have taken place over the last 30 years, but the fact that they aroused mutual interest and mobilized large groups of Soviets and Americans who wanted to learn the truth about one another and to surmount deep-seated historical, ideological, socioeconomic, and cultural differences.

The establishment of a legal basis for the development of cultural and scientific ties between the USSR and the United States gave the contacts between the two countries in these spheres stability in the next two decades. During this period more than 80 Soviet groups toured the United States, including leading opera and ballet companies and symphony orchestras (the Bolshoi ballet and opera companies, the Kirov Ballet, the Moiseyev State Folk Ballet Company, the Berezka Folk Dance Company, the Ukrainian and Georgian dance companies, the best symphony orchestras in the Soviet Union, the Moscow Academic Art Theatre imeni M. Gorkiy, the Obraztsov Puppet Theatre, circus troupes, etc.). Soviet theatre and film workers, writers, composers, and artists regularly visited America. During the same period 60 renowned American groups visited our country (the Boston, New York, Philadelphia, and Cleveland symphony orchestras, the New York Ballet under the direction of G. Balanchine, the Joffrey Ballet Company, the Washington Arena Stage theatre group, the jazz groups of Duke Ellington and B. Goodman, and others). There was an active exchange of exhibits.

The successful bilateral cooperation entered a zone of crisis at the beginning of 1980, when the American administration used the events in Afghanistan as a reason for the unilateral severance of cultural ties. Even under these conditions, however, the USSR continued to keep the Soviet people abreast of U.S. culture and art.

The summit meeting in Geneva in November 1985 was an important milestone in the further development of Soviet-American cultural cooperation. The general agreement on contacts, exchanges, and cooperation in science, technology, education, culture, and other

spheres, which was signed at that time, marked the beginning of a new stage in the development of Soviet-American cultural ties. In the last 2 years much has been done to reconstruct the mechanism of cultural exchanges between the USSR and the United States. The intellectual and spiritual interaction of the Soviet and American people has turned into a process involving more than just the traditional participants in such exchanges—politicians, scientists, writers, and artists. Extensive communication by representatives of both countries from various spheres of public life has stimulated many new forms of cultural and scientific cooperation between the USSR and the United States and creative interaction by representatives of the science and culture of the two powers. Whereas only dozens of people, or a few hundred at most, participated in the various projects and programs stipulated in the 1958 agreement, tens of thousands of Soviet and American citizens are now involved in Soviet-American contacts.

At the summit meeting in Washington in December 1987 the leaders of the USSR and the United States reaffirmed the importance of contacts and exchanges in the expansion of mutual understanding between the two populations and their own determination to continue promoting this process in every way possible, stating that broad opportunities are now being created for the all-round development and intensification of humanitarian cooperation between the USSR and the United States.

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### Commentary on Draft INF Treaty

18030008d Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian  
No 4, Apr 88 (signed to press 22 Mar 88) pp 85-89

[Commentary by A.I. Nikitin on Institute for Policy Studies draft treaty on comprehensive program for common security and general disarmament]

[Text] The Soviet program for the elimination of nuclear weapons by the year 2000, proposed on 15 January 1986, became the subject of extensive discussion and the focus of debates on disarmament issues in many countries, including the United States. Since that time the program has been outlined more specifically in Soviet proposals. Along with the idea of creating a comprehensive system of international security, the fundamental features of which were outlined in the Political Report of the CPSU Central Committee to the 27th Congress, the program for nuclear disarmament constitutes an important element of USSR policy on arms limitation and disarmament.

Public spokesmen and politicians in the East and the West, experts, and researchers are now considering how the principles of nuclear disarmament, and later of

general and total disarmament, might be implemented in the world of the late 20th century. In spite of the appreciable amount of pessimism about the possibility of getting rid of nuclear weapons, not to mention the possibility of general disarmament and the renunciation of the use of force in international relations in general, serious efforts are being made to draw up programs for radical, feasible, thoroughly considered, and verifiable arms reduction. One of these is the draft treaty on a comprehensive program of common security and disarmament drawn up in the Washington Institute for Policy Studies (IPS),<sup>1</sup> the text of which is printed above [draft not translated].

