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[ERRATUM: In JPRS-UIA-90-017, 6 November 1990, the EAST EUROPE division was omitted from page 17 in Table of Contents and pp 17-20 in body of book.]

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Committee Head on Estonian Foreign Policy

91UF0092A Tallinn PAEVALEHT in Estonian
31 Aug 90 p 3

Interview by Madis Hint: "Foreign Policy of the Republic of Estonia—Indrek Toome's Vision"]

[Excerpts] Indrek Toome is chairman of the Supreme Soviet Commission on Foreign Relations. This position calls for great responsibility and competence. So that the readers could arrive at their own conclusions about Indrek Toome's qualifications, the correspondent of PAEVALEHT started the interview by asking about the principles underlying his current activity in the area of foreign relations.

Until Estonia's statehood and actual independence have been achieved, it should not be of primary significance for us to try to get *de jure* and *de facto* recognition for the present Republic of Estonia, because that would be an unreal political objective. Instead, we should be striving for *de facto* recognition of the Supreme Soviet and the government of the Republic of Estonia in their roles as political structures entrusted to carry out the people's commitment to independence. For that we have to secure Moscow's tacit or declared acceptance.

All delays of our own making, in carrying out truly meaningful negotiations with Moscow, are ultimately injurious to the process of moving toward independence. It should be understood that we are the party seeking these negotiations, not the central power. We cannot make a prerequisite out of something that is to be the subject of these negotiations [Passage omitted].

Estonia's global policy of elucidating problems connected with Estonia on the global scale is of extreme importance. The so-called international public will have to be prepared for the rebirth of the state of Estonia. [Passage omitted].

Our foreign policy will have to be positive: we will have to seek and maintain economic and cultural cooperation. This is to include our neighbors to the East. [Passage omitted].

What should be the foundations of our hitherto non-existent policy of foreign economic relations?[Passage omitted].

Our initiative in foreign economic relations should be geared to the prospect of being the gateway to the Eastern market. It would be important, nevertheless, to maintain good economic relations with the Soviet Union especially since, right now, the Soviet Union could get along without the production potential of Estonia, but not the other way around.

In our relations with the Western states, we cannot expect any economic assistance, our orientation will have to be toward mutually beneficial cooperation. [Passage omitted].

Cooperation between the three Baltic states has a very important place in both the economic and political forms of the struggle. This does not mean, however, that some 3 + 1 principle should be followed to the point where it will start interfering with our sovereignty.

Some time ago, at a press conference of the Estonian Committee's executive board, an accusation was levelled against all institutions participating in Estonia's foreign policy maintaining that all of them are acting on their own, without any coordination with the rest. [Passage omitted].

This criticism is fully justified. By the way, I remember having voiced the same concern myself not too long ago. Whatever else happens in other areas of politics, in foreign relations, at least, a common principle should be found for all the Estonian-minded forces. [Passage omitted].

What are the relations between the Supreme Soviet's Foreign Commission and the Foreign Ministry headed by Lennart Meri?[Passage omitted].

We have found a common language with the Foreign Task Force of the Estonian Committee. We also met with Lennart Meri and proposed a joint discussion of the foreign policy doctrine of his ministry. Unfortunately, the meeting left us with a great number of question marks. [Passage omitted].

In this case we can say that Estonia's different political institutions are still practicing foreign relations by talking past each other?

Unfortunately, yes. And I think it's not only causing confusion here at home, but also abroad. Due to inaccuracy or lack of information, it is often hard to understand who is doing what, or who is representing whom. These things should be established with more accuracy. The mandates of the Supreme Soviet or the government cannot be transferred to the Estonian Committee. The Estonian Committee can represent itself abroad, but not the Republic of Estonia. Similarly, the other organs, too, have their assigned missions. Because of this lack of correctness in our doctrine of foreign relations, even republics of the Soviet don't always understand what kind of relations we are seeking with them.

The distribution of information about events taking place in our country is of utmost importance to Estonia. In this regard, too, the latest developments are rather confusing. For example, the People's Front been soliciting funds from major American philanthropic foundations to create its own information center in Brussels. The same city has also been picked by the Estonian Committee for its projected news agency.[Passage omitted].

This question was discussed at the joint session of the Supreme Soviet's Foreign Commission and the Estonian Committee's Foreign Task Force, with Marju Lauristin among its participants. An agreement was reached there—and, hope to God it will stay that way—that until

we have full freedom of state-level activity in the West, all organizations who have the opportunity to disseminate information about events in Estonia, do so honestly and objectively, independent of their factional interests.

Estonian Deputy Foreign Minister Interviewed

91UF0132A Tallinn SOVETSKAYA ESTONIYA
in Russian 17 Oct 90 p 2

[Interview with Enn Liymets, new deputy foreign minister of the Republic of Estonia, by SOVETSKAYA ESTONIYA observer Valeriy Merkin; place and date not given: "The Ministry Emerges From the Shadows"]

[Text] [Merkin] Enn, we are old acquaintances, and I will first of all permit myself to congratulate you on your return home and your appointment to so responsible an office. How long were you away, incidentally, and how did your career take shape in the USSR Foreign Ministry?

[Liymets] Thank you for your kind words. Indeed, my time away from home was 11 years, including three years of training in the diplomatic academy in Moscow. This was a very complex period in my life. Switching to problems with which I had not hitherto dealt did not come easily. The training was in the period which it is today customary to call "stagnant," but I would mention right away that these years in the academy did a lot for me. Despite the fact that studying alongside me were the little boys and grandsons of party bosses, there were among the lecturers intelligent, critical people who encouraged a free exchange of opinions and nontraditional approaches. We had, for example, the special course "Reasons for the Collapse of the Soviet Economy," yet the calendar showed 1982.

Following graduation, I worked for five years in Cracow—a major industrial and cultural center of Poland. My activity as consul was connected with study of the situation in culture, science, and the mass media and the corresponding establishment of cooperation with Soviet institutions in this field.

[Merkin] And how did you get on with the Polish language?

[Liymets] I always said as a joke that if God wanted to offend an Estonian, all he would have to do would be to force him to learn Polish. It has so many sibilants....

It was difficult enough. The Polish intelligentsia's attitude toward the Soviet Union at the start of the 1980's was guarded, to put it mildly. Many people understood that the introduction of martial law in the country was directly connected with the pressure from a powerful neighbor which was doing everything to ensure that the "Polish contagion" did not cross the border.

There was a cardinal change in the conditions of our work after 1985. The policy of perestroika proclaimed by M. Gorbachev was instantly reflected in the mood in

East Europe. The democratization, glasnost, and pluralism in Soviet society were entirely out of the ordinary for the Polish intelligentsia. It had been accustomed to seeing the USSR as the principal obstacle to the implementation of progressive reforms, but here was something inexplicable.

I worked subsequently, from 1987 through 1989, in the embassy in Warsaw and was cultural attache, but was already sensing a need to return home, where remarkable events were taking place. I worked for a year more in the USSR Foreign Ministry, in the European Socialist Countries Administration. It now seems strange that the diplomatic subdivision with such a name outlived by a year what no longer existed—socialism in Europe. Only now has it been renamed the Third European Administration.

[Merkin] There is probably no person in Estonia currently more informed about Poland's problems. What is your view of the development of events in this country?

[Liymets] A short preamble is, nonetheless, necessary. It is an indisputable fact that there is no country in Europe in which the crisis has lasted as long as in Poland. It began back in 1980, and only now can we speak of some glimmers of a solution. After all, the 1979 level of production has not yet been reached. This was the first total crisis of the socialist system in one individual state.

[Merkin] A specific question: Who will emerge the winner in the struggle for the presidency—L. Walesa or T. Mazowiecki?

[Liymets] L. Walesa, most likely. The point being that this year has been one of shock therapy in Polish society. We have already said that it is the 10th year of the crisis, and the present year of 1990 has been the most crisis-ridden of them all. The Mazowiecki government has adopted extremely unpopular measures in the economy, and the credit of trust in it has manifestly disappeared. With his typical flexibility Walesa is taking advantage of this fact, putting forward populist slogans and promising and promising and... his popularity is still on the rise.

[Merkin] Yet what is interesting is that both Walesa and Mazowiecki are from Solidarity, that is, are members of the same team.

[Liymets] Yes, Walesa is the spiritual father of Solidarity, and Mazowiecki was the expert of this organization. Now, however, it seems that Walesa greatly desires to become father of the nation.

[Merkin] Poland reflects merely a part of the process occurring in East Europe. How do you view the unification of the two German states? In my view, a kind of euphoria reigns in this connection, but there has, after all, been to a certain extent some disturbance of the balance in both the political and military structures on the European continent.

[Liymets] I agree. Europe today looks quite different, and we could speak of an imbalance even. I believe,

therefore, that the main thing at the upcoming meeting in Paris will be the restoration of balance. The disintegration of the Warsaw Pact is now taking place before our eyes. This was a mechanism not only of military and political cooperation but also a mechanism of control and ideological influence on its allies on the part of the USSR. Lowering the level of the ceilings of the Soviet Union's military presence in East Europe should inevitably bring about a reaction from the West, primarily from the United States, in response. And we are already seeing this.

[Merkin] Now is the time to recall the Baltic question also. It is a question of integration in the fabric of big politics of the three Baltic republics. What do you think, what is the condition of this problem following the formation of a single German state? The more so in that the meeting in Paris lies ahead, and Helsinki-2 is not that far off.

[Liymets] Following Germany's unification, we can and need to put on a broader plane the question of the integration of Lithuania, Latvia, and Estonia in Europe, from which they were artificially torn. The time of more practicable possibilities has come, and those who are today maintaining that behind the signatures of Genscher and Shevardnadze on the document of German reunification is a sentence passed on other countries are wrong. After all, the second clause of the 1990 document is in fact identical to the same clause of the treaty signed in Moscow in 1970 by W. Brandt. I would recall that this mentioned a conclusive solution to the problems of postwar Europe. And what are we seeing today?

[Merkin] The negotiations of the head of the Republic of Estonia in Washington, which has just ended, also indicate that it is still too early to dot the "i's."

[Liymets] Precisely so! A new twist of the spiral of political activity in this undoubtedly complex process may be expected in the very near future.

[Merkin] At present the foreign policy of the Republic of Estonia would seem, if you will, somewhat vague and abstract. Literally at the doors of the Foreign Ministry, from the side of the park adjoining Toompea, I witnessed the following dialogue between an elderly Estonian and a young man of manifestly provincial appearance. Nodding at the bust of Y. Lauristin, the elderly person asked: "And why is this still here?" The young man, somewhat embarrassed, replied: "Because, most likely, it is history, after all!" Which was followed by: "It is no longer our history!" So, does some continuity in the plane of formulation of the directions of pursuit of the foreign policy line persist? How could the foreign policy doctrine of the E. Savisaar government be described?

[Liymets] If there is any talk of continuity in the sphere of international relations, it can only be from the viewpoint of the period when Estonia was an independent state. After all, there was simply no foreign policy as such in subsequent decades, since Estonia itself was not in the

true sense a subject of international politics. The corresponding provisions of the Estonian SSR ((Soviet Socialist Republic)) Constitution were on the one hand ignored and, on the other, not implemented. Today's government is a government of a transitional period. This is where the main aim comes from: creating the prerequisites in order to be ready to join in extensive international relations under the new conditions.

[Merkin] You will agree, Enn, that at present there is no uniform approach in determining the priorities of Estonia's foreign policy in the platforms of the main social and political movements. If memory serves, neither the Supreme Soviet Presidium nor the Estonian Parliament itself have yet once examined questions of foreign policy content in pure form. Where are the points of contact or some common denominator in approaches and evaluations and in, finally, the determination of a common concept? The words of L. Meri, head of Estonia's diplomatic department, are well known: "Granted a multi-party system, a single foreign policy is needed!" But what does this look like in practice?

[Liymets] All political forces, from the furthest left through the extreme right, consider the acquisition of genuine sovereignty most fundamental. In other words, there is complete consensus here. There are differences in the details, components, and dynamics of this process. The issue is one of pace of realization. Independence could be declared today even, but this would be shamanism. Repeating dozens of times "we are independent" does not alter reality. We do not have full control over our own territory even, and it is my opinion that we do, indeed, need a single policy. We must create the prerequisites, uniting efforts to achieve under the present conditions the maximum recognition and understanding of our problems. And on this path, if we compare Copenhagen, Vienna, and now Washington also, many countries, following the removal of the German question, are expressing a readiness to support us in our endeavors. One notes the fact that this breakthrough has been accomplished in a comparatively short space of time.

[Merkin] A few words, please, about the structure of the Foreign Ministry of the Republic of Estonia and about the role and place of the Russian-speaking population in public diplomacy.

[Liymets] The activity of the Foreign Ministry remained in the shadows for many years. Some people did not even know that such a department existed in Estonia. But according to the constitution of the Estonian SSR, we even had a Defense Ministry. In fact the Foreign Ministry performed merely protocol and consular functions. We are experiencing difficulties here today. Other ministries had their own subject of activity and are dealing with these same problems today. At the present time the staff of the Foreign Ministry numbers 49. Seven subdivisions are operating. They include a political department. This is made up of advisers and experts for particular groups of countries. Traditional relations with

the Scandinavian states, for example. Or specialists for coordinating the foreign policy of the Baltic republics. The Baltic Council existed earlier also, back in the 1930s, but was not, let us speak plainly, very effective. If, however, we intend to create a Baltic market, this will mean a great deal of work for diplomats also.

How do I see the people's extensive participation in foreign policy? It may be effective only when the whole people understands this policy and supports it. A large Russian community lives in Estonia. Some have lived here for decades, others came here recently, but how this group understands the aims of Estonia's international policy is extremely important for us. In my view, we are paying the Russian community insufficient attention as yet. If there is independence, it will be necessary to firmly guarantee this group of the population all rights. Such guarantees will be accorded, I personally have no doubt about this, for there can be no democratic state if the rights of the minority are infringed.

[Merkin] Are there representatives of the Russian-speaking population among the 49 Foreign Ministry employees?

[Liymets] As yet, no, but we are very interested in there being such. An obligatory condition of work in our department, incidentally, is knowledge of Russian.

[Merkin] Our readers frequently inquire: Have not too many overseas trips been made on diplomatic passports

lately? After all, this means foreign currency, which is so much needed, given our present poverty.

[Liymets] We are aware that this opinion exists. As far as the employees of the Foreign Ministry themselves are concerned, I cannot agree here. Our minister, L. Meri, does, indeed, spend much time abroad. To be frank, he should be spending even more time abroad. After all, we do not yet have overseas representation, and much is decided by personal meetings and contacts. But in the six weeks that I have been working here Foreign Ministry employees have been on overseas assignments quite infrequently.

[Merkin] And members of the Supreme Soviet? Leaders of movements and parties? It is becoming quite amusing: Parliament sometimes lacks a quorum for the adoption of important decisions—the deputies are traveling.

[Liymets] I would not like to act the part of judge. The Supreme Soviet must look into it itself. I would like merely to note the usefulness of business meetings with overseas partners for explaining the situation in Estonia.

[Merkin] Thank you for the interview. I hope that our paper's contacts with the Republic of Estonia's diplomatic department will continue.

[Liymets] Newspapers published in Russian should also familiarize their readers more with the problems of the foreign policy of our common home. This is necessary if only to be able to express one's views cogently in the event of a disagreement with some aspect of Foreign Ministry activity.

Policy Needed on Third-World Regional Conflicts

91UF0096A Moscow NEW TIMES in English No 41,
09-15 Oct 90 pp 17-18

[Article by Dmitriy Yevstafyev: "Third World's Changing Face; Is Soviet Diplomacy Ready?"]

[Text] All the countries directly involved in the events in the Gulf approached the crisis each carrying their own luggage. They all participated in various regional conflicts, differing in their character and essence. However, only the US came to the crisis zone with a clearly elaborated theory of conduct in such situations. This conception, known among experts as conception of small-intensity conflicts, has been existing in an officially legalized form since 1986, and its military aspect was codified in special regulations early in the 1980s. All other large states, the Soviet Union included, yield considerably to the US in readiness for activity in regional crises.

Why did the US leave all others behind in the development of the theory and practice of conduct in regional conflicts? Firstly, because throughout its history, the US had too great an experience of communicating with the Third World on battlefields. Therefore it is quite natural that in the course of such activity the components of the policy were worked out, accumulating an experience which was thoroughly analyzed later by experts.

Secondly, and this is very important, the Americans realized, much earlier than the USSR and other countries, the threat that the Third World might pose for the interests and security of America. In fact, few people will dispute that the Third World is the biggest source of terrorist activity. Moreover, terrorism is one of the most common forms of regional conflicts. The US was also seriously threatened by the drugs war, the struggle against which, beginning from the late 1980s, became one of the priorities of national security. The fact that at that time the US became threatened by the Third World proved to be one of the motives for the development of an integral conception of Third World policy.

But not only this, the democratic atmosphere, free discussion of this issue in society and wide-scale participation of experts have made this process efficient. Dozens of military and civil research centres have worked and continue to work on this problem, meetings and conferences are being held. It is noteworthy that while reading their materials, one cannot but notice one striking thing—their participants, military and civil experts among them, show amazing respect for one another, do not force their views on their colleagues, do not regard criticism against any department (and, believe me, there is much criticism with regard to the Pentagon and the State Department) as a betrayal of the Motherland and do not demand the FBI to deal with its authors under wartime laws. In these discussions, you also won't hear any cries of the kind, "You're an idiot yourself!", which we have witnessed in our country in the course of discussion of military and political problems, when each

department regards criticism as encroachment upon its monopoly, hence a threat to its own vital interests.

For a long time Soviet policy, fully orientated towards confrontation with the West, has overlooked the formation of a new seat of military danger in the Third World. As the latest developments in the Gulf have shown, Moscow did not have at its disposal not only instruments of influencing the political situation, but also a clear-cut conception of conduct in regional crises. And this despite the fact that the Soviet Union directly borders on the Third World in the south and the situation there is far from idyllic: our southern neighbours are extremely restless, and the Gulf is much closer to our country than it is to the US. It is just the place to stimulate active fundamental research in the field.

However, compared with the United States, research conducted in our country concerning regional stability, cooperation, the character of regional and local conflicts, methods of their restraint and settlement is in a much more modest state. For fairness' sake it must be said that diplomacy did not show great zeal for cooperation with science in the theoretical comprehension and substantiation of the policy in the Third World. Calls have long been made from high rostrums to link theory with diplomacy. Indeed, there is some positive progress in this sphere, especially in the field of strategic and conventional armaments. For example, the Soviet delegation at the Vienna talks on the reduction of conventional forces and armaments includes experts from the Academy of Sciences. But as for the regional theme, we have great still unused reserves here.

First of all, it is necessary to shape our interests in the Third World positively. Actually, we do not try to anticipate or forecast events, but we wait for something to happen and then we outline our stand.

There are also considerable grievances against the military. The US has long developed a fundamental method for the classification of conflicts, critical situations and wars, which serves as a basis to determine priorities in the development of armed forces. By the way, the importance of the above mentioned "small-intensity conflicts" in the system of national security priorities has been steadily increasing there over the past 5-6 years. But in our country, there is almost nothing except the outdated ideological postulates regarding the aggressiveness of imperialism. It is probably high time to raise this problem, drawing even upon the aid of civil specialists.

It is absolutely clear that the situation in the Gulf is only the first of future conflicts that may arise in connection with the Third World. If the Soviet Union goes on acting without an integrated conception of how to respond to different conflicts, possibly not excluding the military aspect, our position will be unenviable.

One more point: the Third World is no place for amateurs who claim for "global" thinking, who pass in five minutes from complete isolationism to total globalism. The Third World is an arena of activity for professionals,

an arena for purposeful and quiet work, restrained forecasts and accurate appraisals. This is an area of a real policy, and not a testing ground.

Economic Growth of Developing, Capitalist Countries Compared

91UF0118A Moscow NARODY AZII I AFRIKI
in Russian No 4, Jul-Aug 90 [Signed to press 02 Aug 90]
pp 12-25

[Article by V. A. Melyantsev under the rubric "Trends of Modern Development": "Are the Distinctive Features of the Economic Growth of the Developing Countries Unique?"]