The draft treaty has two purposes. First of all, the draft is quite detailed and literate from the standpoint of international law and could serve as the basis for actual talks between the United States and USSR and in the United Nations. The draft is based on the premises of the joint statement by the USSR and the United States on agreed principles of disarmament talks (the so-called Zorin-McCloy principles), a document submitted to the 16th Session of the UN General Assembly in September 1961.

Second, the draft could serve and is serving as an important point of reference for hundreds of thousands of members of the peace movement and concerned and interested citizens by showing them how the goal of general and total disarmament can be attained.

We feel that the draft requires some commentary. For example, we should recall that the USSR has already fulfilled the obligation stipulated in Paragraph 3 of Article 1. At the second special session of the UN General Assembly on disarmament (July 1982), the Soviet Union gave the world community its pledge that it would never use nuclear weapons first under any circumstances against non-nuclear states or other nuclear powers. The only other nuclear power to make this pledge was the PRC. In this way, the socialist countries with nuclear weapons pledged not to plan or deliver a first nuclear strike. The United States, France, and Great Britain, however, have refrained from assuming this kind of commitment. We must remember that the refusal to use nuclear weapons first is not simply an abstract declaration, but a reflection of changes in the military doctrine and military plans of states, in the targeting of ballistic missiles and in the deployment of armed forces and arms—in short, a serious politico-military decision on which real action is being taken.

The USSR has already taken several of the practical steps stipulated in Paragraph 1.4. In August 1985 the Soviet side unilaterally suspended nuclear tests. The USSR asked the United States to join the moratorium on nuclear tests and conclude a test ban treaty without delay. The Soviet side then extended the unilateral moratorium four times (until February 1987). The Soviet side gave American scientists a chance to install monitoring equipment close to Soviet test ranges for the



purpose of verifying the observance of the moratorium and developing methods of verifying the observance of a future nuclear test ban treaty.

While M.S. Gorbachev was in Washington, an agreement was reached on the subsequent visits of the Soviet test range in Semipalatinsk by American experts and the American test range in Nevada by Soviet experts in January 1988, which the Soviet side believed would promote nuclear test ban talks.

The principle of sequential disarmament in three successive stages, discussed in Article 2 (2.1), was elaborated and first recorded in the "Zorin-McCloy principles." The Soviet Union's program of 15 January 1986 for the elimination of nuclear weapons by the year 2000 also presupposes the accomplishment of nuclear disarmament sequentially, in three 5-year stages. The IPS draft differs from the Soviet program by proposing the reduction and elimination of not only nuclear weapons, but all other types (with the exception of a few specific types), within the same 15-year time frame. This, however, would be a much more massive task. It would require a slightly different decisionmaking mechanism, if only because the disarmament process would no longer involve only the five nuclear powers. The process is to be completed by 2005 (instead of 2000, as the first draft stipulated), because all of the necessary preparations and the many countries involved in the process preclude its commencement before 1990. The authors of the draft advocate the completion of all nuclear arms reductions within the first two stages if possible, before the year 2000, so that mankind can enter the third millennium without nuclear weapons, as stipulated in the Soviet program of nuclear disarmament.

We must say, however, that the authors of the draft employ a fairly vague criterion when they declare the need to retain certain types of weapons for the "maintenance of internal order" (2.2). This lack of clarity, incidentally, is also present in several subsequent articles of the draft—for example, in Article 46. Without a precise definition, this statement could be used by some states as a loophole for the retention of part of their military arsenals.

As for Article 3, the Soviet program of nuclear disarmament states that the rate of reduction could reach 50 percent even in the first stage. The idea of "progressive reduction," in which states would reduce their weapons by 50 percent in the first stage, reduce their remaining weapons by another 50 percent in the second stage, and so forth, has also been the subject of much discussion in the political and academic communities recently.<sup>2</sup> This method is most suitable for the reduction of the nuclear arsenals of the USSR and the United States, which own more than 95 percent of all of the nuclear weapons in the world. This repeated "halving" of nuclear arsenals could be accomplished without detriment to the security of the

sides and, what is most important, without the unacceptable changes in the balance of power that always complicate the arms reduction process.