[Text] *Opinions on the difficulties and contradictions of economic growth in the developing countries are common in scientific literature. It is difficult not to agree with many of them. But a number of "third-world specialists" have overdramatized the situation and advanced controversial theses on the limits of development of capitalism in liberated states and its limited potential to transform the economic and social space of peripheral countries. A statistical-economic analysis of present and past trends of economic growth in these countries and a comparison of these trends with similar processes in the now-developed capitalist states at the stage of their industrial revolutions and in present conditions permits us to draw different conclusions. Several dozen developing countries which concentrate at least two-thirds of the population and gross product of the peripheral zone of the world capitalist economy have by no means bogged down "in sorrow and hopelessness." Overcoming numerous problems and difficulties, they have nonetheless revealed relatively early—in terms of stages—maturity of fairly efficient economic and social structures.*

In singling out the essential features of the modern economic growth¹ of the developing countries, some Soviet and foreign scholars point to characteristics such as the instability and imbalance of the reproduction process, the substantial lack of integration among its economic and social components, the focal character of progressive forms of production, the high capital-intensiveness of growth, the considerable labor-consuming capability of the new economic structures, and the predominance of extensive determinants of expanded reproduction. The features noted are characteristic of many developing countries which have entered a period of modern economic growth and in one form or another carried out industrialization and technical reequipping of the economy on the basis of machine technology as well as some elements of the latest technologies. But these features should not be absolutized and certainly not considered indications and factors of stable, long-term characteristics typical of only Afro-Asian and Latin American states.

In order to give a carefully considered and balanced evaluation of the nature and trends of economic development of the liberated countries, the main indicators of

social reproduction of industrially developed and developing states should be compared in a "synchronous measure." At the same time, it is equally important to consider also the corresponding indicators for the countries of the West and for Japan during their industrial revolutions when they changed from traditional to modern economic growth and, consequently, to compare the most important parameters of expanded reproduction of the now-developed and the developing states in more or less the same stages.

I.

In the first seven or eight centuries of this millenium, the states of Western Europe on the whole managed to achieve per capita economic growth equal on the average to 0.1 to 0.2 percent a year and overtake the levels of per capita income in the countries of the East, which they had previously lagged behind by one and a half to two times.² This was achieved as a result of a relatively lengthy, though very contradictory process of protoindustrialized development accompanied by the assimilation of a number of innovations and changes in technical inventions of other peoples, including Asian ones, and a certain advantage (as compared with the East) in the rate of increase in both material and in social and spiritual elements of the historically created production forces and the norms of capital investments (from 1-2 percent in the 11th-13th centuries to 3-5 percent in the 16th-18th centuries).

The industrial revolutions in these states in the late 18th-early 19th centuries, which were marked by a revolutionary advance in the world production forces, led to significant acceleration (six- to eight-fold) in the overall rate of their economic growth as compared to the corresponding indicators for the ages of the Renaissance and Enlightenment: from 0.2-0.4 percent to 1.8-2.2 percent a year. The growth rate of per capita gross national product also increased many times over. During the period of the "industrial leap" they reached 0.7-0.8 percent in Great Britain (1775-1835); 1.4-1.5 percent in France (1820-1869); 1.4-1.6 percent in Germany (1850-1900); 1.5-1.7 percent in the United States (1840-1890); 1.6-1.8 percent in Japan (1885-1935); and 1.3-1.5 percent in Italy (1895-1939).

It is useful, however, to bear in mind that, contrary to the well-known thesis of W. Rostow, the increase in economic dynamics at the early stages of industrialization was not as a rule a "spurt," while the rather rapid development in the centers of the economy with the latest technologies of the day had, on the whole, a restricted—on the territorial and sectorial levels—impact on general economic growth. According to the calculations of the American economist D. MacCloskey, in Great Britain (1780-1860), the modern sector, which had a growth rate in labor productivity which was triple that of the traditional sector (1.8 and 0.6 percent a year, respectively), produced on the average only one-fifth of the national income during the period mentioned. That is why, I think, some contemporaries of the industrial revolution, A. Smith and D. Ricardo included, did not even notice it.³

In addition, these impressive achievements of the age of the industrial revolution seem very moderate against the background of the relatively rapid economic growth of the peripheral countries in the postwar period: the average annual growth rate in gross national product rose from 1.5-1.7 percent in 1900-1950 to 4.8-5.2 percent in 1960-1985, while per capita indicators increased from 0.4-0.6 percent to 2.2-2.4 percent, respectively (Table 1). And, in a number of developing states enveloped by modern economic growth in which certain leading links of the mechanism of expanded reproduction were formed, these indicators are as a rule higher. In the larger ones, the following

are the average annual growth rates of per capita GNP: 2.9-3.1 percent in Brazil (1933-1985); 2.6-2.8 percent in Mexico (1940-1985); 1.5-1.6 percent in India (1957-1985); 2.8-3.0 percent in Egypt (1955-1985); and 4.5-4.9 percent in Indonesia (1967-1985). Nonetheless, in the postwar period, the industrially developed states on the whole surpassed the liberated countries in terms of rate of per capita economic growth, and that was connected significantly with the "demographic explosion" in the periphery of the world capitalist economy.

Table 1

Changes in Sectorial Structures of Production and Employment, in percentages

Changes in Sectorial Structures of Production and Employment, in percentages									
			Sectors' Share in GNP				Sectors' Share in Employment		
Period	Sector	Rate of Increase in Production of GNP	Start of Period	End of Period	Rate of Increase in Changes in Structure of GNP	Rate of Increase in Employment	Start of Period	End of Period	Rate of Increase in Changes in Structure of Employment
Developed Capitalist Countries									
1800-1900	I	1.3	60.7	34.3	0.2	0.5	72.5	48.0	0.2
	II	2.9	14.0	38.7	0.2	1.5	15.9	29.0	0.1
	III	1.9	25.3	27.0	0.0	1.6	11.6	23.0	0.1
	Overall	1.9	100.0	100.0	0.4	0.9	100.0	100.0	0.4
1900-1960	I	1.3	22.9	10.4	0.2	-0.4	48.0	23.0	0.4
	II	3.2	30.4	42.8	0.2	1.2	29.0	36.0	0.1
	III	2.6	46.7	46.8	0.0	1.8	23.0	41.0	0.3
	Overall	2.6	100.0	100.0	0.4	0.8	100.0	100.0	0.7
1960-1985	I	2.1	5.9	4.0	0.1	-4.3	23.0	6.1	0.6
	II	3.8	38.0	39.3	0.0	0.3	36.0	30.9	0.2
	III	3.7	56.1	56.7	0.0	2.7	41.0	63.0	0.8
	Overall	3.7	100.0	100.0	0.1	1.0	100.0	1.5	
Developing Countries									
1900-1950	I	1.1	49.8	38.6	0.2	0.9	71.9	74.1	0.0
	II	2.5	13.5	20.8	0.1	1.0	10.2	9.8	0.0
	III	1.8	36.7	40.6	0.1	1.3	17.9	16.1	0.0
	Overall	1.6	100.0	100.0	0.4	1.0	100.0	100.0	0.1
1960-1985	I	2.6	30.3	17.2	0.5	1.2	70.8	57.0	0.5
	II	6.0	29.5	37.5	0.3	3.3	11.3	15.8	0.2
	III	5.5	40.2	45.3	0.2	3.9	17.9	27.2	0.4
	Overall	5.0	100.0	100.0	0.9	2.1	100.0	100.0	1.0

—Notes: 1) I—agrarian sector, II—industrial sector, III—services sphere. 2) The structure of production of GNP is figured on the basis of constant prices: for developed capitalist countries—1850-1860, 1929, and 1970, respectively (so two versions of the data for 1900 and 1960 are presented); and for developing countries—in 1960 and 1975 prices. 3) The rate of increase in changes is figured on the basis of data on the absolute number of structural changes for the particular sector and overall in the entire economy.

In analyzing the demographic component of the social reproduction of the "third world" countries, Soviet and foreign researchers usually emphasize its depressive influence on the socioeconomic processes occurring there. Indeed, overpopulation in some liberated states has become significant, and the rate of demographic growth in the peripheral zone, which has increased six- to seven-fold as compared to the second half of the 19th century, reached 2.6-2.7 percent in 1950s-1970s. Essentially "eating up" one half of the real increase in gross product of the liberated countries, the "demographic explosion" on the whole paralyzes their development in the formative stage of modern economic growth by holding back improvement in quantitative and qualitative parameters of savings, the standard of living, the human factor, and labor productivity.

The demographic situation which took shape in these countries is not altogether unique. It corresponds with well-known analogies in the economic history of the now-developed capitalist states. In all fairness it should be emphasized that the population growth rate in the countries of the West and Japan during the stage of their transition to modern economic growth was one-half to two-thirds that of the developing countries, but even the former experienced serious demographic overload commensurate with their economic structures. Thus, the population growth rate in Great Britain increased from 0.17 percent a year in 1700-1750 to 0.76 percent in 1750-1800 and 1.36 percent in 1800-1851; that is, demographic pressure increased eight-fold. And on the whole, the population growth rate during the industrial revolution in the now-developed capitalist countries also "ate up" about half the increase in their real production.

In giving a description of the long-term trends of economic growth of the liberated states, it is very important to bear in mind the unique transitional period—the stage of decolonization or, what is narrower in principle, the so-called restorative subperiod needed to eliminate the consequences of turmoil related to acquiring independence, civil wars, and other manifestations of the extraordinary political and social situation. Unfortunately, however, these fundamental features of the historical development of the liberated countries are as a rule not given sufficient consideration when their economic growth is divided into periods. By ignoring these specific stages of development, the real picture of economic growth of the liberated countries in the long term becomes unclear and distorted.

If we figure the average annual growth rate of per capita GNP during the entire period of independence (to 1987) for Brazil and Mexico, which won political independence back in 1821-1822, the corresponding figures are no higher than 1.-1.5 percent. However, leaving aside the first 110-130 years of for the most part traditional and semitransitional development, different researchers usually single out a stage involving the development of the

industrialization process in these countries, a stage which began in the 1930s-1940s. The figures on growth in per capita GNP which characterize the pattern of modern economic growth obtained in this way were double or triple the other figures.

When the economic trend for India is determined, some economists⁴ include in their calculations data on the first years of independence, and as a result the indicators figured are lower (per capita economic growth in this country was no more than 1.3-1.4 percent a year in 1947-1987). Summarizing the time characteristics of India's social production in the first two or three decades of independence (which are lower than the estimates cited), some Soviet and foreign researchers drew the conclusion that the dynamic potential of the Indian economy was limited and frequently extrapolated it to whole regions of the developing world.

However, if one takes into account that the maximal level of production achieved in India under colonialism (in 1942-1943, to be more specific) was regained in the mid-1950s and the per capita level—apparently only in the mid-1960s; one may single out the corresponding subperiods and discover a definite trend toward marked acceleration in economic dynamics. Using the data of M. Mukkherdshi, S. Sivasubramonyan, and A. Maddison for the colonial period, we obtained the following estimates of the changes in the average annual rate of *per capita* economic growth: 0.0 percent in 1820-1870; 0.5-0.7 percent in 1870-1913; 0.5-0.7 percent in 1913-1947; -0.1 percent in 1947-1957; 1.1 percent in 1957-1966; 1.9 percent in 1966-1979; and 2.7 percent in 1979-1987.

As can be ascertained, it follows from this data that in the late 1950s per capita income in India barely differed at all from the 1820s-1870s level. This question undoubtedly deserves to be studied in more depth. However, one may assume that the economic dynamics in independent India are most likely characterized by the last two or three values. And, the trend outlined is developing in a country which is considered to be in many respects traditional and extremely overpopulated (800 million inhabitants) and whose "per capita" supply of various natural resources is immeasurably less than in most other large and medium-sized developing states.

Overall the liberated countries have achieved fundamental economic progress. But even so, one must take into account that not all of them have been enveloped by modern economic growth and in some of them a fundamental decline in its rate occurred in the 1980s. Evaluating the thesis of the "narrow-focus" character of economic growth of the developing states against this background, it would be a good idea, in my opinion, to conduct a kind of "inventory" of the "third world" countries and territories in which relatively high (at least 1.5 percent)⁵ average annual growth rates of per capita GNP have been observed in the last two or three

decades. Data on the states and territories with a population of more than 10 million people (as of 1985⁶) are presented below:

Country	1960s-1980s Overall	1980s
Algeria	2.1	0.7
Egypt	2.5	1.5
Cameroon	3.2	5.2
Iraq	1.7	-9.1
Saudi Arabia	2.1	-9.6
Syria	3.4	0.7
Iran	2.6	1.5
Pakistan	2.8	3.5
Turkey	3.2	2.5
Bangladesh	2.2	1.7
India	1.7	3.0
Sri Lanka	2.5	2.8
Burma	1.6	2.9
Indonesia	4.5	2.3
Malaysia	3.8	1.9
Thailand	4.4	2.8
Philippines	1.5	-1.9
Taiwan	6.5	5.6
South Korea	6.9	7.0
Brazil	3.5	0.6
Mexico	2.3	-1.9
Colombia	2.4	1.2

If the small countries and territories are excluded, some kind of tangible economic growth was observed in just 22 states in the 1960s-1980s. But they account for three-quarters of the population and all the gross product of the peripheral zone of the world capitalist economy. Examining the 1980s alone, one discovers that the number of these "well-off" countries declined to 14, but they continued to make up an imposing part of the developing world. More than two-fifths of the gross national product of the liberated states was produced in these states and about three-fifths of their inhabitants lived in them.

So, we have a sharp stratification of the "third world" countries. A critical economic and social situation is characteristic of many developing states, and a critical situation has developed in all but a few of the countries of Tropical Africa. However, the situation should obviously not be overdramatized. First, in my opinion, there is no reason to speak of the fatal inevitability of a significant and prolonged deterioration of living conditions for most of the population of the peripheral zone. Secondly, in noting the contradictory nature of the development of some states of the Afro-Asian world which obtained independence relatively recently historically speaking, it is useful to recall that the process of

maturation of the sociopolitical and other prerequisites of modern economic growth in the countries of the West and Latin America was quite protracted, not always even, and frequently accompanied by breakdowns and relapses. Thirdly, for countries of Asia and Latin America which were more developed in the economic sense, these difficulties were brought about above all not by stagnation and decline but by development, assuming one considers the processes and phenomena not in the short term but at least in the medium term.

II

In analyzing the thesis that there is significant instability and unevenness (imbalance) in economic growth in the former colonies and semicolonies, disparity in the economic and social components of their social reproduction, and a "focal character" to the modern economic forms which exist there; it would be a good idea to identify these characteristics of the developing countries more precisely, and when possible compare them with the corresponding analogues of the now-developed capitalist states.

As for the instability of the dynamics of GNP observed in many peripheral countries, judging by the values of the coefficients of its fluctuation, for the large developing states on the whole this instability proved to be appreciably lower (roughly three-fold) than that of the now-developed capitalist countries during the stage of their industrial revolutions. According to our calculations, this indicator was 230-240 percent in Great Britain (1775-1835); 220-230 percent in France (1820-1869); 130-140 percent in Germany (1850-1900); 110-120 percent in the United States (1840-1890); 170-180 percent in Japan (1885-1935); and 220-230 percent in Italy (1895-1939). However, it was 60-70 percent in Brazil (1933-1985); 45-55 percent in Mexico (1940-1985); 90-100 percent in India (1957-1985); 55-65 percent in Egypt (1955-1985); and 30-40 percent in Indonesia (1967-1985). It is also interesting to note that the coefficient of fluctuation of yearly changes in GNP in the large developing countries is no higher on the average than in the leading Western powers in the contemporary stage which have progressed significantly in the development of production forces and more or less successfully use various methods for regulating and programming the economy (in 1950-1985 the corresponding indicator was equal to 80-90 percent in Great Britain; 45-55 percent in France; 65-75 percent in the FRG; 75-85 percent in the United States, 50-60 percent in Japan; and 55-65 percent in Italy).

In this connection, the data on India, which has almost 40 years of experience in government regulation and planning but on the whole has a very high indicator of instability in economic dynamics for the entire period of its modern economic growth, seems instructive. When its economic history is accurately divided into periods, one discovers that the coefficient of fluctuation of the rate of increase in GNP declined in that country from 823 percent in 1901-1947 to 302 percent in 1948-1957,

128 percent in 1958-1966, 106 percent in 1967-1979, and 25 percent in 1980-1987; and that confirms the above-noted trend toward improved time characteristics in India's modern economic growth.

If we estimate the degree of unevenness in production growth in the key sectors of the economies of the developing countries which are generally passing through a stage of relatively intensive breakdown of backward economic structures according to the indicator of variation in sector rates, we discover that on the average (30-32 percent) it exceeds that indicator for the countries of the West and Japan in the postwar period (23-26 percent). At the same time, the average indicators conceal a significant spread in the values of this coefficient for both the large developing and the large developed capitalist states: 22-33 percent for Brazil and Mexico; 35-38 percent for India, Indonesia, and Egypt; 8-10 percent for Japan; 21-23 percent for Great Britain and the FRG; 28-30 percent for France and Italy; and 42-44 percent for the United States (!). If, however, we take into account the corresponding coefficients for the countries of the West and for Japan of the late 18th-early 20 centuries (18-20 percent for France, 29-31 percent for Germany, 35-37 percent for the United States, 42-44 percent for Great Britain, 44-46 percent for Italy, 47-49 percent for Japan, and 36-37 percent on the average for "the six"), then it becomes obvious that they carried out their initial industrialization⁷ generally according to A. Hershman's theory; that is, for the most part through uneven, rapid development of a number of "focuses" (sectors) of the economy with the latest technologies for that time. Against this background, the economic growth of the developing countries examined from this "enlarged" perspective looks rather more even.

It would be extremely unfair to record these very generalized trends characterizing the behavior of macroeconomic indicators for prolonged periods and ignore the fairly high degree of unevenness and instability of development revealed when we analyze the indicators broken down to the subsectoral level taken within the framework of short intervals of time for both the developing and the developed capitalist states. Moreover, it must be taken into account that the indicators which characterize the measure of evenness or unevenness as well as the stability or instability of economic growth of the developing countries presented above reflect a perhaps greater degree of impact of international division of labor, which generally performs a significant compensatory function, than in the countries of the West of the 19th century. Of course, that does not at all rule out but more likely presupposes the fundamental destabilizing (and perhaps corrective) impact of the external market on the rate and character of structural changes in the periphery of the world capitalist economy.

When they evaluate the degree of disparity in the economic and social components of the economic development of the liberated countries, some researchers in our country and abroad frequently use the indicator of the ratio of agriculture's share in total employment and

GNP in particular countries. This indicator, which shows how much the agrarian sector lags, in terms of relative labor productivity, behind the national economic level, expressed as 1, has generally revealed a certain upward trend for the group of peripheral states: from 1.4-1.5 in 1900 to 1.9-2.0 in 1950, to 2.3-2.4 in 1960, and to 3.2-3.4 in 1985.

The causes and character of this phenomenon differed in many respects in the colonial and postcolonial periods. Judging from the data for the first half of the present century, the lag of the primary sector of the peripheral countries in terms of relative labor productivity was related not only to the decline in the share of agriculture in GNP, but also to the higher proportion of agrarian employment resulting from greater colonial and semicolonial exploitation of the underdeveloped states. The transition of the liberated countries to modern economic growth led to a decline in the proportion of those working in the agrosphere. However, despite some acceleration in the dynamics of agricultural production, the growth rate of output in industry, construction, and the services spheres rose even more, and because of that the gap in relative labor productivity increased significantly.

And in the now-developed capitalist states, for a long period of time economic growth was accompanied by a worsening of this disproportion. The indicator for lag of the agrarian sector in terms of level of relative labor productivity rose on the average from 1.1-1.3 in 1800 to 1.6-1.8 in 1900 and 2.7-2.9 in 1960. This indicator began to fall in the industrially developed countries generally only in the last two or three decades. Judging from data in relative 1970 prices, it declined from 3.8-3.9 in 1960 to 1.5-1.6 in 1985.

As for the problem of the disparity in changes in sectorial structures of production and employment, the intensity of changes in the structure of production of GNP of the developing states rose by a factor of 2-2.5 as compared with the period of their colonial and semicolonial existence, exceeding the corresponding average indicators for the countries of the West and Japan during their industrial revolutions to the same degree. The rate of change in sectorial proportions of distribution of employment accelerated even more (by a factor of 10!). In the 1960s-1980s the developing countries substantially surpassed the now-developed capitalist states during the stage of their "industrial leap" in terms of this indicator (1.0 and 0.4 percent a year, respectively).