Article 4 of the IPS draft also warrants closer consideration.

The statements in Paragraph 4.1 regarding the establishment and functioning of an international disarmament organization (IDO) were also made in the "Zorin-McCloy principles." Here again, the authors of the draft use the ideas of this joint Soviet-American initiative as a point of departure. There are important differences in approaches, however, apparently dictated by the clearer view in recent decades of the strong and weak points of the United Nations. In particular, whereas the "Zorin-McCloy principles" proposed the "creation of an international disarmament organization within the UN framework," the authors of the draft in question propose the creation of an independent international organization, which would work closely with the United Nations but would not be a UN agency, and they explain the exact reasons for this in their comments on the draft treaty.

In no way, according to the authors of the draft, should the IDO take the place of the United Nations (Paragraph 4, Article 4), because its functions will be confined to arranging for the disarmament process, while UN goals are much broader. Political aspects of security will still be the prerogative of the United Nations and its Security Council, while the IDO will concentrate on the logistics and actual accomplishment of disarmament and verification. Obviously, the authors of the draft see a clear and direct connection between disarmament and security. Not every arms reduction, however, will always lead automatically to a higher level of security. This matter warrants more serious consideration: During certain stages the reduction of arms could temporarily disrupt strategic stability. For this reason, disarmament efforts cannot take the place of efforts to create a stable system of common security, which should be substituted for the national security strategies of individual powers.

Article 6 proposes the imposition, by a UN decision, of sanctions against treaty signatories and against countries refusing to sign the treaty. This would certainly entail great difficulty, judging by past experience (for instance, the years of struggle over the imposition of international sanctions against South Africa). It appears that this article requires further clarification because the authors of the draft cannot predict the ways in which the disarmament process will be influenced by countries which do not sign the proposed treaty and temporize or openly take an obstructionist stand.

The verification of the cessation of arms development and production envisaged in Article 7 will necessitate considerable and serious efforts for the agreement and clarification of the terms "research," "development," "experimentation," "testing," and "production" and the

fine-tuning of the on-site inspection mechanism. This need is clearly illustrated by the United States' attempts to justify the development of offensive space weapons by manipulating the so-called "narrow" and "broad" interpretations of the ABM Treaty and corresponding interpretations of the terms "laboratory experiment," "component testing," etc.

Article 31 also calls for comment. In their list of items subject to reduction, the authors of the draft include the categories of weapons agreed upon during various arms limitation and reduction talks of recent years, but this is not a complete list. The authors explain that it includes primarily the types of weapons categorized as exclusively or primarily offensive arms or as means of mass destruction and instruments of terror. If the draft is to be used as a working document, the list of items subject to liquidation will have to be clarified and supplemented considerably.

The idea of creating demilitarized corridors in zones of the greatest danger of direct confrontation by the opposing sides, mentioned in Article 35, is being discussed widely today in reference to the European continent, where NATO and Warsaw Pact troops are facing one another. In particular, the Swedish Government's well-known initiative proposes the creation of a 300-km zone free of nuclear weapons in Europe. In general, the USSR supports the initiative of the Scandinavian countries, suggesting the expansion of the zone to 600 km. The Polish Government set forth a group of proposals on this matter in the nature of a Warsaw Pact response to the idea of the demilitarized "corridor," and these proposals were supported by the USSR but did not evoke the complete understanding of NATO. The concepts of defense now being elaborated in different countries (particularly in northern Europe)—"alternative," "non-provocative," and "territorial"—assign a special role to the kind of structure and system of armed forces deployment which would make them exclusively defensive and incapable from the military-technical standpoint of conducting offensive operations or carrying out surprise attacks.

Articles 37-42 discuss the process of eliminating nuclear weapons and the monitoring of this process. The IAEA, the charter goals of which presuppose the "contribution of atomic energy to peace, health, and prosperity," is regarded as a completely acceptable mechanism for the physical liquidation of nuclear devices and the safe disposal or industrial use of fissionable materials.