While significantly different rates of change in the sectorial structure of GNP and employment were observed in the first half of the 20th century in the colonies and semicolonies (0.4 and 0.1 percent); the situation in the liberated countries has changed in many respects in recent decades. Some correspondence in the dynamics of the indicators cited above was achieved when primary industrialization and broad development of the processes of urbanization as well as "focusing on services" in their economies were being carried out and in some states completed. At the same time, the rate of change in the structure of employment began to outstrip changes in the proportions of production in the entire group of countries. This phenomenon of "outstripping" was

observed in the now-developed capitalist states in this century, becoming sharply expressed in the postwar period.

The trends outlined attest not only to the significant rates of transformation of the developing countries' societies, which are sometimes undervalued by researchers, but also to the relatively rapid, historically speaking, maturation of relatively efficient economic structures. In this connection, the following data are quite convincing, in my opinion. While in 1900-1950, when the process of relative "agrarianization" and stagnation of the production forces of the peripheral countries was underway, the contribution of intersectorial

redistribution of labor force to increasing their GNP was negative; in 1960-1985 this indicator was 25 percent, which is double the corresponding data for the now-developed capitalist states during the industrial revolution (Table 2). According to our calculations, the growth rate in social labor productivity in the liberated countries increased by a factor of 1.5 as compared with the colonial period, and the corresponding indicator for the dynamics of GNP increased by a factor of 1.4 as a result of the shift of live labor to sectors with higher labor productivity.

Table 2

Increase in GNP and Its Components, in percentages							
Countries	Years	Average Annual Rate of Increase			Increase in GNP Through		
		GNP	Work Force	Social Labor Productivity	Growth in Expenditures of Live Labor	Increased Social Labor Productivity, Including as a Result of Intersectoral Redistribution of Work Force	Increased Labor Productivity in Sectors of the Economy
Developed Capitalist Countries	1700-1800	0.5	0.35	0.15	70	-5	35
	1800-1900	1.9	0.9	1.0	47	12	41
	1900-1960	2.6	0.8	1.8	31	18	51
	1960-1985	3.7	1.0	2.7	27	4	69
Developing Countries	1900-1950	1.6	1.0	0.6	63	-6	43
	1960-1985	5.0	2.1	2.8	42	25	33
India	1900-1939	0.7	0.4	0.3	57	-8	51
	1957-1966	3.3	1.1	2.1	33	-8	75
	1966-1979	3.9	1.7	2.2	44	13	43
	1979-1985	4.9	2.3	2.6	47	9	44
	1957-1985	3.9	1.6	2.3	41	9	50

—Note: The increase in GNP through intersectoral redistribution of work force fixes the impact of moving live labor to sectors with a higher capital-labor ratio and higher labor productivity.

As for India, the largest country of the developing world, for a long time it was characterized by not only stagnation but also a rising proportion of employment in agriculture: 66-68 percent in the 1870s-1880s; 74-76 percent in the 1920s-1930s, and 71-72 percent in the 1950s-1960s⁸; and that was the result of both the country's substantial overpopulation and a certain deformation of its social production forces caused by prolonged colonial domination. Moreover, progressive retardation of the agrarian sector in terms of relative labor productivity was observed in India as in many other peripheral countries. The corresponding indicator rose from 1.4-1.5 in 1900 to 1.5-1.7 in 1939-1957, 1.9-2.1 in 1966-1979, and 2.2-2.3 in 1985.

However, judging from the data of the last census and surveys, a certain downward trend in the proportion of

those working in the agrarian sector and a trend toward acceleration in the rate of change in sectorial redistribution of work force was revealed in India in the 1970s-1980s. According to our calculations and estimates, the proportion of employment in farming and animal husbandry increased from 71.8 percent in 1957 to 72.2 percent in 1966, and then declined to 67.5 percent in 1985; while in industry and construction it increased from 11.4 percent to 11.9 percent and 14.3 percent, respectively. While in 1957-1966, during the stage of so-called "imbalanced industrialization," the disparity in the dynamics of changes in the sectorial structure of GNP and employment (2.1 and 0.2 percent a year, respectively) increased 10-fold, and taking into account the growing share of agrarian employment, the latter indicator had a distinct "negative charge"; later, as the

dynamics of changes in the sector structure of production slowed down and the intensity of changes in proportions of sectorial distribution of labor force increased somewhat, this gap was reduced in 1966-1985 to approximately two-thirds its former level—0.8 and 0.5 percent a year.

In the colonial period and in the initial stage of industrialization (1957-1966), the contribution of intersector redistribution of work force to increasing India's GNP was negative; and that was related to the redeployment of some live labor from the nonagricultural sector to the agrarian sector, which was characterized by lower indicators of capital-labor ratio and productivity. Most likely this retarded the country's general economic growth to a considerable extent. But in 1966-1985, when a certain downward trend in the proportion of employment in the agrosphere was observed, this indicator proved to be altogether comparable (9-13 percent) in size with the corresponding indicator of the now-developed capitalist states during the industrial revolution. In our opinion, this factor promoted an overall acceleration of the rate of expanded reproduction in India in the 1970s-1980s.

At the same time, however, taking into account the existence in "third world" countries of a traditional sector which is significant in absolute and relative terms, one must bear in mind that by 1980 the proportion of "nontraditional" types of economic activity in the total number of those employed in the peripheral zone (excepting Tropical Africa) was, according to our estimates, about half. At the same time, the proportion of the modern sector reached approximately 14-16 percent and of the intermediate sector—32-35 percent. These indicators are on the average substantially higher for Latin American states (20-24 percent and 46-52 percent, respectively); somewhat lower on the average for countries of North Africa, the Near East, and the Middle East (18-20 percent and 45-50 percent, respectively), and substantially lower for India (10-12 percent and 18-22 percent); for other countries of South and Southeast Asia the figures are 13-16 percent and 28-35 percent, respectively.

At the same time, however, the proportion of the strictly traditional sector in one of the most progressive sectors of production, the processing industry, was 50-60 percent of all those employed in 1860 and 30-40 percent—in 1913. Taking into account data on other sectors of the economy, we may assume that by the start of World War I, when the industrial revolution in some key links of the economies of most Western countries was over, the proportion of people employed in the modern sector out of their employed populations was 20-25 percent, while the intermediate sector had 35-40 percent. And, the change to industrial methods by most sectors [otrasl] of the primary and tertiary sectors [sektor] of the economies of the countries of Southern and Western Europe was not completely over either in the prewar or the first postwar years. That means that not all of their populations were completely enveloped by modern forms of employment, and in places (Greece, Portugal, Ireland,

Spain, and Southern Italy) fairly notable "focuses" of semitransitional forms of social production were preserved.

In this way, the instability, unevenness, and disparity, as well as the "focal" nature, of modern economic growth were characteristic on the whole more of the process of development within the framework of the entire capitalist social formation and to a considerable, if not large, degree "specific" not only (and perhaps not so much) to the presently developing states but, as we see, to the now-developed capitalist states during the stage of their "industrial leap" as well. Moreover, judging from the data cited, generally many developing countries are breaking down their backward, traditional structures of production and employment significantly faster than the states of the West and Japan in the 19th-early 20th centuries. No matter how strange this conclusion may seem in light of popular conceptions of the significant lack of integration of the peripheral countries' economic growth, their steadfast loyalty to tradition, and the slowness of structural changes in their economies; it corresponds completely to the general, universal trend toward substantial acceleration of economic and social development in the 19th-20th centuries.

III

The thesis that modern, overall economic, above all industrial, growth of the developing countries is very capital-intensive and the economic structures being created during it absorb comparatively little live labor, unlike the corresponding structures of the Western countries and Japan in the 19th-early 20th centuries, is very widespread in Soviet and foreign literature.

Indeed, as compared to the past century the level of organic structure of capital has risen substantially, especially in industry, and the capital available for labor has risen fundamentally in the developed and even in many developing states. While the cost of creating one job in industry in Great Britain and France was equivalent to 4-8 monthly worker wages in the late 18th-early 19th centuries, this indicator increased approximately 60-fold in modern sectors of the industrial sector of the developing countries in the 1960s.⁹ According to our calculations, the average annual growth rate of the capital-labor ratio was 4.3-4.7 percent in the large developing countries (among them Brazil—3.3-3.8 percent; Mexico—2.6-3.0 percent; India—3.3-3.7 percent; Indonesia—7.5-7.7 percent; and Egypt—4.9-5.1 percent). This average indicator matches the corresponding indicator for the group of leading industrial powers in the postwar period and is double or triple the analogous indicator for the large now-developed capitalist states during the stage of their "industrial leap" (0.1 percent in Great Britain;

1.1 percent in France; 1.5 percent in Germany; 2.9 percent in Japan; and 2.5 percent in the United States and Italy).

On the average the growth rate of the capital-output ratio in the large developing countries was approximately double analogous indicators of the now-developed capitalist states (0.4-0.5 percent). However, while in the countries of the "first wave" of industrialization, capital-intensiveness did not rise (in Great Britain and France it declined by 0.6 and 0.1 percent a year, respectively, and in Germany it virtually did not change during the "industrial leap"); in the states of the "second wave" (Japan and Italy), as well as in the United States (a country of migrants), this indicator rose comparatively quickly (by 0.9, 1.0, and 1.2 percent a year, respectively).

The phenomenon of high capital-intensiveness of growth during the stage of the "industrial leap" is thus in no way characteristic of only the liberated states. It is also typical of the now-developed capitalist countries which began to industrialize later than others and therefore were compelled to speed up their development. This phenomenon is also equally typical of the migrant states which developed new lands and created the economic and social infrastructure anew. All this attests to the existence of certain general patterns of development of the mechanism of modern economic growth in states of the "second" and "third" waves of capitalist industrialization. (The developing countries which are undergoing accelerated modernization are usually included in the latter.) Moreover, a higher capital-labor ratio in the liberated states means that despite significant demographic pressure and a general significant shortage of capital reserves in the periphery of the world capitalist economy, quite a large share of this fund of capital investments here is spent for the purpose of not only expanding capital but also improving its quality.

As for the growth rate in industrial employment, generally it was 3.1-3.5 percent a year in the developing states in the 1960s-1980s. It is notable that even in overpopulated India, whose economic strategy focused on development of heavy, capital-intensive industry for a long time, this indicator equalled 2.6-2.8 percent, and that included 2.9-3.1 percent in the organized sector and 2.5-2.7 percent in the unorganized sector. These indicators are substantially higher than in the countries of the West and Japan during the stage of their industrial revolutions (on the average it was no higher than 1.9-2.1 percent a year there). Moreover, the development of industry on the basis of strengthening intersectorial ties which is underway in many peripheral countries, just as in the centers of the world capitalist system, results in interdependent growth of employment in other, more labor-intensive sectors of the economy—in construction and the services sphere. The growth rate in the number of people working in these segments of the economy frequently surpasses the corresponding indicators for industry (see Table 1).

In this way, the growth in the base sectors of industry of the developing countries is in fact capital-intensive and labor-saving in nature. However, if we examine reproduction on the national-economic level, we discover that despite all its contradictions, the process of modern economic growth in the liberated states is generally accompanied both by an expanded sphere of labor application and the creation of certain essential conditions for increasing the level of its productivity.

Judging from the first decades of their modern economic growth, the developing countries "surpassed" in terms of the capital investment norm (17-19 percent in 1960-1987) the now-developed capitalist states during the stage of their "industrial leap" (12-13 percent in 1800-1900) and generally managed to "lag behind" them in terms of the coefficient of maximum capital-intensiveness, which was 3.5-4.0 and 6-7 units, respectively (Table 3). And, it equalled 2.8-3.0 in Brazil (1933-1985); 2.9-3.1 in Mexico (1940-1985); 4.4-4.8 in India (1957-1985); 3.8-4.0 in Egypt (1955-1985); and 2.8-3.2 in Indonesia (1967-1985).

Table 3

Dynamics of Capital-Intensiveness in GNP Growth, in percentages

Years	Norm of Capital Investments in GNP, in percentages (A)	Average Annual Growth Rate of GNP, in percentages (B)	Capital-Intensiveness of Each Percentage of GNP Growth (A/B)
Developed Capitalist Countries			
1800-1900	12-13	1.9	6.3-6.8
1900-1960	16-17	2.6	6.2-6.5
1960-1965	24.3	5.5	4.4
1965-1973	23.2	4.7	4.9
1973-1980	25.1	2.8	9.0
1980-1987	22.1	2.4	9.2
1960-1987*	23.5	3.8	6.2
Developing Countries			
1900-1950	5-7	1.6	3.5-4.0
1960-1965	13.2	6.2	2.1
1965-1973	14.7	5.8	2.5
1973-1980	18.5	5.3	3.5
1980-1987	20.8	2.0	10.4
1960-1987*	18.1	4.8	3.8

*The norm of capital investments in GNP is calculated on the basis of data in 1975 prices according to the parities of purchasing power of currencies (without taking into account changes in reserves, the investment lag is taken to be 3 years).

This involves a number of factors. Thus, in terms of key characteristics the technological structures of investments and fixed capital in many developing countries lag

behind their analogues in the capitalist centers (the average proportion of investments in the active elements of fixed capital in developed capitalist states was about one-half, and in developing states—no more than two-fifths, in the 1960s-1980s). However, for some proportions, in a number of liberated countries they match or even surpass the indicators mentioned for the now-developed capitalist states at the corresponding spiral of their development. According to our calculations, the proportion of passive elements in the total volume of gross investments in fixed capital reached 65-75 percent in the second half of the 19th-first quarter of the 20th centuries in Sweden, Germany, the United States, Canada, and Japan.

In terms of proportion of ongoing expenditures of GNP for developing education, health care, and science, the liberated states lagged behind the industrially developed capitalist countries at roughly one-half to one-third their level; but in the 1980s the liberated states to the very same degree surpassed the countries of the West and Japan of the 19th century with this indicator (5-7 percent). In India, for example, this indicator rose from 2.5 percent in 1950-1956 to 4.0 percent in 1957-1966, 5.1 percent in 1967-1979, and 5.5 percent in 1980-1984. As a result, the average number of years of training of work force (the data are reduced according to quality of education) and life expectancy rose at a rapid rate in the developing states. While in the now-developed capitalist countries, the first indicator increased from 1.5-2 years in 1820 to 3-4 years in 1870, 8.2 years in 1950, and 10-12 years in 1980-1985; in the developing states it increased from 2.6-3.0 years to 5.0-5.4 years in 1960-1985. On the average the life expectancy for the Western countries and Japan rose from 36-38 years in 1820 to 49-50 years in 1900, 70 years in 1960, and 76 years in 1985; while in the liberated countries it increased from 42-44 years in 1960 to 56-58 years in 1985.

One must certainly mention also (see Table 3) that the coefficient of maximum capital-intensiveness in the developing states revealed a clear upward trend. In many respects this is related to a "higher rate of expenditure" as they passed through the easier phases of industrialization and to the "accumulation" of various types of mistakes and miscalculations made in planning and regulating the economy, as well as the greater intensity of crisis phenomena in the world capitalist economy in the 1970s-1980s. However, even in the developed capitalist states, the maximum capital-intensiveness of growth also increased substantially. These phenomena most likely attest to the existence of a certain correlation between the processes outlined in the two groups of countries, which are possibly experiencing the impact of the set of factors related to the second "lowering" phase of the so-called prolonged Kondratyev cycle.¹⁰

On the whole, in the first decades of modern economic growth, because of accelerated growth in the capital-labor ratio, the improved structure of capital investments, increased expenditures for developing the human factor, intensified intersectorial changes in the structure

of GNP and employment, as well as expanded participation in international division of labor; the liberated countries achieved a significant growth rate in social labor productivity (2.8-3.2 percent) and total efficiency of live and embodied labor (1.8-2.2 percent). These indicators are double or triple those of the countries of the West and Japan during the stage of their "industrial leap," on the average (1.0-1.4 percent and 0.7-0.8 percent, respectively). And, the successes mentioned were achieved despite the unfavorable correlation of fixed production resources in most liberated states (in view of the demographic "pressing"), the substantial opposition of traditional institutions, the fundamental disparity of economic and social processes, and higher foreign indebtedness.

In terms of national economic development and the proportion of its intensive components, the peripheral countries still lag substantially behind the capitalist centers (where it was from one-half to two-thirds on the average in the postwar period). However, many parameters of social reproduction of the developing countries do not lag behind their analogues in the developed capitalist states. While in the major developing countries during the stage of their modern economic growth, 34-40 percent of the increase in GNP was obtained because of intensive factors; in the large countries of the West and in Japan this indicator was no more than one-third during their primary industrialization.¹¹

In this way, analyzing the modern and past trends of the developing countries' economic growth and comparing them with similar processes in the now-developed capitalist states during the stage of their industrial revolutions and in present conditions allows us to establish not only the characteristic features of the developing states' backwardness, but also the indisputable acceleration of the rate of restructuring of their really backward social structures. They preserve significant layers of traditional, precapitalist forms and methods of economic activity, and at the same time the modern and intermediate sectors, which are gradually attracting certain segments of the traditional sector into their orbits, are developing relatively rapidly. Moreover, it is not so much extensification of accumulation and expanded reproduction on the whole that is characteristic of a large number of developing countries in the last 2-3 decades as a fundamental increase in the number of qualitative components in their modern economic growth.

In focusing attention on the significant changes which have occurred in the developing countries in the last 2-3 decades, it would of course be wrong to underestimate the difficulties of the 1980s and their extremely contradictory impact on the economies of the liberated states. We should bear in mind, however, that this "shock therapy" also involves a certain charge of "constructive destruction" (Y. Shumpeter).¹² Ultimately, it may help rid them of prestigious, inefficient projects along with traditional stereotypes of thinking as well as deepen the internal changes, refine the mechanism of economic development, and rationalize progress toward modern

economic growth, which, let us emphasize, has lasted only a comparatively short time in most of the peripheral countries.

The conclusions we drew using the example of the major developing countries¹³ and then confirmed by materials on the entire group of liberated states allow us to test the validity of certain axiomatic assertions and theoretical generalizations common in Orientalist literature. Verifying these ideas and logical schemes was very difficult in the not-too-distant past because of limited information on the developing states' experience of modern economic growth as well as incomplete knowledge of the economic history of the countries of the West and Japan.

In the 1970s and especially in the 1980s, the appropriate data banks were fundamentally expanded thanks to research by Soviet and foreign economists, historians, and sociologists. On the basis of this, it became possible to refine certain existing hypotheses and versions on the general and particular in the economic development of the most important components of the world capitalist economy.

The results obtained do not reveal many indications of the specifics which, according to widespread notions, are typical of the development of capitalism in its peripheral zone. I think that in view of this, identifying the real rather than imaginary specifics of social reproduction in the liberated states becomes a very important task. At the same time, however, more and more arguments are appearing in favor of the existence of general patterns that have not yet been definitely identified showing that various countries have entered the period of modern economic growth and patterns which have been making headway in recent centuries.

Footnotes

1. Modern economic growth presupposes a fundamental, prolonged, and relatively stable increase in final social product per capita as well as profound and comparatively rapid structural changes in the material, social, and spiritual elements of historically created social production forces. For expanded definitions see: "Razvivayushchiyesya strany: ekonomicheskii rost i sotsialnyi progress" [The Developing Countries: Economic Growth and Social Progress], Moscow, 1983, pp 11-13; S. Kuznets, "Modern Economic Growth," New Haven, 1966, pp 1, 26, 27, 491.

2. The calculation takes into account the wave-like character of economic development of both the countries of the West and the East with the succession of evolutionary and involutionary phases. From now on all calculations are made using materials of international and national statistics as well as the following: B. M. Bolomin, V. L. Sheynis, "Ekonomika razvivayushchikhsya stran v tsifrakh" [The Economy of the Developing Countries in Figures], Moscow, 1988, pp 92-108, 141-146; P. Bairoch, "Ecartes internationaux des niveaux

de vie avant la revolution industrielle" [International Charts of Standard of Living Before the Industrial Revolution], ANNALES. ECONOMIES. SOCIETES. CIVILISATIONS, Paris, No 1, 1979, p 161; Ibid., "De Jericho a Mexico. Villes et Economies dans l'Histoire" [From Jericho to Mexico. Cities and Economies in History], Paris, 1985, pp 167-169; C. M. Cipolla, "Before the Industrial Revolution," London, 1981, pp 40, 122-123; "Des economies traditionnelles aux societes industrielles" [From Traditional Economies to Industrial Societies], Geneva, 1985, pp 185, 186, 192; A. Maddison, "Phases of Capitalist Development," New York, 1982, pp 6, 254; S. Kuznets, "Population, Capital, and Growth," London, 1974, pp 138-140; W. W. Rostow, "Why the Poor Get Richer and the Rich Slow Down," London, 1980, pp 289-300.