The stipulations in Article 44 of the draft treaty seem particularly relevant. As we know, the 1967 Treaty on the Principles of the Activity of States in the Study and Use of Outer Space prohibits the emplacement of nuclear weapons in outer space, the launching of such weapons into orbit, and the establishment of military bases and installations in outer space. It does not, however, say anything definite about antisatellite weapons.

The authors do not say enough about the principles governing the choice of armed forces and arms to be retained by states at the end of the third stage of the disarmament program for inclusion in a UN peace-keeping contingent. They make sporadic and quite arbitrary recommendations applying only to airborne forces. The issue of the nature and composition of the armed forces retained is an extremely serious matter, however, and should be discussed in specific terms in the document.

Article 73 of the draft establishes a 3-month period for the settlement of all disagreements over the interpretation of treaty provisions. This brief time frame seems quite justifiable because even temporary disruptions of the balance in the sphere of arms and security could have a serious destabilizing effect. For this reason, speed is of the essence in arbitrating disputes and making decisions on the non-observance of disarmament commitments. Article 73 envisages the use of the International Court in The Hague for this purpose. It is clear, however, that quick decisions on all legal matters during the disarmament process will require the considerable reinforcement of the existing World Court mechanism and the expansion of its powers.

The stipulation in articles 74 and 76 regarding the extension of verification measures and data transmission systems to privately owned enterprises is exceptionally important because it is precisely this that would make the verification of the fulfillment of disarmament agreements by the Western powers an extremely complicated matter. This is attested to, in particular, by the situation at the talks on the prohibition of chemical weapons and the destruction of their stockpiles, where the United States has underscored the legal difficulties arising during inspections of private enterprises in the chemical industry that might produce chemical weapon components.

Articles 77 and 78 contain statements about the inclusion of military enterprises in the disarmament process and their conversion for non-military production. These matters are being studied extensively by the United Nations and by economists in various countries. Conversion, regardless of the form it takes, will require governments and international organizations to take administrative and legal action as well as economic measures. For example, they will have to pass laws securing the offer of financial assistance and privileges to converted enterprises and sectors, the retraining of personnel from the military sector, the redistribution of government budget funds, etc.

The difficulties of conversion, however, should not be exaggerated: According to the majority of studies by national and international organizations, the economic problems of conversion will be complex but will also be relatively short-lived and completely soluble.

Some of the provisions of the draft treaty are too general and need to be reworded.

These comments were written under the influence of discussions of the draft treaty by its authors, researchers from the Washington Institute for Policy Studies, and researchers from the Institute of U.S. and Canadian Studies of the USSR Academy of Sciences, whose dialogue on arms reduction and disarmament issues began in 1984. It was then that M. Raskin and his group completed the first draft of the treaty. After a series of seminars in Washington and Moscow, a joint disarmament research program was drawn up and is now being implemented. The American side has now submitted a draft treaty on a comprehensive program of common security and general disarmament, updated and supplemented with a view to the Soviet initiatives of 1986 and other recent political initiatives. Its agreement with several major provisions of the Soviet proposals proves that a realistic approach can allow the sides to reach agreement even on such crucial matters as general disarmament and common security.

#### Footnotes

1. The institute is a research center with a primarily liberal orientation, conducting studies of U.S. domestic and foreign policy. The man who initiated the drafting of the treaty and who wrote much of the document, which takes up more than 70 pages along with the comments of its authors, the well-known political scientist Marcus Raskin, is the author of several books, the co-chairman of SANE, a peace organization, and a member of the editorial board of the liberal journal NATION. The draft treaty proposes a model of interaction by states, with the involvement of the world public, to accomplish general and total disarmament. The elements of this model—measures for the complete prohibition and elimination of nuclear weapons and for the establishment of a system of common security—link the draft with the corresponding Soviet initiatives.

2. See, for example, A.A. Kokoshin, "Nuclear Arms Reduction and Strategic Stability," SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, 1988, No 2.

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