3. "The Economics of Industrial Revolution," London, 1985, pp 4-5, 63, 166.

4. A. Heston, R. Summers, "Comparative Indian Economic Growth, 1870-1970," AMERICAN ECONOMIC REVIEW, Menasha, No 2, 1980, pp 96-97.

5. "Relatively high rate of per capita economic growth" does not at all mean record indicators. This criterion is chosen first, because the average unweighted indicator for the now-developed capitalist states during the stage of their industrial revolutions was no more than 1.3-1.5 percent a year. And secondly, achieving even this indicator for a comparatively long period of time signifies, where all other conditions are equal, the possibility of some, if just minimal, improvement in the standard of living for the main groups of the population of one country or another.

6. In our calculations the 1980s are confined to 1986-1987. Taking into account the specific features of the restorative period, the corresponding indicators for Indonesia were calculated for 1967-1967 [sic], for Algeria—1970-1986, and for Bangladesh—1973-1987.

7. In the countries of the West and in Japan of the 19th-early 20th centuries, this process is related for the most part to the technical reequipping of sectors of industry and transport.

8. C. Clark, "The Conditions of Economic Progress," London, 1957, pp 499, 514-515; "International Historical Statistics. Vol 1. The Working Population and Its Structure," Brussels, 1968, pp 22, 70; A. N. Agrawal, N. O. Varma, R. C. Gupta, "India—Economic Information Yearbook, 1988-1989," New Delhi, 1988, pp 72-73.

9. P. Bairoch, "Le Tiers-monde dans l'impasse" [The Third World at an Impasse], Paris, 1971, pp 56, 74, 290.

10. Regarding this see: S. Menshikov, "The Structural Crisis of the Economy of Capitalism," KOMMUNIST, No 4, 1984; S. M. Menshikov, L. A. Klimenko, "Dlinnyye volny v ekonomike" [Long Waves in the Economy], Moscow, 1989; A. Poletayev, I. Savelyeva, "Long Waves

in the Development of Capitalism," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 5, 1988.

11. In this connection, we should probably remember that in some developing countries and territories which are usually included among the new industrial states, as well as in certain other countries near them; certain characteristics of their social reproduction are comparable to the corresponding indicators of states of moderately developed capitalism, and some parameters are even comparable with similar indicators of the leading industrial powers.

12. See: J. Kolko, "Restructuring the World Economy," New York, 1988, p 348.

13. See: L. A. Fridman, V. A. Melyantsev, "The Large Developing Countries: Modern Economic Growth." Article 1. "Rate and Sectorial Changes"; Article 2. "Capital Investments and Foreign Debts"; Article 3. "Factors of Modern Economic Growth," VESTNIK MOSKOVSKOGO UNIVERSITETA, Series 13. VOSTOKOVEDENIYE, No 4, 1987; No 1, No 2, 1988.

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Role of Foreign Trade in Establishing Market Economy Assessed

91UF0031A Moscow PRAVITELSTVENNYY
VESTNIK in Russian No 37 Sept 90 p 11

[Article by Yu. Medvedkov, Doctor of Economics: "The Foreign Factor Becomes a Fact"]

[Text] The situation in the sphere of foreign economic activity between nations today is no more alarming than the worsening crisis in our economy. For the first time in many decades we are unable to pay our financial obligations on time and have been compelled to settle our foreign trade balance with a deficit which is already reaching one-tenth of our goods turnover with foreign nations.

Joint enterprises are not showing appreciable gains. The overall volume of manufactured goods and services is not increasing substantially; for example, operations in the cooperative sector are showing an increase of only one-half percent. Joint enterprises dealing with import and export trade in the country are showing the same miserly share increase. Already nearly 17,000 Soviet enterprises have formally discovered the long-awaited right to direct admission into the world market, but not only is this not helping the situation, but it is in fact creating numerous "knots of tension," in the domestic Soviet market and in relations with foreign trade partners.

If to this "black list" of our foreign economic sector one adds obsolescent imported equipment costing billions of rubles, the "hard currency euphoria" seizing the country, which undercuts the weak ruble, already weak as it is, and the necessity of paying for imports with more than half of our renewable resources, then the conclusion would seem to be obvious: we are not ready to come face to face with the realities of the world market. Even sharper assessments have been heard: that we need to discontinue the sale of our national riches at bargain prices, not jump into the debt-ridden West, or, if worst comes to worst, the resurrection of a monopoly of foreign trade in our country.

What about the more remote prospects that we have, and in the West there are quite a few supporters of the following campaign: that it is mandatory that we ourselves create order in our economy from the start and only then think about inclusion into world economic circles. Hence, there is skepticism concerning the prospect of an influx of venture capital into the country and the USSR's part in international economic organizations.

If we are to build our foreign economic strategy on these basic premises, then any programs for transition to a market economy will remain on the drawing board. And it is not only a matter of elementary logic: how is it at all possible to overcome the inertia of the monopolistic state structure and to build market relations without the

actual application of the organizational-economic experience which the rest of the world has accumulated, without the daily corrective factors in economic policy by the forces of international competition in the world market! It is important to understand that under current conditions not a single sufficiently serious structured move in the economy of any nation, underdeveloped or developed, can be accomplished without the inclusion of the reproduction processes of foreign resources.

It is no accident that in the current world market not only goods and services and corporations are competing, but countries are as well, proposing their terms for development of enterprises and for investment of foreign capital. They broadly advertise their economic territories like central governments, and like local organs of power as well. Besides, they do not restrict themselves to advertising alone, but create preferential conditions to attract foreign firms. The price of defeat in such rivalry is lost tempo in economic development, and a blockade against private resources not entered into economic turnover.

Reorientation of our foreign economic ties to stimulating market processes in the economy can no longer be considered one of the possible choices of alternatives, but rather one of vital necessity. It may be satisfied by stable and tremendous influxes of material resources into the country, investments, and most importantly, varied knowledge and experience. The expanding socioeconomic crisis in the country, a lack of perspective in long-term experimentation with the economic mechanism isolated from the world economy which has no viable equivalents, is inexorably pushing us to this.

To what then should be directed this most important, strategic move? In our view, in the first place, to the freeing up of enterprise initiatives and the establishment of competitive market relations on the level of lower links of economics: the enterprise. Second, to the creation of actual stimuli to work as well as the creation of the quality of entrepreneurship among people, teaching them the ability to work and live under the new socioeconomic conditions characteristic for a market model of the economy. Third, to the influx of resources from abroad. This permits the formulation of stable back and forth links between our enterprises and economists as a whole with the world market, and the building in of a competitive element for the export of Soviet investments goods, and services to other countries.

Use of the "foreign factor" in the formulation of a unified market and a national system of direct cooperative ties among enterprises, including the participation of foreign capital, has no less serious results. But economic reintegration of the republic is at this level. It is most important to understand that raising an obstacle in the path of inter-republic economic transactions, the creation of an enclave of credit and finance and monetary systems sharply lowers the rating of our country, already at a low level, in the eyes of foreign investors, as a possible place for capital investment.

Transition to a market, and consequently, to an open model of economy, demands, obviously, no less than a decade. Encouragement of an influx of venture capital (direct investment) from abroad should be the key direction of foreign economic policy in this period. Included in this must be the creation of propitious conditions and incentives, which lead to an "investment climate" in the USSR in accordance with complex world policy.

Further foreign trade, obviously, must be aimed at the development of competitive relationships in the Soviet economy. How is this to be done? Not in last place with help from the reorientation of import activity, which is to be used for liquidation of imbalances and deficits, but directed to stable security of the domestic market by goods and services which are sold at market prices. With the flexible use of tax levers and decentralization of goods- distribution mechanisms, the "imports counter" can become an important way of undermining the monopoly of native producers. Foreign branches and joint ventures will be in a position to bring in a substantial contribution to the strengthening of foreign trade potential: even in the United States where they themselves are the major springboard for export capital, one-third of all foreign trade operations are these kind of enterprises.

Finally, new organizational-economic mechanisms which would permit the inclusion of scientific-technological potential and intellectual resources of the country into the world market of the latest equipment, technology, and knowledge must be activated. It is also necessary to create conditions for balancing the "brain drain" abroad by a counter stream of qualified specialists into the country, first of all in the area of administration and organization of enterprises, and in the commercialization of scientific and technological achievements.

The introduction of a convertible ruble, the construction of reforms in the credit and financial system, without which facilities for commercial and investment activity for Soviet and foreign clients cannot be repaired, is called for as well. One cannot count on success without decentralization of foreign economic activities, clearly differentiated by function and authority in the union, republic, and local organs of government.

There are quite a few other steps which in the final analysis can "open" our economy to world economic links. But some kind of detailed elaboration of the measures for a long-range perspective is hardly justified at this time. This is just unnecessary fixation on the precise provisional extents of the implementation of these measures that are to go beyond the first half of the nineties. This can sow only unnecessary illusions. The current situation of the national economy and foreign economic ties of the country permit one to clearly determine only the first and most necessary steps to an open economy.

At once in this period it will be necessary to implement radical measures in the perestroyka of structures in foreign economic activities, and the principles of their organization and administrative mechanism. The main goal in the upcoming time period—with a maximum shortest deadline, no later than 1993, is to overcome the mounting crisis in the economy of the country, to establish a basis for a market mechanism in foreign economic activities, including a new system of administration at the union, republic and local levels of government. At this time the foreign economic factor should play the role of the most important stimulator of business activity in the enterprises and the citizenry, without which transition to a market economy is impossible.

Resolving these tasks cannot be accomplished without massive imports of material resources designated for industry and consumer use, without the stimulus of an influx of foreign capital in the sphere of services—investment, credit and finance, trade- intermediary, communication (equipment for communication, information, and transport) which will determine the flexibility and aptitude for a self-regulated market economy.

At the same time, foreign currency reserves must be formulated, minimally necessary for creation of independent networks of commercial banks, for operating regulation of international accounting, for transition to a convertible ruble, insurance, and for the guarantee of foreign direct investments. In this short amount of time it is vitally important to provide a hospitable climate for the influx of foreign venture capital in the sphere of material industry. Then in the second half of the nineties the foreign sector will be able to fulfill the tasks of partial imports-substitution and of increasing exports.

A wider influx of goods and material resources from abroad calls for mobilization of significant currency resources, from abroad as well as domestic sources. A market mechanism which balances domestic demand and offers import resources must develop during this natural regulation. The main condition which must be observed, literally from day one, is the uninterrupted supply of goods to the market.

And just where do we find these sources of hard currency for all these measures? Special loans, for example, could help. It would also be possible to apportion a fixed amount of money loaned from the West, for massive purchase of consumer goods, and material- technological resources for production use in 1991-1996. To receive special credits and aid it would be possible, obviously, to charge on account part of the ruble earnings from the sale of imported goods, with the concession of the right to reinvest this money into the Soviet economy.

Many other possibilities of increasing the country's currency fund also deserve attention—from the speeding up of export of business and tourist services, utility waste for sale, or lease of immovable property. One must also think about the introduction of market and competitive sources in licensing procedures and quotas of exports.

To the second group of urgent measures should be added the formulation of a broad commercial infrastructure. The main obstacle here is a lack of professional cadres. This problem can be overcome by increasing the number of foreign companies as well as the body of foreign specialists. Foreign trade expertise to Soviet enterprises, to trade-intermediary firms, and to the financial establishments could also be applied. Raising the efficiency of our cadres could be accomplished by creation of multi-sided centers of foreign economic services (trade houses, associations) and a system of specialized firms and bureaus on a private basis. Only professionalization of the market of intermediary services provides the possibility of overcoming the lack of preparation of our enterprises for civilized work in the foreign market.

There are obvious solutions to the fundamental problems of attracting foreign capital. The time has already come to go from words to action in the creation of a free economic zone, technological policies, concessions, in granting serious legal and financial-economic guarantees to foreign investors. It can be hoped that these steps will also eliminate one more serious threat—that of an avalanche emigration of highly qualified cadres who are enterprising and ready for the intensive work the Soviet people have before them. Not having prevented an erosion of “human capital,” it will be difficult for us to quickly start the market mechanism in our country.

Actualization of the urgent measures in the area of foreign economic ties can resolve a dangerous problem in our economy—that of progressive disorganization of economic life due to the lack of actual stimuli to effective work. In a package with other radical actions wagering on the basis of market economy it will make it easier to get through the crisis period, imparting a long term impulse to the processes of transition to a market.

Azerbaijan Draft Foreign Investment Law

914A0098A Baku BAKINSKIY RABOCHIY in Russian
25 Aug 90 p 2

[Draft Law of the Azerbaijan SSR: “On the Protection of Foreign Investments in the Azerbaijan SSR”]

[Text] This law regulates the status of foreign investments in the Azerbaijan SSR and is directed at bringing advanced technology and additional material, financial and other resources into the republic's economy and at integrating the Azerbaijan SSR's foreign-economic complex into the world economic system.

Section I. Foreign Investors and Investments

Article 1. Foreign investors in the Azerbaijan SSR may be:

- a) foreign states and international organizations;
- b) foreign juridical persons;
- c) foreign citizens and stateless persons.

Article 2. By foreign investments, this law means:

a) when located in the Azerbaijan SSR, the following types of property of foreign investors:

- industrial and other enterprises;
- buildings and facilities;
- bank deposits designated for specific purposes;
- shares in societies;
- stocks and other securities;
- other property for use in carrying out economic activities;

b) acquired rights to lease property and use natural resources in the Azerbaijan SSR.

Article 3. Foreign investors may make investments within the Azerbaijan SSR by the following means:

- a) shared participation in enterprises organized jointly with juridical persons and citizens of the Azerbaijan SSR (“joint ventures”);
- b) the establishment of enterprises belonging entirely to foreign investors in the sense of Article 38 of this law (“foreign enterprises”);
- c) the making of specially designated bank deposits, and the acquisition of property and securities;
- d) the acquisition, in accordance with Azerbaijan SSR legislation, of land-use rights and other property rights, including leasing and concession rights.

Article 4. Enterprises involving foreign investments are established in any forms specified in Azerbaijan SSR legislation.

Article 5. The laws of the Azerbaijan SSR and the Nakhichevan ASSR, with exceptions stipulated by this law, apply fully to enterprises involving foreign investments.

If, following the adoption of this law, legislative acts are promulgated that change the conditions of the activities of enterprises involving foreign investments, enterprises of that sort that were established prior to the adoption of those acts have the right to be guided by the legislation in effect at the time of their establishment. This provision does not apply to taxation.

Article 6. Foreign investments within the Azerbaijan SSR enjoy legal protection, and the conditions of their operation may not be less favorable than the corresponding conditions established for property belonging to juridical persons and citizens of the Azerbaijan SSR in every matter pertaining to taxation, applicable customs regulations and procedures, and judicial and arbitration processes, with exceptions established by laws of the Azerbaijan SSR and the Nakhichevan ASSR.

Foreign investments in the Azerbaijan SSR are not subject to nationalization, requisitioning or other such measures, with the exception of special cases related to the interests of the Azerbaijan SSR's external security, and under procedures established by this law.

In the event that such measures are adopted, the Azerbaijan SSR government is to pay a foreign investor full compensation, with the exception of sums that have been utilized or spent as a result of actions of the foreign investor or of enterprises in which that investor is involved. Such compensation should correspond to the actual value of the confiscated property and should, after the payment of debts to third parties, be paid in the currency in which the investment was made.

Article 7. The carrying out of necessary measures for the development and implementation of programs for attracting foreign investments and utilizing them in the Azerbaijan SSR, and also the provision of assistance to enterprises involving foreign investments in matters pertaining to their establishment and ongoing activities, are done by the Azerbaijan SSR Council of Ministers.

Section II. The Activities of Enterprises Involving Foreign Investments

Article 8. Foreign investors may take part in any sphere of economic activity if it is not prohibited by legislation of the Azerbaijan SSR and Nakhichevan ASSR, with the exception of the production of defense output and also the activities of enterprises of the Azerbaijan SSR Ministry of Internal Affairs and the Azerbaijan SSR State Security Committee.

In certain forms of activity, the list of which is determined by legislation of the Azerbaijan SSR and Nakhichevan ASSR, foreign investments may be attracted on the basis of special authorization (licensing).

The attraction of foreign investments is done with the consent of local bodies of authority according to procedures established by Azerbaijan SSR legislation.

Article 9. Newly established enterprises within the Azerbaijan SSR involving foreign capital, and also enterprises that have been changed into joint enterprises or foreign enterprises, are subject to registration according to procedures established by Azerbaijan SSR legislation.

A report on registration is to be published in the press. Expenditures associated with the registration are reimbursed according to procedures established by legislation of the Azerbaijan SSR and Nakhichevan ASSR.

Article 10. Enterprises involving foreign capital may form subsidiaries, including those endowed with the rights of juridical persons, and may open agencies in the Azerbaijan SSR and abroad if provision for doing so is made in their founding documents.

Subsidiaries are established using the monies of enterprises involving foreign capital, without the participation of third parties.

Subsidiaries and agencies operate on the basis of regulations approved by the enterprise. The establishment of a subsidiary is carried out in observance of conditions established by Azerbaijan SSR legislation.

Enterprises involving foreign investments may establish and invest capital in other enterprises, societies and companies operating in the Azerbaijan SSR. The extent of such capital investment is limited to a maximum of 49 percent in cases in which the share of foreign partner in an enterprise involving foreign investments exceeds 50 percent.

Article 11. Enterprises operating with the involvement of foreign investment may establish, on a voluntary basis, various associations [assotsiatsii] according to procedures stipulated by legislation of the Azerbaijan SSR and Nakhichevan ASSR.

Such enterprises may take part in the establishment, on a voluntary basis, of enterprises, associations [obyedineniya] and organizations, concerns, consortiums, inter-branch state associations [obyedineniya], various associations [assotsiatsii], and other organizational structures within the Azerbaijan SSR.

Article 12. Enterprises operating within the Azerbaijan SSR and involving foreign investments, carry out their activities on the basis of cost accounting and self-financing.

All foreign-currency expenditures by enterprises involving foreign investments, including the payment in foreign currency of profits and of other sums due to foreign participants and specialists, should be made using the enterprises own foreign-currency revenues.

Azerbaijan SSR legislation may stipulate cases in which such enterprises' coverage of their own foreign-currency expenditures may be carried out within the framework of consortiums, concerns and other production structures established with those enterprises' participation.

Article 13. The profits of foreign investors obtained in the Azerbaijan SSR in Soviet currency (and in the event that it is introduced, Azerbaijan currency) may be freely reinvested within the Azerbaijan SSR and used in accordance with Azerbaijan SSR legislation for commercial operations. In order to carry out such activities, and also to pay their own expenditures for representation in the Azerbaijan SSR, foreign investors may have current accounts in rubles (or in Azerbaijan currency) in Azerbaijan SSR banks, without the right to transfer sums in rubles (or in Azerbaijan currency) abroad, or to convert them into freely convertible currency.

The portions of profits of foreign investors that are actually reinvested in the Azerbaijan SSR are not subject to taxation.

Article 14. For the management of an enterprise involving foreign capital, management agencies are set up at the enterprise in accordance with Azerbaijan SSR

legislation. The executive positions in such agencies may be held by Azerbaijan SSR citizens, foreign citizens, or stateless persons.

At an enterprise involving foreign capital, a labor-collective council may be established if provision for one is made in the founding documents. The forms of the labor collective's participation in the enterprise's management are determined by those documents.

Article 15. An enterprise involving foreign capital concludes contracts with its employees with regard to items of intellectual property created as the result of the accomplishment of specific tasks in accordance with assignments issued by the enterprise and confirmed by its documentation.

A patent on an invention and industrial prototype is issued to the enterprise if a contract to that effect has been concluded between the employee and the enterprise. That contract, in addition to conceding the right to obtain a patent, defines the enterprise's duties with regard to the provision of material, production and social conditions for the employee.

If such a contract has not been concluded between the employee and the enterprise, the patent is issued to the author of the invention or industrial prototype. The enterprise has the right to utilize that invention or industrial prototype on terms defined by an agreement with the patent-holder.

Enterprises independently make decisions on obtaining patents abroad on inventions and industrial prototypes belonging to them.

Article 16. The management of an enterprise involving foreign investments is required to conclude a collective contract with the enterprise's trade-union organization regulating production and labor relations, and matters of remuneration, the collective's social development, and its members' health. The content of those contracts should conform to legislation of the Azerbaijan SSR and Nakhichevan ASSR, and to the founding documents.

An enterprise is granted the right, taking the aforementioned contracts into account, to independently decide questions of hiring, firing, work schedule and conditions, vacations and remuneration with regard to Azerbaijan SSR citizens and foreign citizens hired by it for work. The maximum amount of earnings is not limited, and their minimum amount should provide the minimal subsistence income established by Azerbaijan SSR legislation. The length of annual paid leave may not be less than that established by Azerbaijan SSR legislation.

Taking contracts into account, enterprises independently establish the procedures and terms for providing benefits, guarantees and compensation to Azerbaijan SSR citizens they employ. Such questions with regard to foreign employees are agreed upon in an individual contract with such employee.

Article 17. Social security (with the exception of pensions for an enterprise's foreign employees) and social insurance for citizens employed at enterprises are regulated by the norms of Azerbaijan SSR legislation.

An enterprise makes deductions to the Azerbaijan SSR state budget for state social insurance for employees who are Azerbaijan SSR citizens and foreign employees, and it makes deductions for the provision of pensions to employees who are Azerbaijan SSR citizens according to rates established by Azerbaijan SSR legislation.

Living, transportation and other expenditures associated with the official and personal requirements of foreign specialists may be paid in rubles (or in Azerbaijan currency).

Article 18. An enterprise involving foreign capital has the right to contractually establish prices for its products and select the form of currency for the settlement of its accounts, as well as the procedures for marketing its products on the internal market and for the delivery of goods from that market.

Article 19. Enterprises involving foreign investments have the right, without licenses, to export their own products and import products for their own needs. In this connection export products mean products in whose manufacturing costs the elements added at the given enterprise constitute at least 30 percent. Products imported for its own needs are considered products in the processing of which the value added at the given enterprise constitutes at least 30 percent.

The list of products freed from licensing is determined when an enterprise involving foreign capital is registered as a participant in foreign-economic ties.

Enterprises involving foreign investments carry out the exportation and importation of other products according to general procedures.

Article 20. Property imported into the Azerbaijan SSR as the contribution of foreign investors and not intended for sale is not subject to customs duties.

Property imported by an enterprise involving foreign investments for its own use may be fully or partially freed from customs duties by decision of the Azerbaijan SSR Council of Ministers.

The personal property of foreign specialists working at enterprises involving foreign capital may be brought into the Azerbaijan SSR without being subject to customs duties.

Section III. Taxation

Article 21. Enterprises involving foreign investments, as well as foreign investors, pay taxes in accordance with Azerbaijan SSR legislation for joint enterprises, with exceptions stipulated by this law, and additional tax

benefits may be extended to them with respect to individual types of activity or regions of Azerbaijan SSR as established by Azerbaijan SSR legislation and also by this law.

Article 22. Revenues from foreign investments made in the Azerbaijan SSR in foreign currency are not subject to taxation for two years following the first declaration of profits.

In the event that they are engaged in

- the production of consumer goods;
- the processing and storage of agricultural products;
- the production of electronics products;
- the production of biological engineering products;
- the production of medical and environmental-control equipment;
- the production of medications;
- the treatment of industrial wastes and secondary resources;
- and the reclaiming of land,

enterprises involving foreign capital are freed from the payment of taxes on profits for five years following their first declaration of profits and pay taxes on profits in the amount of 20 percent (for mountainous regions of the Azerbaijan SSR—10 percent) after the end of that five-year period.

When transferring their profits abroad, foreign investors taking part in enterprises specified above under this point pay taxes at half the rate of the taxation of transferred profits established by legislation and international agreements of the Azerbaijan SSR.

Within the limits of its jurisdiction, the Azerbaijan SSR Council of Ministers may also establish other tax benefits for enterprises involving foreign investments.

Article 23. Within the limits of their jurisdiction, financial and other state agencies of the Azerbaijan SSR exercise oversight over the activities of enterprises involving foreign investments.

Article 24. Enterprises involving foreign capital do their bookkeeping and statistical reporting in accordance with the existing regulations for bookkeeping in the Azerbaijan SSR.

Section IV. Liquidation

Article 25. The liquidation of enterprises involving foreign capital is carried out in cases and according to procedures stipulated by legislative acts of the Azerbaijan SSR and Nakhichevan ASSR.

Article 26. The liquidation of an enterprise is registered with the agencies with which its establishment was registered.

A report on regarding each liquidated enterprise is sent to the Azerbaijan SSR Ministry of Finance for the purpose of its removal from the registry of enterprises involving foreign capital and for publication in the press.

Article 27. The accumulated assets of enterprises involving foreign capital, with the exception of material-incentive funds and funds for social and cultural development, are subject to taxation upon the enterprise's liquidation in accordance with their residual value.

Section V. Disputes and Applicable Law

Article 28. Disputes between enterprises involving foreign investments and state, cooperative, private and public organizations, disputes with other enterprises involving foreign investments, and disputes among the participants in such enterprises involving matters connected with their activities are subject to consideration in court, by the arbitration service, or, by agreement of the parties involved, by an arbitration tribunal [trety-skiy sud].

Article 29. On matters connected with the establishment and activity of an enterprise, appropriate Azerbaijan SSR legislation applies to disputes among its participants.

Section VI. Joint Ventures

Article 30. Joint ventures within the Azerbaijan SSR are enterprises or organizations established as juridical persons under Azerbaijan SSR legislation, the investors in whose capital and members of whose management bodies are juridical persons and citizens of the Azerbaijan SSR, foreign juridical persons and citizens, and also enterprises within the Azerbaijan SSR that are under full foreign control (foreign enterprises) in the sense of Article 38 of this law.

Joint ventures may be formed both through the establishment of new independent juridical persons and through the acquisition by agreement by a foreign investor of a share in an existing enterprise within the Azerbaijan SSR.

Article 31. Benefits provided for joint enterprises by Azerbaijan SSR legislation, including this law, are extended to such enterprises on the condition that foreign participants' share in their initial capital exceeds 30 percent. Joint ventures in whose initial capital the share of foreign participants amounts to 30 percent or less do not enjoy benefits provided for joint ventures, and the legislative provisions and requirements applicable to the country's own enterprises apply to them.

Article 32. The decision to establish a joint venture is made by an owner if it entails the alienation of his property, and is made by an agency or organization

authorized by the owner if such a decision does not entail the alienation of the owners property; and in the following cases:

a) in the case of the establishment of a joint venture entailing the alienation of the owner's property (when an existing enterprise is changed into a joint venture through the sale of stocks or of a share to a foreign investor):

—it is made by the Azerbaijan SSR Supreme Soviet, with respect to Azerbaijan SSR state property;

—it is made by the Supreme Soviet of the Nakhichevan ASSR, the Nagorno-Karabakh Autonomous Oblast Soviet, and local soviets, with respect to property of which they are owners.

b) in the case of the establishment of a joint enterprise not entailing the alienation of the owner's property (when a new enterprise is established by combining property):

—it is made by the Azerbaijan SSR Council of Ministers, with respect to Azerbaijan SSR state property;

—and it is made by the Nakhichevan ASSR Council of Ministers, the ispolkom of the Nagorno-Karabakh Autonomous Oblast Soviet, and the ispolkoms of local soviets, with respect to the property, respectively, of the Nakhichevan ASSR, the Nagorno-Karabakh Autonomous Oblast, and the local soviets of people's deputies.

Juridical persons and citizens of the Azerbaijan SSR and other owners of property found within the Azerbaijan SSR independently make the decision to establish joint ventures on the basis of the property belonging to them, but with mandatory consideration of the legitimate interests of the Azerbaijan SSR.

Article 33. The amount of a joint venture's initial capital must be at least 25 percent of the estimated value of the joint venture being established.

A joint venture's founding documents must stipulate the obligation of the participants to make, within six months following registration, at least 30 percent of the total amount of each participant's contribution to the joint enterprise's initial capital in the form of money or goods.

A joint venture's initial capital may be added to through additional contributions by its participants, including the enterprise's distributed profits.

In the absence, at the end of six months following registration, of documentary confirmation of the fact that each of the participants has contributed the aforementioned share, the agency that has registered the joint enterprise in question deems it not to have been established and publishes a report of its liquidation for that reason.

Article 34. The property of a joint venture may be used by it to secure all forms of its obligations, including the use of borrowed monies. Property rights to buildings, facilities and equipment that have been transferred by participants in a joint venture as part of their contribution to its initial capital, as well as other property rights, except for the right to control, dispose of and use land and other natural resources, may also be used as security.

Mortgaged property may be sold by the mortgage-holder at contractual prices, including at auction, to juridical persons and citizens of the Azerbaijan SSR in cases stipulated by Azerbaijan SSR legislation, as well as to foreign juridical persons and citizens.

Article 35. A reserve fund and other funds necessary to the enterprise's activities and to the social development of its collective are established at joint ventures. The reserve fund is created in the amount of 25 percent of the initial capital. The reserve fund is formed by means of annual deductions. The amount of annual deductions to the reserve fund and the form of currency are determined independently by the joint venture.

The list of other funds and the procedures for their formation and expenditure are determined independently by the joint venture.

Article 36. Depreciation deductions are made by joint ventures in accordance with the normative rates specified in founding documents.

Article 37. In the event that a foreign investor withdraws from a joint venture or that enterprise is liquidated, the foreign investor receives the right to the return of his share in the enterprise's property in the form of money or goods in accordance with its residual value at the moment of his withdrawal or the enterprise's liquidation, after other obligations are met. In this connection the Azerbaijan participant gains first right to acquire the share of a foreign participant who is withdrawing from a joint venture.

Section VII. Enterprises Belonging Entirely to Foreign Investors

Article 38. An enterprise in which foreign investment constitutes 100 percent of its total property (a foreign enterprise) is considered to be enterprise within the Azerbaijan SSR belonging entirely to a foreign investor or investors. Such enterprises are juridical persons under Azerbaijan SSR legislation. Authorization for the establishment of foreign enterprises is given to foreign investors by the Azerbaijan SSR Council of Ministers and the Nakhichevan ASSR Council of Ministers.

An application by foreign investors for authorization should be appended by a technical and economic study of the feasibility of establishing the foreign enterprise, a document confirming the consent of the body of authority of the territory on which the siting of the enterprise is proposed, and a draft of the enterprise's charter.

The acquisition by a foreign investor of full ownership of an existing enterprise, or the acquisition of property and use rights is made in accordance with Article 32, Point (a) of this law.

Article 39. Foreign enterprises are prohibited from operating in the following areas:

- banking and insurance;
- the mass media;
- education (except for the training of specialists);
- hunting;
- fishing in internal bodies of water and bodies of water that fall under the jurisdiction of the Azerbaijan SSR;

Article 40. Foreign enterprises have the right to establish their subsidiaries within the Azerbaijan SSR. When joint ventures are established with the participation of foreign enterprises and juridical persons or citizens of the Azerbaijan SSR, the share of the foreign enterprise's participation in the initial capital of such a joint venture should not exceed 50 percent.

Section VIII. Bank Deposits and the Acquisition of Property and Securities

Article 41. Bank deposits for specific purposes are made in the Azerbaijan SSR by foreign juridical persons and actual persons according to procedures established by the Azerbaijan SSR State Bank.

Article 42. The sale of securities (stocks) to foreign investors that entails their participation in the management of an enterprise within the Azerbaijan SSR is regulated by Article 32 of this law with respect to joint ventures and by Article 38 with respect to foreign enterprises.

Section IX. Leasing Granted to Foreign Investors

Article 43. The leasing of property to foreign investors and joint ventures and foreign enterprises is done in accordance with the Azerbaijan SSR Law on Leasing.

Article 44. The leasing of land and other natural resources (concessions) to foreign investors and joint ventures involving foreign investors is done in accordance with the Azerbaijan SSR Law on Leasing and with Azerbaijan SSR land, water and other legislation regulating the conservation and utilization of natural resources.

The granting of concessions in the waters of the continental shelf and on the ocean bottom in the economic zone of the Azerbaijan SSR, and of concessions entailing

mineral deposits on the Azerbaijan SSR's continental shelf is done on the basis of decrees of the Azerbaijan SSR Supreme Soviet.

Article 45. The procedures for exploiting resources to which concessions are granted are regulated by agreement between the Azerbaijan SSR Council of Ministers and the foreign investors or joint enterprises involving foreign investors. Such agreements are concluded for a period of not more than 50 years. They define:

- the procedures and amounts of payments for the concession;
- the procedures for financing the construction of housing and facilities belonging to the social infrastructure for Azerbaijan SSR citizens and foreign citizens living in and hired to work in the territories for which the concessions are granted;
- the presence of lessees' representatives on a concession's management bodies;
- the prevention of environmental damage from the granting of the concession.

Section X. Foreign Investments in Free-Enterprise Zones

Article 46. Free-enterprise zones in the Azerbaijan SSR are established on certain territories, for the purposes of activating joint entrepreneurial activity involving foreign capital and bringing advanced foreign technology and managerial experience into the Azerbaijan SSR economy, in accordance with decrees of the Azerbaijan SSR Supreme Soviet based on appeals by the Azerbaijan SSR Council of Ministers with respect to each zone established.

Article 47. In order to encourage foreign investments in free-enterprise zones, a favorable system of taxation of joint ventures and foreign enterprises may be established that may be extended to Azerbaijan enterprises, as well. The specific terms of the favorable taxation and customs regulation of economic activity are determined with respect to each zone and specified in decrees of the Azerbaijan SSR Council of Ministers and the Nakhichevan ASSR Council of Ministers.

The establishment of foreign enterprises in banking and insurance may be authorized in the zones.

Section XI. International Treaties of the Azerbaijan SSR

Article 48. If an international treaty of the Azerbaijan SSR establishes regulations different from those that are contained in this law (including regulations with respect to the avoidance of dual taxation, the mutual protection of investments, and others), the international treaty's regulations apply.

Romanian Professor Urges 'Mixed Economy' for East Europe

91UF0103A Moscow SOVETSKAYA ROSSIYA
in Russian 21 Oct 90 Second Edition p 5

[Article by Radu Florian: "Wild Capitalism?" under the rubric "Foreign Dossier"]

[Text] *The September issue of the journal MONDE DIPLOMATIQUE published an article by Rodu Florian, Bucharest University professor and director of the Romanian Academy's Institute of Social Theories. (Obtained through TASS channels).*

What can be done in East European countries so that the political changes that unquestionably enjoy popular support would not be followed by the dictatorship of the market and money and by the calamities that are generated by mass unemployment? The clash of opinions in Romania shows that the way has not yet been entirely prepared. Has the time not come to raise the question of a mixed economy both in Bucharest and elsewhere?

For many months now, Romania's internal political situation has made it the focus of European public opinion. This was first of all because of the violent ouster of a dictatorship that had brought the oppression of the people to the point of absurdity and that had governed society in a pathological way and next because of the succession of events that created an unstable situation in the nation.

Unfortunately, the evaluation of these events by the significant majority of the Western media has been one-sided and prejudiced and has not taken into account the different positions of the active forces. Antigovernment demonstrations, including the demonstration on the 18th of June, have been depicted as democratic and lawful even though they have been accompanied by violence; their rebuff by the authorities have even been viewed as evidence of the rebirth of totalitarianism, which has evoked not only the protests of the majority of Western states, but has also resulted in the termination of foreign economic aid. But not so long ago, many Western governments maintained an indulgent silence in the face of dictatorship and distanced themselves from it at best only with empty phrases, while the monstrous character of the Ceausescu regime was known to everyone.

In order to explain the entire chain of Romanian events, it is necessary to take into account the entire complexity of the crisis the country is going through.

This crisis arose as the result of the prolonged existence of a dictatorship on the one hand, and the awakening of a civilian society that is in the process of creating structures of its own on the other. The numerous deprivations that were caused by the dictatorship and conflicts that were hidden and driven inward are now becoming visible and are assuming crude forms due to the lack of civil consciousness. Acts by collectives and

individuals are the result of the intolerance and disrespect for elementary democratic norms. Among the numerous deprivations, there are three that play a dominant role: economic poverty afflicting the significant majority of the population; degradation of the individual; and the traumatization of national minorities. Incidentally, these circumstances must be incorporated in two currents of social thought encompassing all East European countries: one of them is simply in favor of the restoration of capitalism, while the other is oriented toward a mixed economy based on social justice in a postcapitalist society.

In Romania's case, the restoration of capitalism as a social system has nothing in common with the transformation of the economy into a market economy based on a regulatory mechanism; it entails "wild," uncontrollable consequences that ignore the interests of the significant majority of the population, compelling it to suffer the social consequences of such change—consequences that are extremely cruel. The market economy in developed capitalist countries is controlled by numerous financial and tax means and government measures. There are no longer examples anywhere of spontaneous, absolute capitalism as it was in the 19th and the beginning of the 20th century. A major problem confronting Romania and other East European countries is to establish a mixed economy that is capable of introducing market mechanisms without permitting the "wild" development of capitalist relations and the creation of a new bourgeoisie in the process.

But such a path has still not been explored. To the contrary, garish formulas are advanced, but they are not scientific and do not contain the element that would make it possible for state property and the property of collectives of collectives to play their role as partners in a barter economy. This also explains the processes that are observed in neighboring countries (Hungary, Poland, the GDR), the restoration of capitalist property, and the underassessment of the experience of effective utilization of public and cooperative property in some capitalist countries. A market economy that ignores the social effect is developing. The political forces attempting to restore capitalism are advancing an ideology based on a simplistic logic with a heavy emotional burden that can be expressed as follows: after the bankruptcy of Stalinism, which they depict as the bankruptcy of socialism, capitalism's hour has come. This logic conceals two important facts: on the one hand, the fact that the limits and contradictions of modern capitalism are perpetuated, which disturbs the bright minds that have not been overcome by momentary euphoria. Claude Julien noted in LE MONDE: "Of course, changes in industry have destroyed the old class structures, but the class struggle, the struggle that the rich have waged against the poor since time immemorial, has intensified: it is generating a revolution."

These forces are espousing the ideology of primitive antisocialism in Romanian society. Their goal is essentially to restore a society that is based on inequality and that would be ruled by money.

This tendency, which has the aim of restoring capitalism, is opposed by the will for reconstruction and for social renewal that takes into account the economic, social, and cultural acquisitions of the preceding period. The industrialization policy made it possible to create a technical infrastructure and production capacities that previously did not exist—all this, despite their ineffective use up until now, makes it possible to give impetus to genuine economic modernization in the near future. In precisely the same way, changes in the social fabric of society led to the disappearance of the uneven development that had always been characteristic of prewar Romania, which altered the morphology of social groups and the way of thinking of the intelligentsia, the working class, the peasantry, and white-collar workers. The lawful striving for material well-being is combined with the desire to preserve social justice, with the refusal to return to the stratification that previously existed in bourgeois society, and with the demand to secure equal opportunity for everyone.

It is the collision of the two trends that explains the crisis presently originating in Romania and other East European countries. This state of crisis cannot be characterized by describing the instability of the situation: the need is for a responsible choice between two totally different paths. Collisions between these two orientations have not only not ceased, but will continue and will lead to the restructuring of the economy and of society. The way out of the crisis will be littered with traps. Tension may mount because of the fragile state of the economy and the civic and political immaturity of society. The infantile state of the new civilian society in Romania is the constant source of difficulties in the search for a genuine and stable democracy. Civic-mindedness must be forged in order to emerge from this cul-de-sac. Today it is superficial and in particular no one has the experience of dialogue based on respect for democratic norms. This also explains the split between the significant majority of the population and part of the intelligentsia, chiefly writers, journalists, and some university staffers.

The crisis is also explained by the noisy and unsubstantiated elitism of several groups of intellectuals who haughtily maintain that they are the only carriers of democracy and the personification of the people. Their ideas and their mode of action prompt them to use phrases and commit actions that are just as totalitarian as the phrases and actions they themselves condemn. Very alarming in this respect are the efforts of some that are directed toward the rehabilitation of the fascist ideology and fascist politicians, toward the resurrection of mysticism and irrationalism, toward glossing over the crimes of Romanian fascism. Their dominant idea is that democracy can be guaranteed only by the restoration of capitalism.

Provisions on Draft Law on Foreign Investment Examined

91UF0089A Moscow PRAVITELSTVENNYY
VESTNIK in Russian No 42, Oct 90 p 11

[Article by Yu. Yershov, doctor of economic sciences; deputy director, All-Union Scientific Research Institute of Foreign Economic Relations under the GVK [Main Economic Committee] of the USSR Council of Ministers; and V. Kanevskiy, candidate of economic sciences: "Will Foreign Countries Help Us?"]

[Text] Foreign capital does not "feel" comfortable in our country, is in the shade, and makes itself known only in the form of joint ventures. But the experience of joint entrepreneurship in the USSR has proven to be unsuccessful despite the fact that official figures at first glance would seem to inspire optimism: more than 2,000 joint ventures with a combined charter capital of approximately five billion rubles, a third of which belong to foreigners, have been registered. But there is every reason to believe that the actual sum of charter capital is between one-sixth and one-fifth of the amount indicated in the founding documents. According to some foreign estimates (Soviet statistics are not kept on real separate investments [*razdelnyye realnyye investitsii*]), foreign investments are 10-15 percent of the originally proclaimed amount.

And yet at one time some of the leading businesses in the world—the Rothschild brothers' Paris Bank, the Rockefellers' Standard Oil, the Anglo-Dutch commercial concern: Shell Transport and Royal Dutch Petroleum Company—"fought" for the right to invest their capital in Russia. In 1900 foreign investments in Russia's economy were calculated in the billions of rubles. Favorable "legislative" conditions for business activity were one of the reasons for such attention on the part of the Western business world. It is therefore not surprising that the USSR government sees the creation of a "favorable climate" as the first important step toward restoring the former attractiveness of our country to foreign capital as a mutual gain.

The Draft Law on Foreign Investment has been submitted to the USSR Supreme Soviet. Its basic goal is to develop conditions and procedures governing the economic activity of foreign capital in the USSR. The document provides for the appreciable expansion of possible forms of foreign property in our country—from joint ventures, to which we are accustomed, to the creation of enterprises with 100-percent foreign ownership, and foreigners' acquisition and leasing of various kinds of property and the right to it.

Thus, the draft law supplements and concretizes Soviet legislation in which such concepts as foreign investors, the subject of foreign investments, enterprises with the participation of Soviet and foreign legal entities and citizens, and enterprises belonging entirely to foreigners, have been unknown up until now.

But the legislative "rehabilitation" of these concepts alone is not enough to stimulate foreign capital investment in the nation. Western businessmen will not invest money unless they are convinced that it will not be lost. Therefore, legal protection of foreign investors in the USSR is another important aspect of the draft law. In other words, the regime for foreign investments cannot be less favorable than the national regime established for the property and property rights of legal entities and citizens of the USSR.

What, then, is required to create both joint ventures and foreign enterprises with an investment under 100 million rubles? According to the draft law, the authorization of a union republic council of ministers is sufficient. In other words, if this document is imported, those desiring to invest their capital in Soviet industry, for example, will not have to pester various ministries and departments in order to obtain authorization.

Let us assume that authorization is obtained and the enterprise begins to operate. Can profits be exported and how? The draft law preserves the hard-currency self-payment principle. This means that foreign investors must earn hard currency in order to defray expenditures and to transfer profits abroad. Incidentally, the possibility for exporting profits will be expanded. Such self-payment can in particular be attained within the framework of consortia and other associations. The draft law authorizes the USSR Council of Ministers and councils of ministers of union republics to use their hard-currency funds in individual cases to convert foreigners' ruble profits into hard currency. That is, when an enterprise with foreign investments produces, for example, the food, consumer goods, and drugs that we so urgently need, in such a case can use part of the hard-currency funds it has at its disposal to convert the profits of foreign investors. Thus, the state will spend far less currency compared with the importation of analogous products from abroad.

One more new feature: foreign investors will be able to open ruble accounts in Soviet banks to which they will be able to deposit their profits for reinvestment (e. g., for the establishment of subsidiary enterprises), and also for the possible purchase of hard currency at the market exchange rate within the framework of forms sanctioned by Soviet legislation. Exchanged currency can be used to transfer profits abroad.

Supplementary economic incentives are provided in order to attract foreign capital to our country. For example, tax exemptions and the right to export and import their own products for their own needs without a license.

Indeterminacy in the political sphere plays no small part in foreigners' decision to invest their capital in the Soviet Union. Because of the confusion over the jurisdiction of the Union and the republics and the premature nature of the laws—which moreover frequently contradict one

another—that are passed, Western businessmen frequently do not know whom they are dealing with. All this combined increases the degree of risk to businessmen's investments. Therefore, in order to avoid contradictions between union and republic legislation, a considerable number of questions relating to the regulation of foreign investments are assigned to the jurisdiction of union and autonomous republics. Only questions that are of truly national significance were left at the disposal of the Union.

Even though state policy aimed at stimulating the influx of foreign capital into the nation is definite the attitude toward foreign investments among various strata of our population is far from uniform. Some are afraid that foreign entrepreneurs will "buy up" our national property, will harm the environment with impunity, will fiercely exploit the population, etc. Others regard foreign capital as the panacea for all our ills: "Come and rule us."

Without a doubt, investments will help to extricate a puny economy from crisis and in general will promote structural restructuring and the deep involvement of the Soviet division of labor. Direct foreign capital investments have become one of the most important factors in the stabilization and forward movement of the world economy and the worldwide integration process.

Why is it that many countries welcome foreign investors and as a rule confer national status on them, while some countries confer on them a status that is more favorable than the status conferred on local investors? The principal reason is that the investments are capital investments in companies that produce/perform various types of goods and services. The higher the level of development of the receiving country, the more competitive will be the product the foreign investor will have to produce in order to survive in the face of stiff competition. All this has a favorable impact on the local economy.

But we should not become euphoric over the fact that foreign countries are "rushing" to our aid. To be sure, the draft law is extremely loyal to foreign capital. But legislative authorization, tax exemptions, all manner of discounts, and the boundless size of our market are not enough to ensure massive financial "infusions" in our economy. At the same time that it attracts foreign investments, our country is entering into a "marriage of convenience" that gives us additional financial resources, sophisticated technologies, and access to the wealth of Western management knowhow. The incentive of foreigners to export capital is based on the penetration of new markets with the aim of increasing sales volume by transferring production and the extracting of raw materials overseas and as a result on increasing profits and on increasing their competitiveness. However, we must have conditions for realizing these incentives and for obtaining real benefits.

Hence, in order to increase the activity of foreign capital in the USSR, it is necessary to have not only legislative

guarantees to protect foreign investments, but also organizational and economic prerequisites or a favorable "investment climate" for foreign investors. After all, when businessmen are making the decision to invest their capital in a given country, they first of all do more than study local legislation on foreign investments. They are also interested in the degree of stability of a given political system, in legislation that has been adopted, in the availability of raw materials and manpower, and in the possibility of exporting profits.

Many "legislative" obstacles to the activity of Western entrepreneurs in our country will be eliminated or reduced to a minimum with the adoption of the law on foreign investment in the USSR. But the lack of a free market for raw materials and means of production; the inconvertible ruble; anomalous Soviet statistics and accounting that do not conform to existing foreign methods; the undeveloped transport infrastructure, system of communications, and services; and political instability in our country will continue to frighten potential foreign investors away. They are therefore disinclined to make large investments in production with a long payoff time and instead prefer to make small capital investments in the service sphere with an early payoff.

Under these conditions, the West will initially be interested in the Soviet Union only as a market in which to sell its goods and as a source of raw materials. Great interest will evidently be shown in the acquisition of immovable property in the form of buildings and structures and in land tenure. Modern large-scale production of goods for delivery to the internal market and for export to foreign markets is hardly possible at the present time.

The restructuring of the political system in the USSR and the conversion of the economy to a market basis will promote the general improvement of the nation's investment climate and will help to attract foreign capital. But this does not mean that we will sell the foreigners everything they want, as many people believe. Their financial and intellectual might can easily crush Soviet market entrepreneurship, the first shoots of which are just appearing. After all, it is no secret that the level of training of Soviet "businessmen" is substantially lower than that of most foreign entrepreneurs. What is more, with the investments comes the right of foreign investors to manage the enterprises in which they have invested, i. e., the right to control their activity. These rights must therefore be substantially restricted in branches that are strategically important to us.

The draft law calls for the prohibition or licensing of certain types of activity to foreign investors in accordance with legislative acts of the USSR, union republics and autonomous republics, and also for the imposition of restrictions on the establishment of joint ventures with fixed capital in excess of 100 million rubles. This requires the authorization of the council of ministers of a union republic, and for enterprises entirely owned by foreigners—the USSR Council of Ministers at the

request of councils of ministers of union republics. Thus, the state will establish not only the benefits, but also the restrictions on the activity of foreign capital in conformity with our general national interests.

Poll Views Bulgarians' Attitudes Toward USSR

91P50050A Moscow SOVETSKAYA ROSSIYA
in Russian 14 Nov 90 Second Edition p 5

[TASS report: "Attitude of the Bulgarians to the USSR"]

[Text] In the extreme economic and political situation occurring in Bulgaria, people's attitudes toward the Soviet Union are also changing.

This is how we characterize the basic conclusion of a sociological poll on this question, carried out on the initiative of the weekly POGLED jointly with Bulgarian television. The results of the poll were published on Monday in the Bulgarian press.

The weekly POGLED points out that a unified and monolithic attitude among the Bulgarians toward the USSR does not exist. An analysis of the data shows that 30 percent of those questioned are in favor of maintaining the former ties with the USSR. They see the USSR as the only guarantor of the country's independence and consider that Bulgaria's attitude toward specific military-political problems should take the Soviet position into account. At the same time, approximately the same number of people want a radical reorientation of Bulgaria's foreign policy and a limit to economic relations with the USSR. The rest of those questioned did not have a clear opinion. Nearly 60 percent of those questioned think that the USSR is not the only guarantor of Bulgaria's security. 61 percent of those polled think that Bulgaria should leave the Warsaw Pact.

The results received show a definite relation of opinions regarding age and level of education. Along with the increasing age of the citizens, a tendency toward a growth in the number of those who supported orientation toward relations with the USSR was observed. Representatives of the middle generation, from ages 30-40, were the most radical. Those people with higher education were in favor of changes in Bulgaria's foreign policy.

The weekly notes that the data received represents the first attempt to study public opinion on this topic. The research that has been done, POGLED points out, did not give a comprehensive answer to the question of attitudes toward the Soviet Union. Such a huge task requires much more time and the involvement of a significant number of specialists.

Effect of 'Revolution' on Czechoslovak Armed Forces Discussed

91UF0110A Moscow KRASNAYA ZVEZDA in Russian
20 Oct 90 First Edition p 5

[Discussion conducted by Colonel V. Shaparskiy with Czechoslovak army officers: "Education is First and Foremost"]

[Text] The "velvet" revolution in the CSFR did not bypass the Czechoslovak army. Many changes took place and are still taking place in it today. Specifically, there has been a reform of the entire system of party-political work. Instead of the political administration, an administration of education and culture has been created. The institute of political workers has been replaced by education and culture officers, who differ radically from the previously existing apparatus in terms of their duty capacities and in the character of their work.

The specifics of the work performed by the culture and training officers and their problems are recounted by Lieutenant-Colonel Rostislav Kotyl, deputy commander of a motorized infantry division of the Czechoslovak army, by Lieutenant-Colonel Vatslav Shlays, chief of the education and culture department, and by Lieutenant-Colonel Josef Pokorny, head of the division's [recreation] club.

[Shaparskiy] So, what changes are taking place in education work with the personnel of the Czechoslovak army?

[R. Kotyl] As we know, party affiliations have been excluded from the Czechoslovak army. At the present time there are no representatives of any of the political parties within it. Based on the laws adopted by the government regarding defense and alternative service, the CSFR Minister of Defense has issued a decree under which all officers and ensigns are prohibited from membership in any political party, while for soldiers and non-commissioned officers their membership in political parties is suspended for their period of service in the army. Today the interests of the regular military servicemen are protected by the officers' union, and the interests of draftees—by the union of military youth. In the future these functions will evidently be assumed by the institute of confidential agents, whose status is currently being developed.

The de-politization of the army has introduced significant changes into the organization and implementation of educational training work with the personnel. It is based on the principles of democratization and humanization with the application of the achievements of general scientific disciplines such as psychology, sociology, aesthetics, and political science.

[Shaparskiy] What is the structure of the education and culture apparatus within the motorized infantry unit?

[V. Shlays] In the motorized infantry, tank, and other regiments a group for education and culture has been created, which includes a chief, a military-patriotic

training officer, and an officer-psychologist. Moreover, each battalion has an education and culture officer. The club director and his assistant deal with questions of organizing the leisure time of the personnel and special interest group work.

Unlike political workers, the education and culture officers are not deputy commanders and, as a rule, do not have disciplinary rights. They are directly subordinate to the regiment's deputy combat training commander.

We must admit that many experienced officers have left the army as a result of the implemented organizational measures, and it has been necessary to appoint young people who have neither the necessary life experience nor sufficient professional training to perform the duties of education and culture officers. Moreover, there is a catastrophic shortage of officers in this category. Thus, only one-third of these positions have been staffed at the battalion level. All this creates considerable difficulties in conducting educational work with the personnel.

[Shaparskiy] Tell us, please, about the sphere of activity of the education and culture officers and their specific responsibilities.

[V. Shlays] Exerting day-to-day political influence on the personnel and conducting political exercises—that was the primary task of the political workers. Now, however, such a subject as political exercises has disappeared from the company schedules. It has been replaced by exercises on military-civil training, which are held once a week. Each is 2 hours long. This year they studied such topics as the revolutionary changes taking place in Czechoslovakia, the tasks of the sub-division and the unit, free elections, how to combat non-standard relations, and others.

The exercises on military-civil training are conducted in the form of an extended conversation, in the course of which the participants, together with the group leader, ask questions, express their point of view, and discuss the problems which arise. The exercises are conducted by commanders, and the education and culture officers are responsible for their content, organization, and the methodological preparation of the leaders.

The former political information sessions have simply been turned into information sessions, each lasting 20-30 minutes. Political appeals have been removed from the poster propaganda, and it has taken on a clearly expressed patriotic character.

Such forms of work as the wall-posted press, general meetings of military servicemen, and group and individual discussions have been retained. Naturally, the implemented measures are directed at strengthening troop comradeship and unity of the people and the army.

The concept of the political education room has also disappeared from the lexicon of the military servicemen in the Czechoslovak army. From centers of ideological

training work they have turned into club rooms—recreation rooms. In our division you will not find two club rooms which are alike. This is explained by the fact that they are set up by the personnel of the sub-units, and here each individual may manifest all his creativity and imagination. For example, in one of our motorized infantry battalions one may see and hear a system of music with accompanying colored lights, made by the hands of the soldiers and non-commissioned officers. One may fix oneself a cup of coffee, or buy lemonade, cookies, or candy in the so-called soldier's store.

Due to the reduction in the number of periodical publications received under group subscription, caused by the rise in prices on newspapers as well as by the paper shortage, military draftees receive only the army newspaper. In a number of garrisons, for purposes of satisfying the hunger for information, the unit commanders, in coordination with the national committees, have set up newspaper kiosks on the territory of the units or nearby.

Thus, a good prerequisite has been created for increasing the effectiveness of military-patriotic work.

[Shaparskiy] The CSFR Ministry of Defense decree on democratization and humanization of military service speaks of the standardization of service time and the organization of the soldiers' recreation during their time off. What has already been done in this direction?

[R. Kotyl] The decree in essence has untied the hands of the commanders and the education and culture officers. Today military draftees utilize their free time as they see fit. However, our officers are not yet accustomed to this.

[I. Pokorny] All the limitations and standards have been removed in our work, if we may say so. For example, while before in conducting some competition among the personnel there was always a list handed down from above stating what works and genres should be presented, today a wide road is given to creativity. It is specifically this circumstance which has allowed us to successfully compete at army festival competitions.

In our work we fully strive to satisfy the demands of the soldiers and non-commissioned officers and to provide them with full possibilities for self-expression. We also do not overlook the families of the officers and warrant officers. In this sphere we have close cooperation with the garrison Army House, headed by Major K. Dvorzak.

[Shaparskiy] Have the changes which have taken place had any effect on the status of combat readiness of the Czechoslovak army and the status of military discipline, especially among the personnel?

[R. Kotyl] In those collectives where they worked in a lazy manner before, the same situation also exists today. However, in the units where the commanders exert an active influence on their subordinates and where educational training work is conducted in a goal-oriented and

effective manner, the success is notable. However, in my opinion, it is still premature to speak of any final results.

[V. Shlays] Unfortunately, the democratic changes which have taken place in Czechoslovak society have had a negative effect on the discipline of the personnel. Some soldiers and non-commissioned officers think that now such concepts as the conscientious fulfillment of one's military obligation, painstaking fulfillment of one's duties and discipline may be ignored. There is much talk in the subdivisions about rights and little about responsibilities. The desire of the soldiers to transfer to alternative service also creates many problems, which cannot be solved in a short period of time.

...For now, the Czechoslovak army's organs of education and culture are taking their very first steps. Whether or not they will have a future, only time will tell. However, the idea of their transformation is already being greatly exaggerated.

'Secrets' of Former East German Security Service Revealed

91P50057A Moscow ARGUMENTY I FAKTY
in Russian No 48, Dec 90 p 3

[Article from TASS material: "The 'Statsi' Reveals Its Secrets"]

[Text] The activity of the former GDR Ministry of State Security [MGB](Staatsicherheit, or Statsi for short) including the fact that this organization was privy to secrets of state importance, has never been widely demonstrated, and it was kept secret not only from the broad public, but also from the deputies of the People's Chamber, who, according to their status, should have controlled it. The MGB's budget, its accounting, and the basic directions of its activity were discussed and confirmed only by a narrow circle of officials.

Among the state and public institutes of the GDR created in 1950, the MGB enjoyed unconditional priority in financing and technical supply. Its employees were in the first ranks of the privileged: they received significantly higher salaries, out-of-turn spacious apartments and dachas, and were supplied with industrial goods and foodstuffs in short supply. Screened by this secret department, they were able to live a freer life style in comparison with other citizens.

Over the course of four months, the special government committee for liquidating the GDR MGB has conducted an inventory of this organization's movable and fixed property and has tried to study the forms and methods of its activity, previously hidden from outside eyes.

The commission's conclusion states that more than 85,000 people were in the employ of the MGB (according to specific data it was almost 98,000 people). More than 9,000 of them were involved in exposing foreign agents and defending the national economy from possible sabotage. The tasks of this subunit included the

struggle against opposition and extremist forces. This reached absurd levels. Proclaiming the USSR its closest friend, party functionaries forbade young people to attend events at the Berlin House of Soviet Science and Culture—"Statsi" workers stood watch there.

Nearly 3,000 employees controlled the postal service and about 1,500 listened to telephone conversations. Even Soviet journalist encountered the presence of a "third person" in the air. More than 8,000 people carried out various electro-technical services and about 5,000 were engaged in the struggle against terrorism and ensured the safety of party and state facilities. 12,000 carried out border control and monitored passenger transit. The network of district and regional subunits was widespread and numerous.

The commission confirmed that the MGB had more than 200,000 light firearms and 5,000 types of various equipment and heavy weapons. It had the use of more than 1,819 auxiliary and sports buildings, as well as rest facilities. There were also special secret facilities, fronted by other organizations, used for recruiting and training agents. The MGB motor pool consisted of 12,900 passenger automobiles and almost 6,000 special types of vehicles. All of these were requisitioned and sold to public organizations and private citizens, and the money went into the state budget.

There were almost 6 million personal dossiers in the MGB archives. If one takes into account that relationships of each one of these with other people were monitored (most frequently of all were accidental contacts, which for some reason or another seemed suspicious), it can be assumed that almost the entire population of the GDR was under the Statsi's surveillance. The question arises about what to do with the material which formerly remained open. The civilian movement's demand to ensure that every person has access to his file has met with a resounding objection, because it might lead to a conflict of unforeseen proportions.

Summing up the results of the work that had been done, the government commission for the liquidation of the GDR MGB stated that it had not been completely successful in fulfilling the task set before it. The Statsi has been disbanded but the Statsi lives! The fact of the matter is that a large number of Statsi officers have thoroughly covered up their past and continue to occupy extremely responsible posts in various spheres of economic and state activity, not excluding the possibility of creation of a secret criminal syndicate.

The authorities are also worried by the suggestion that the state security apparatus might have been "laundered" during the period of the government of H. Modrow and L. DeMaziere, and that its large financial resources might have been invested in various shareholding societies, even outside the country.

Polish Senator on Solidarity's Relations with Lithuania

91P50039A

[Editorial Report] Riga BALTIYSKOYE VREMYA in Russian No 46 for 16 October 1990 carries on page 6 a 400-word interview by Dmitriy Starostin with Zbigniew Romaszewski, one of the founders of Solidarity and currently a senator and head of the Committee on Human Rights of the Polish sejm. After discussing Poland's economic problems and her relations with the Soviet Union, Starostin asks Romaszewski about Solidarity's position on Lithuanian independence and the situation of the Lithuanian Poles. Romaszewski replies: "We have always worked closely with Sajudis and have always helped it. In April of this year we wanted to hold a conference on human rights in Vilnius, especially in support of Sajudis. Unfortunately, for well known reasons we were not successful in doing this.

"Regarding the problem of Lithuanian nationalism, this has occasionally been demonstrated. It seems to me that this is a natural complex of a small nation, which fears being swallowed up by large nations. Nevertheless, there are 40 million people in Poland and only 3 million in Lithuania. Therefore, I do not know whether an active struggle against such tendencies makes sense, even though it worries us."

Journalists View Achievements of PRC's Special Economic Zones

91UF0123A Moscow PRAVDA in Russian 25 Oct 90
Second Edition p 5

[Article by B. Averchenko and B. Barkhata, PRAVDA special correspondents in Peking: "Islands in the Ocean of the Market"]

[Text] Probably everyone in our country knows about the special economic zones in China. One of them—Shenzhen—literally does not leave the pages of both the Chinese and the foreign press. Undeservedly, it seems to us, four others have been overshadowed: Xiamen, Zhuhai, Shantou, and the recently created zone—the island of Hainan. The editors of the newspaper RENMIN RIBAO gave us the opportunity to visit Xiamen. Our colleagues noted that we were evidently the first Soviet journalists to visit there.

The "Gates To the Castle"

Xiamen greeted us with affectionate rays of bright sunshine, the emerald-colored greenery of its tropical trees, and the calm, warm sea. This is not only a city. It is also an island with an area of slightly over 1,500 square kilometers. As they say here, this is a tiny piece of land in the Strait of Taiwan which through stubborn labor has been transformed into a "flourishing nook".

Translated from Chinese, Xiamen means "Gates to the castle". Literally every bit of arable land is cultivated on the island. Here, over 36,000 hectares are taken up by various agricultural crops. Having traveled considerably throughout Xiamen, we were convinced with our own eyes that there is truth to the ancient Chinese saying: The earth is like a gold nugget—it generously rewards the one who loves work.

The Lizhi plantations gladdened the eye with their fresh greenery and dark red lanate fruits. These useful and tasty fruits are unknown in our country. They are exported to Europe from Xiamen and other regions of the PRC in canned form.

On the flooded check-plots, rice stalks swayed heavily with the blowing wind. The harvest promised to be a rich one. It is gathered here no less than twice a year. Sweet potatoes, peanuts, sugar cane—it is easier to find crops which the Xiamen peasants do not tend than to list those which they raise.

"Of course, it is not only a matter of the industrious nature of the peasants," noted our companion Tan Maoxiang, deputy chief of the foreign relations department of the Xiamen people's government. The main thing, of course, is the agricultural reform undertaken in accordance with the CPC Central Committee Plenum held in 1978. I will not go into great detail on this. I know that much has been written about it in the Soviet press. I will note only that even we did not expect that granting freedom of action to the peasants would bring such a

great effect so soon. I only want to stress that this granting [of freedom] was done not in words, not on paper, but in deed.

To visit Xiamen and not to ascend up the main street paved with blocks to the hilltop, where from a beautiful old pavilion one may see an expansive panorama of the island, means to get to know the "Gates to the castle" only half-way.

The street ascends upward to the heights steeply, literally in steps. Yet the climb is well worth the difficulties of the ascent—the color of the local life below is impressive. Here we are passing by peddlers selling gifts from the sea. This too is one of the spheres of the special economic zone. What one can find swimming, moving its claws, menacingly opening its jaws or spreading its fins in the large plastic tubs! There are spiny lobsters, crabs, shrimp, horseshoe crabs, eels, turtles, and oysters—all fresh, just taken from the sea, and to suit any taste.

However, one should not think that the delicacies which are offered in abundance are affordable for any Chinese. The market has its own laws. For example, the cost of dishes made from jumbo shrimp starts at 70 yuan or more in a moderately priced restaurant. This is almost half the average monthly wage in China (4.5 yuan are approximately equal to one American dollar).

Peaceful labor ennobles the land and man. In Xiamen this thought has found clear confirmation. Even in the early 80s the island was practically a fortress under martial law. It is only for a few days out of the year, during the spring holiday, that the cannonade of weapons dies down—shooting across the 2-kilometer bay separating Xiamen from the Taiwanese island of Jinmen. Fellow countrymen, brothers and sisters in the literal sense of the word (after all, over 70 percent of the Taiwan population, as we were told, originate from the province of Fujian, where Xiamen is located) have finally stopped looking at each other through the sights of weapons. Thus, the course proclaimed by Beijing—one state, two orders—and the policy of developing energetic ties with the outside world have quelled one of the hot spots on the planet.

What the "Politics of Openness" Does

Xiamen as a special economic zone was born in October of 1980. At that time, many were sceptical of this innovation, seeing it almost as a restoration of capitalism, an attack on the holiest of holy principles of the socialist order. But after only a few years, practice has convincingly proven the correctness of the selected course.

The 5 special economic zones created over the past decade of reforms have concluded over 6,500 contracts with foreign companies, for an overall sum of over \$10 billion. For example, they have brought in one-fourth of all the currency revenues to the Chinese economy over the past 4 months, as reported recently by the newspaper RENMIN RIBAO. Last year, these zones manufactured

products in the sum of over 21 billion yuan. Moreover, half of the gross product was produced by plants and factories founded with the participation of foreign capital.

RENMIN RIBAO presented one other curious figure. In 1989 the special economic zones exported \$3.85 billion worth of goods abroad, which comprises one-tenth of the annual Chinese export. In the current year, as shown by the results of past months, the export will exceed the 4 billion mark.

"And what place does Xiamen occupy in all this?", we asked Liu Ming-Chuang, partkom secretary of one of the rayons.

"First of all, I will say," he began, "that without the support of Comrade Deng Xiaoping the free zones would have died in infancy. They had too many enemies. Even in your press these zones were not too well liked in the early 80s.

"Can't they understand," Liu began speaking heatedly and with conviction, "that hiding in one's shell, marching in place, is simply imprudent? In the recent past, we got a good taste of trouble because of this. Today for us the special economic zones are support bases for expanding foreign relations, unique windows through which the leading engineering and technology, knowledge, methods of economic management, and world scientific-technical achievements come into China... Of course, as Comrade Deng Xiaoping metaphorically stated, together with the fresh air, flies and mosquitos may also fly in through the open windows. Yet does that mean that we should deprive ourselves of fresh air for this reason?"

"Statistics are a dry subject," continued our interlocutor, "but we cannot do without them in our conversation. Among the other zones, Xiamen looks quite good. Today there are over 740 enterprises operating on the island which employ around 130,000 workers and employees. What do they manufacture? Chips for electronic machines, chemical preparations, canned goods, and building materials—I cannot name offhand even a small part of the entire assortment of our goods. We are often asked whether the access of foreign capital infringes on the national sovereignty of China. No, not in the least. After all, foreign firms and businessmen operate within the limits of our laws."

"Who invests capital in Xiamen?"

"The companies of many countries," answers Liu Ming-Chuang. "Specifically the USA and England, as well as Hong Kong and Singapore. Taiwan businessmen are expressing a great interest in us."

The mooring lines of the Xiamen port, whose expanse has already exceeded 60 kilometers, are extending ever farther into the sea. Vessels with displacement of up to 100,000 tons may be accommodated here. Vessels with

displacement of up to 50,000 tons are lowered onto the water from the building slips of local wharfs.

We stood on a cliff and admired the panorama of the port. It lives its own intense life. Vessels from 30 countries come into Xiamen, and it is gratifying to see that more and more often they bear the flag of our Homeland.

Xiamen today is not only plants and factories, banks and hotels, ports and wharfs. A University and 7 institutes have been founded in the city, and there are 78 scientific-research subdivisions in operation. It is easy to understand why the special economic zones are given the role of forging the cadres.

Yet why is it that foreign firms, and not just the "small fry", but respectable concerns, are so eagerly investing their capital and opening enterprises in Xiamen?

"The capitalist, as we know, strives to gain a profit," says Liu. "I believe no one has ever refuted this axiom. So we have created favorable conditions for foreign enterprise in Xiamen."

During the meetings and talks at the enterprises and in the city institutions, we were told much about the creation of such conditions. Thus, one may participate in the development of the zone by means of investments, equipment and technology. One may create both joint, mixed, companies and entirely foreign enterprises here. There are only 5 basic taxes established in the zone. The primary one—the income tax—comprises only 15 percent, while on the continent its rate is 33 percent.

Moreover, if you have invested money into construction of the port, for the first 15 years the income tax will be reduced by another 50 percent. It is also possible to pay a 10 percent tax if, for example, over two-thirds of the products manufactured by your enterprise go for export. Or, say, you have decided to invest the profit which you have obtained into expanding your production on the island. Then 40 percent of your income tax will be refunded to you.

"The land," said my interlocutors, "belongs to the state. However, depending on the purposes of application of capital, it may be given for use for a period of from 2 to 70 years. There are very many benefits: customs and currency incentives, and many others."

At the same time, it was stressed that all of [these incentives] have been detailed and legalized. Otherwise, what self-respecting businessman would risk his capital?

A significant role belongs also to the fact that the economic zones which are being created also have a plentiful work force, electrical power, fuel, water, and other necessary prerequisites for the formulation of industry.

"In the process of creating the zones," our Chinese comrades explained to us, "we have clearly understood that if we simply declare their development without

clearly defining the rights, opportunities and responsibilities of foreign investors, this would be just another good project on paper."

Thanks to the application of leading import engineering and technology and restructuring of the management mechanism, the labor productivity at the enterprises in Xiamen has more than 6 times higher than in the state sector of PRC industry, while the effectiveness of capital investment is 2 times higher.

We must note that wherever a man works—at a private, mixed, or state enterprise—the Chinese laws strictly protect his rights.

The "gates to the castle", like the other special economic zones, have become a unique laboratory for the introduction of achievements in scientific-technical progress into the national economy, for the development of current methods of economic management, and for the training of cadres for the entire country.

Neatly dressed people, hurriedly racing on bicycles to their place of work, store windows sparkling with a wide array of consumer goods—all this creates the impression of a full-fledged life, filled with the optimism of building and a firm belief in tomorrow.

Causes, Repercussions of Jewish Emigration to Israel Examined

91UF0126A Moscow AZIYA I AFRIKA SEGODNYA
in Russian No 8, Aug 90 [Signed to press 18 Jul 90]
pp 2-7

[Article by V. Turadzhhev: "In Search of the Promised Land"]

[Text] The passengers of the Boeing-757 were behaving strangely. They were singing, dancing, and crying from joy. Some tried to kiss the hands of the crew members. But even the route was a strange one. The plane of the Israeli airline El Al was making a direct flight from Moscow to Tel-Aviv. On board were 125 former Soviet citizens. They did not hide their tears of happiness in anticipation of the longed-for meeting with the promised land. That country which was quickly fading in the cloudy haze beneath the wing of the powerful silver liner, the country where they had been born and grew up, where under the canopy of birches and maples the graves of their ancestors remained, that country, as very wise mentors taught, was only a temporary refuge. Their new, real homeland was opening its arms to them. And they greedily looked through the windows. What kind of country was it?

At the same time hundreds and thousands of Palestinians who had found squalid refuge in the refugee camps in Jordan, Syria, and Libya, after mournfully bending their knees in morning prayer, prayed devoutly to Allah to help them return to their native regions, to the hearths which were dear to their hearts, to the place where the ashes of their fathers and mothers, grandparents and great-grandparents rest, where they know every stone and every vine, every fig and olive tree.

The "Second Exodus"

That was how that first day of January 1990 began, a day which marked the beginning of a record aliyah¹ from the USSR. For the previous record (34,477 people in 1973) was already broken by May. According to some sources, it was substantially surpassed.² While in the 1980s hundreds of people left a year, now—it was thousands a month. That could not fail to be noticed. The world began to talk of a mass emigration of Jews from the USSR. Yitzhaq Shamir poured oil on the fire by announcing that a great aliyah necessitated a Great Israel, that it meant settling the Jews coming to the country in the occupied territories. Since in March the Israeli government had banned publication of any figures on the new settlers and the routes they followed, the most incredible rumors began to leak out into the press. They report that the number of Soviet olim (immigrants) will reach 750,000 in the next 3 years.³ If that is true, then we may speak of a "second Exodus." And while specialists may have some doubts regarding the first (from Egyptian captivity), because to this day no traces of the Jews' stay in the Nile valley have been discovered, the second Exodus will certainly leave a record of itself. And the point is not only that the names of Chagall and Trotsky, Mandelshtam and Landau, Eisenstein and

Mikhoels cannot be removed from Russian history; there are many more figures who are not so brilliant but who made their own, in all very appreciable contribution to our native science, culture, and art. We are not speaking only of the dead, but also of the living, of those who have already made their way in the promised land in one way or another, and those who are still on the waiting list for visas, packing their suitcases on the sly. They were born here, in the Russian land, they went to kindergarten here and then to school, and then to the institute. They worked next to us and along with us, and we shared our joys and sorrows, bright hopes and bitter disappointments with one another.

And now they are leaving. Of course, each one has his reasons. But certainly this emigration is a mass emigration. So it has general causes.

Disappointment?

The Russian proverb says that the fish looks for someplace deeper and man—for someplace better. It is that which is the basis of practically all migration processes. It is no secret to anyone that living conditions in the Soviet Union are by no means the best. And if our state border had not been kept locked for 70 years, I think quite a few who wanted to experience happiness on the other side would have been found. That is what happens in normal democratic and even not so very democratic countries. Every year thousands of people emigrate from that very Israel which represents the promised land to some of our fellow citizens. In the 1970s and 1980s, migration hovered around zero, frequently inclining to the negative. As recently as 1986, more people left the country than came to it.

But then, thank the Lord, the situation with opportunities to leave the USSR changed, and lines in front of foreign embassies formed immediately. For the most part it is Jews who are standing in them. What is it with them, do they live worse than anybody else? Of course not. The material stratification in Soviet society does not follow nationality lines. The wretchedness of our life has engulfed everyone—Russians, and Kazakhs, and Uzbeks, and Moldavians, and Tajiks, and Evenki. And we all took heart when perestroika was announced to us. Out of the mouths of its highest leaders came promises to by 1990 "raise the standard of living of Soviet people to a qualitatively new level and insure the steady improvement of conditions of their labor and life." Among other things, the task was posed to "improve the supply of foodstuffs, in particular meat, dairy, vegetable, and fruit products," as well as to implement "progressive changes" in the consumption of industrial goods.⁴

Alas, the changes came, but they were by no means progressive ones. But they were so fast that the country did not simply find itself on the brink of the precipice in literally just 2 or 3 years; it began to slip uncontrollably into an abyss of economic ruin, legal chaos, and moral-ethical degradation.

Did emigration sentiments intensify this negative process? Of course! Armenians, Germans, and representatives of other nationalities rushed to leave the country. And still, among all those wanting to obtain foreign passports Jews clearly predominate. So have they been more bitterly disappointed in perestroika than anyone else? Certainly not. Our present troubles have affected everyone, and in our country now there is no people, neither a large one nor the very smallest, who does not look into the future with ever-increasing concern, alarmed at the increasing instability and shock methods of treatment of the seriously ill economy.

So what is the point? Why Jews? There must be something else that compels them to literally flee the country. This "something" is the anti-Semitism which has raised its head. It did not come into being today, nor yesterday, nor even the day before. And this shameful phenomenon is typical not only of Russia, but, alas, of many, many other states. Of course, it is no easier for our Jews because of that. And they react even more sensitively to the growth of racist sentiments in the country since still fresh in their memories are the not so very distant times when daily anti-Semitism suddenly appeared on the state level with the broad campaign of the "struggle against cosmopolitanism" and then the localized "doctors' affair."

Who Is Fanning the Hysteria

But now, why now, when we are building a law-governed democratic state, has this reversion begun to manifest signs of life so noisily and impudently, in the Central House of Writers, for example?

For many years it was instilled in us that the nationalities question had been resolved in the USSR once and for all. But in fact this was not the case. Disagreements and even conflicts on nationalities grounds existed all those years. They were simply driven deeper, and the general atmosphere of lies and fear which ruled in the country and the cult of power which the authorities professed did not allow them to grow into admittedly ethnic conflicts. It was in this atmosphere that the brutal persecutions which befell whole peoples became possible. In this sense the Jews were not alone. What scale do you use to measure who lived better and who lived worse? A person's own pain obscures his eyes with a bloody mist and prevents him from seeing the large picture.

It prevents us from looking at things soberly even now, when the country is undergoing perhaps the most complex period in its history. To those whom the fate of our common Homeland, the Soviet Union, is precious, unity and the cohesion of all progressive forces are essential. Ethnic dissension, mutual reproaches and insults entice us deeper and deeper into the abyss from which we may never be able to escape. Of course, urgent problems must be resolved, but they must be resolved not with force, not with the threat of violence, and not with hysterical howls and offensive curses, but with lucid reason, untroubled by hatred, with sincere good will and harmony, and with

interested concern not only for ourselves but also for others and for those next door, for those who need charity, aid, and sympathy.

Unfortunately, the political instability and our economic troubles multiplied by the irresponsibility of some officials who are supposed to insure fundamental order and a normal course of life have aggravated the nationalities problems which have suddenly crawled out from all the cracks. A wave of nationalist passions has literally swamped the country. In this atmosphere the anti-Semites have become insolent too. In some places "Black Hundred" [armed antirevolutionary groups in Russia, 1905-1907] slogans have appeared, persistent rumors of pogroms have emerged, and provocative conjectures about the evil designs of "foreigners," for which they should receive the inevitable punishment, have begun to spread.

Fear has seized people. And as everyone knows, fear has big eyes. Especially if that fear is deliberately roused. A series of apartment thefts occurred in Kharkov—and so it spreads pretty much throughout the country that Jews are being robbed and killed. It turns out that several trade employees were robbed (but no one was killed), and among them was one person with a Jewish last name. Is that bad? Very bad. But what does it have to do with pogroms?

Or take the disgraceful incident in the Central House of Writers. Not only the whole country already knows about it, but the whole world. This example of an anti-Semitic outburst is wandering from newspaper to newspaper, from journal to journal, and from country to country. Academician V. I. Goldanskiy describes in the newspaper WASHINGTON POST how "several dozen Nazi monarchists... beat up several writers and used force to evict others from the hall and screamed anti-Semitic slogans and declared that next time they would bring assault rifles." The academician believes that the RSFSR Writers' Union is the "main organization which serves as the coordinator of the Nazi monarchist forces" and that right-wing extremist groups in the Soviet Union are proposing to "finish what Hitler started."⁵

Already in late April J. Lorie, a correspondent of the American ABC television network, again described that same scandal at the Central House of Writers in detail and concluded his report with these words: "The atmosphere of fear which has now been created is forcing many Jews to flee the country."

The mass information media of a number of Western countries have begun literally to fan nationalist hysteria, painting a picture of an "outbreak of anti-Semitism in the USSR." In an interview with the Italian newspaper IL TEMPO, E. Weisel (United States), winner of the Nobel Peace Prize, declares: "Jews are fleeing the Soviet Union en masse, for anti-Semitism in the most primitive and unconcealed form is being revived there: 'Destroy all Jews!' They have even begun giving the date when the mass pogroms should begin—5 May."

What are such articles intended to do? What do they tell us? About artificial fanning of fear, a self-interested desire to push more and more emigrants to move, and about a desire to make the world community see the exodus of Jews from the USSR as an appropriate response to anti-Semitism, to portray them as refugees and dislodge more hundreds of millions of dollars for the "great aliyah" from the soft-hearted American taxpayers. In this way they want to play along with the powerful force which is manipulating this truly phenomenal occurrence of our times. This force is international Zionist circles.

Number of Immigrants Who Came to Israel from the USSR

Year	Number of Immigrants
1971	12,839
1972	31,652
1973	34,477
1974	16,816
1975	8,523
1976	7,279
1977	8,348
1978	12,126
1979	12,614
1980	7,586
1981	1,806
1982	756
1983	390
1984	345
1985	347
1986	221
1987	2,073
1988	2,228
1989	12,923

Source: "The Jewish Agency for Israel".

"Lord, This Is Mine!"

Historians still have to figure out the causes of the "second Exodus" of Jews. The fact that it was organized both from the outside and from within is obvious even now. Moses miraculously appears anew and publicly calls his people to come to the promised land. But the people are not a herd of sheep, and we should know why and in the name of what people abandon their homeland. A certain strange silence remains in our country on this score. How many Jews are leaving, where are they going, and why? Is it really another state secret? But in fact, it turns out that we are talking about hundreds of thousands of people. They are our fellow citizens! Have we really become indifferent to them? Doctors, teachers, engineers, scientists, bookkeepers, auto mechanics are leaving the USSR. We are silent. We pretend that

nothing terrible is happening. How can it not be? People are breaking up their destinies and the destinies of their children. I certainly do not want to say that it will be bad for all of them in Israel. Some are settling in there, and even doing quite well. But does everyone who is leaving realize what it means to completely cut off ties with the homeland? And what awaits them there in Israel? Boris Leonidovich Pasternak, when it was insistently suggested that he leave the Soviet Union, said that he would prefer death to emigration. He understood very well that he would be accepted abroad with open arms. But he could not even conceive of losing forever the ordinary life of Peredelkino, which was plain, almost village-like, and so particularly dear to his heart.

Read again these lines, written from the heart by art critic Mariya Chegodayeva.

"The fates of the people of two nations live within me and are interwoven, and both the one and the other are equally dear to me. The summons of my native blood is not a festive sound, believe me. Russian history seems altogether different, like something of your own, dear and personal, when you know that one of your ancestors was a boyar under Vasiliy the Third, and another—a comrade-in-arms of Peter who died in the assault on the Azov. But the fate of the Jewish people too is just as close to me, and my historical Jewish homeland is also dear. May Israel forgive me—that place is not for me, not in the burning sands of Palestine: it is here, on Russian, Moldavian, and Ukrainian land where Jewish "mestechki" [little towns] lived their colorful and wretched lives for many centuries, since the 11th century, and in one hour of the mid-20th century sank into the land under fascist bullets and remain in this land forever, no longer subject to enforced resettlement or voluntary emigration.

"My homeland is here, where in the Vagankovskoye Cemetery, not far from the Resurrection Church, beside the Russian Orthodox white cross of my grandmother stands the grey severe stone over the grave of my grandfather M. O. Gershenzon. Here, where my grandfather D. N. Chegodayev, prince, revolutionary, and scholar, rests in the former Jewish cemetery, Vostryakovskoye. Fate spared both of them.

"Then who, and by what right, dares to tell me what blood to betray and what historical fate to renounce? No one has the authority to take my Homeland away from me, my land, my history, my family's graves.

"This is mine, do you hear? Lord, this is mine!"⁶

Does this not convince you (I am talking to those leaving)? You say that you are fed up with a wretched existence, lies and injustice, lack of rights and empty promises and that you expect no better from perestroika, that you are frightened to death of the "Black Hundred" slogans—well then, leave. You have that right; perestroika itself, in which you have lost faith, gave it to you. But let me ask only one question: why should the Palestinian people, who are guilty of nothing, pay for our

troubles? Only because it was on that land that the Zionist extremists decided to create the "Great Israel" and call to their disciples all over the world to come to the occupied territories? It is being created on the bones and blood of the native inhabitants of Palestine. Do you want to take part in the "great building project"? Think, think a thousand times. Do you really believe that you have more right to that land, which you really know only by hearsay, than those who were born and bred there?

There is a memorial complex near Jerusalem, Yad Vashem. It is dedicated to the Holocaust—the 6 million Jews who fell victim to Nazi genocide. Now I am certain that another majestic and sorrowful monument will appear—to the Palestinians who died at the hands of the militant Zionists in Dayr Yasin, Sabra, and Shatila, Nablus and al-Khalil. And the word "Ansar" will sound the same funeral knell as the word "Auschwitz." Of course, the scale is different. But only for now. As soon as the count goes into the hundreds of thousands of olim, it will be right to speak of another Holocaust—the holocaust which threatens the Arabs.

And one more thing. It turns out that the hysterical howls of a small group of new anti-Semites have easily frightened you (I am talking to those leaving for Israel). You allowed yourselves to be frightened; all those very wise mentors advised you so persistently. But bear in mind that the Palestinian people will not give up their homeland easily. They are fighting for it and they will continue to do so. An intifadah blazes where you are going!

"Go to it, Lads!"

The Arab world has truly interpreted the mass emigration of Soviet Jews as a holocaust. The editor in chief of the newspaper published in Paris in Arabic AL-YAWM AL-SABI', Bilal al-Hasan, writes that an extremely serious problem has arisen which may become the cause of the failure of attempts at a political settlement to the Arab-Israeli conflict and even of more wars between the Arabs and Israel. He believes that Soviet Jews will certainly be settled in the Israeli settlements on Palestinian lands, for there is no possibility of settling them in Israel itself. Moreover, the author writes, the soldiers among the new arrivals will be drafted into the Israeli army and will take part in suppressing the Palestinian popular uprising.

These fears are not groundless. Brigadier General Iosif Littman assumes that the Israeli army will receive a well-trained contingent, the majority of whom already have practical experience serving in the army. Israel's Ministry of Defense expects that up to 100,000 people will arrive from the USSR this year, and of those 47 percent will be from 15 to 44 years of age. After the 2-year settling-in period has run out, men over 18 years of age will spend 3 years in actual military service on general principles, with the subsequent yearly call-up of reservists to the army for a period of up to 2 months.

An equally important circumstance which Arab observers point to is the fact that the increased number of Jewish colonists on the West Bank of the Jordan and in the Gaza Strip owing to the Soviet immigrants will give rise to the next wave of deportation of Palestinians from these regions. And this will become the reason for a new Arab-Israeli war, most likely on the Jordanian front.

PLO [Palestine Liberation Organization] Chairman Yasir 'Arafat assesses the situation in even gloomier terms. The immigration planned by Israel—3 million people by the year 2000, he said, will inevitably lead to the seizure of neighboring Arab territories to resettle them in. He called the mass exodus of Jews from the Soviet Union to Israel "a conspiracy which is the result of the Soviet-American meeting on Malta and one which does harm not only to the Palestinian people, but to the whole Arab nation."⁷

The Amman newspaper SAWT AL-SHA'B writes that Zionists are behind the increased emigration of Soviet Jews to Palestine. "Zionism's plan," the newspaper believes, "is to encourage racist anti-Semitic movements in the Soviet Union and direct the built-up anger against Jews, which will result in their emigrating to Palestine in greater numbers." Extremist groups have been revitalized in the Arab world. The religious organization which operates in Jordan, the Muslim Brothers, called for a "seige against American and Soviet interests in the Near East." It proposed conducting not a defensive but an offensive policy on the Palestinian issue. Only the creation of an Arab people's army, a holy war—a jihad, and the complete liberation of Palestine can prevent the immigration of Soviet Jews to Israel, the Muslim Brothers believe.

We can cite statements like this endlessly. The Arab press is literally boiling with indignation. In the first months of this year, they virtually accused the Soviet Union of treachery. But then the tone became more restrained. A sober analysis shows that Moscow itself is in a difficult position. The authorities cannot forbid departure. Nor can they tell their former citizens where to go. And so Israel, as the receiving party, and the United States, which actually finances and directs the aliyah, can and should do everything possible to insure that the emigration of Jews from the USSR does not result in aggravation of the situation in the Near East, which is volatile enough already. To do this, first, emigrants must be given the opportunity to go where they want rather than be crammed almost by force into Israel. For this is precisely the goal pursued by both the measures of American authorities, who are organizing immigration to the United States, and the generous material "crumbs" given to those who prefer the "promised land." Secondly, Tel-Aviv should stop the settlement of the occupied Palestinian territories by Jews, especially new arrivals.

But what do the facts tell us? The U.S. Congress House of Representatives is following the Senate and adopting a

resolution to recognize unified Jerusalem as the capital of Israel. The Israeli "hawks" are thereby given an unambiguous signal: go to it, lads, we support you. And the "lads" are doing just that. Despite the strictest military censorship, information on the repressions against the Palestinians, which are becoming more brutal, and of the resettlement of Soviet olim on the West Bank and in the Gaza Strip are leaking into the press. At the start of this year alone, about 400 "repatriates" from the Soviet Union were settled in the occupied territories in the settlements of Ariel, Ma'ale Adumim,

and a number of others. Many are trying to get settled in East Jerusalem, where apartments are cheaper and they do not have to stand on ceremony with the Arabs and Christians. It got to the point of an international scandal when our former fellow citizens used force to seize the Saint John Hotel, owned by the Greek Orthodox Church, and beat up the Patriarch Dhiodhoros I, who had tried to protest against this vicious act. In place of the Orthodox cross they hung the star of David over the entrance to the hotel. These people fled their former homeland fearing pogroms, but hardly had they acquired a new one when they committed an outrage.

Immigration to Israel in 1980-1989

Number from Particular Country

Year	Republic of South Africa	Argentina	United States	France	England	Romania	USSR
1980	335	1,057	2,257	1,421	907	1,065	7,586
1981	208	938	2,280	1,417	814	987	1,806
1982	268	1,153	2,601	1,627	1,124	1,538	756
1983	323	1,264	3,343	2,051	1,260	1,298	390
1984	287	809	2,529	1,515	782	1,951	345
1985	254	863	2,175	1,086	600	1,334	347
1986	635	831	2,441	1,092	633	1,324	221
1987	749	1,103	2,140	1,065	629	1,582	2,073
1988	491	1,590	1,908	1,096	559	1,434	2,228
1989	269	1,946	1,650	1,096	491	1,468	12,923

—Source: "The Jewish Agency for Israel".

In this connection I was reminded how during our stay in Palestine, the winner of the Nobel Peace Prize, Archbishop Desmond Tutu from the Republic of South Africa, made a statement which caused a scandal, saying that the Palestinians in Israel are treated the same as blacks in his own country. After seeing the memorial Yad Vashem, he said to journalists that he "cannot understand people who as Jews have suffered so much and are condemning Palestinians to the same sufferings."⁸ The Israeli minister of religious affairs, Z. Hammer, hastened to put a stop to the scandal by announcing that "it is simply a misunderstanding, the situation here is altogether different." After assembling the leaders of the Christian community of Jerusalem the next day, Hammer began to explain to them that "any analogies between Israel's policies and racist doctrines are lies through and through."⁹ Then he gave the floor to Dhiodhoros, who reminded the people assembled of the Gospel sermon that people should love one another and steadfastly fight for peace and justice regardless of their race, the color of their skin, nationality, or religion. Only 4 months passed and, may the Lord forgive me for the vulgar expression, he found out with his own hide what justice in the Zionist interpretation is. As for Tutu, even before that he was hissed at by the American Zionists at the inauguration ceremony for the first black mayor of New York, David Dinkins.

A Tight Knot

One can understand the Arabs' concern. For, in addition to Soviets, Jews from other countries, in particular

Falashas from Ethiopia, are arriving in Israel. During the "Moses" operation, the Israelis brought 10-15,000 of them from there in 1984-1985. Now they intend to add some 20,000 more. "Black" or "Ethiopian" Jews, as the Falashas are called, accepted Judaism back in the 4th century A.D. Some assume that they are the tribe which considers itself the descendants of King Solomon and Queen Savskaya and was "lost" when Moses brought the Jews out of Egyptian captivity. Whether that is true or not, it is not easy for them in Israel. Torn from their customary living conditions, here they encounter economic problems, the authorities' discriminatory policies, racial prejudice from native Israelis, and the skepticism of the rabbinate, which is inclined not to recognize them as full Jews. Some of them do not survive the experience and commit suicide.

No one is surprised, however, at voluntary departures from life here. Thirty-seven suicides among Israeli soldiers were registered in the Army from 1 April 1989 through 31 March 1990. But that is only one particular fact, as they say. Overall the present mass immigration is very substantially increasing Israel's human resources and its military potential and, as the Arabs believe, makes it more uncompromising and more aggressive.

The situation in the Near East is heating up once again. And this is after some progress was made in the Palestinian-Israeli dialogue. In response to the nuclear blackmail of Tel-Aviv, the president of Iraq, Saddam Hussein, threatened to flood half of Israel with poison

chemicals, announcing that Iraq has these substances and the appropriate means of delivery. Yitzhaq Shamir in turn announced that Israel was in a position to ruin the most diabolical schemes of its enemies.

So where is the way out of the situation which is becoming more and more of an impasse? There are no simple solutions. The knot has proven to be so strongly tied that it will have to be undone literally thread by thread, even though every thread here is like a nautical rope.

Above all the Palestinian question must be resolved. It is the core of the conflict. The Palestinians should receive the right to self-determination and to create their own state. The "great aliyah" will not lead to a "Great Israel." An international conference on the Near East is needed, negotiations and compromises are needed. Not only the Palestinians need them and not only other Arabs, but the Israelis too. A nation cannot build its hearth on a powder-keg! More and more Israelis understand this. And if thousands of our former fellow citizens arrive in Israel, I would very much hope that they will increase the number of people who are for peace and national harmony.

It would be better if they refrained from going to the Holy Land for now. It would be better above all for them. Let the Israelis first deal with their neighbors and find a common language with them, and let them begin to trust one another. And if the leaders of Israel really are concerned about the fate of Jews, including Soviet Jews, they should abandon the path of war and together with the Palestinians begin to seek formulas for a just and worthy peace in the region.

The mass emigration of Jews from the Soviet Union has become a fact. And it is time for us to stop playing hide-and-seek. Complete glasnost is needed on this very difficult issue. We are talking of people, of hundreds of thousands of people, of those who are leaving and of those who will remain, and of those—I mean the Palestinians—who will meet the new immigrants face to face.

The public should know how many of our citizens are leaving and where they are going and why. Give the emigrants the opportunity to answer, voluntarily and anonymously, questions on a sociological survey questionnaire. That will make them ponder one more time whether they have decided on the right step. And their answers will help those of us who remain to manage things so that there will be no offended, no insulted, no frightened, and no deceived people in our country and to insure that this terrible idea, the idea of abandoning our much-suffering but so beautiful Homeland, does not enter anyone's head.

Footnotes

1. Aliyah—the immigration of Jews to Israel.
2. See, for example: THE MIDDLE EAST, April 1990, p 12, where the figure 100-230,000 emigrants expected this year is given, with a reference to Israeli sources.
3. Ibid.
4. "Materialy XXVII syezda Kommunisticheskoy partii Sovetskogo Soyuz" [Materials of the 27th Congress of the Communist Party of the Soviet Union], Moscow, 1986, pp 258 and 263.
5. WASHINGTON POST, 18 February 1990.
6. MOSKOVSKIYE NOVOSTI, No 11, 1990.
7. IZVESTIYA, 24 March 1990.
8. JERUSALEM POST, 27 December 1989.
9. JERUSALEM POST, 28 December 1989.

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African Debt, Future Third-World Credit Strategy Discussed

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[Article by Yu. M. Osipov: "African Debt and Our Policy" under the rubric: "Editorial Staff Members' Column"]

[Text] A key place in the foreign economic relations of developing countries belongs to international credit. Its role has steadily grown in recent decades and loan capital presently accounts for as much as four-fifths or more of the total volume of resources reaching the Third World from the outside. Foreign credits and loans compensate the shortage of internal accumulations and promote the expansion of the potential of the structural restructuring of an underdeveloped economy. At the same time, the positive contribution of external financing may be substantially weakened and even blocked entirely by negative factors that undermine the solvency of borrowing nations. This is eloquently attested to by Africa's bitter experience.

The debt crisis confronting many countries in this region was provoked by the dramatic increase in the cost of oil imports that was a powerful impetus to inflation and to currency upheavals in the world economy. The subsequent prolonged cyclical recession in the West proved to be even more damaging to Africa. The unprecedented decline in prices in the mineral and agrarian raw-materials markets destabilized African exports. The decline was especially appreciable in countries south of the Sahara. The continent's share in world exports continued to decline primarily under the influence of structural change that significantly reduced the energy- and materials-output ratio in Western countries. The situation was aggravated by increased protectionism in world trade and by growing competition on the part of the more developed Third World regions. Interest rates on loan capital have risen and loan repayment periods have grown shorter against this background which is extremely unfavorable to African countries. The flow of funds through international commercial banks was choked dramatically and then cut off altogether. New export credits dropped to a minimum and the growth of direct foreign investments finally declined to almost zero.

Such a dramatic deterioration of Africa's positions in the system of world economic relations unquestionably played a decisive role in the disruption of the debt management mechanism. At the same time, the worsening of the problem posed by the debt was in no small measure the result of strategic miscalculations in economic policy. While predominantly encouraging the development of investment-intensive production, which was moreover frequently divorced from local realities, it did little to promote the normalization of agriculture, the development of small-scale industry, and to enlarge the consumer goods market. A considerable part of the

resources went toward defraying military and other unproductive costs, toward compensating the losses of state enterprises. Financial potential was undermined by corruption in the corridors of bureaucratic power. Dishonestly acquired money floated away to foreign banks or was squandered by nouveaux riches and the political elite to satisfy their ambitious whims.

Attempts to use traditional remedies of the International Monetary Fund's deflationary policy (devaluation, suppression of internal demand, financial restrictions, etc.) in order to alleviate the situation frequently ended in failure. Almost none of them got to the core of the structural crisis and they were all the more powerless to influence the trends that stimulated the exclusion of a very considerable number of African countries from world trade. Debt payments that devoured one-third or more of the region's earnings from exports drove internal accumulation and growth into a cul-de-sac. Even in the more or less prosperous countries in the upper African echelon, the "safety margin" is nearing the danger point. The least developed countries were in general unable to perform previously adopted obligations without the preferential revision of indebtedness within the framework of the Club of Paris.

The further spiraling of the crisis threatened to bring an vast part of the Black Continent to the brink of catastrophe. The exhaustion of African countries' purchasing power in turn increased the anxieties of creditor states. Their economy also suffered from the reduction of exports and from the undermining of the debt repayment base. Finally, the worsening of the economic security of African countries increased the danger of social instability and political confrontation in the international arena.

Under existing conditions, it is objectively necessary to reinforce the International Monetary Fund's stabilization policy by the broader spectrum of decisions oriented toward the normalization of the potential of African growth and the attenuation of the stress of the debt crisis on this basis. At the Toronto meeting (1988), the seven leading states in the capitalist world assumed the obligation to increase the volume of preferential aid primarily to the least developed countries in the region and to ease their official indebtedness all the way up to the writeoff of earlier loans. These initiatives were reinforced by the expansion of programmed financing mechanisms along the lines of the International Monetary Fund and the World Bank. The resources of the International Development Association and the African Development Fund were enhanced. At the same time, the West also adopted a hard line aimed at the closer coordination of the entire package of external financial measures with the block of "structural reforms" oriented primarily toward relaxing administrative-command fetters binding the local economy and toward increasing the effectiveness of market mechanisms of development (deregulation of the

pricing mechanism; reduction of subsidies; reorganization of financial systems; reorientation of capital investments; liberalization of currency, trade, and investment regimes; privatization of a number of enterprises in the state sector, etc.).

According to preliminary estimates of World Bank experts, the African economy's structural adaptation programs are in general promoting the restoration of the parameters of disrupted growth in the region, and are influencing, if as yet faintly, the normalization of bureaucratic structures of the state sector and the stabilization of budget deficits. At the same time, Africans justly call attention to the underassessment of the specifics of their societies, which demands a more considered approach to the policy of market-oriented development, and especially to the lack of understanding of the difficulties that are connected with the compensation of the social costs of such a policy. The final and most important point is the persistent emphasis on the need for further collective efforts to expand the base of credit assistance for regional reforms.

The restoration of the solvency of African countries also acquires considerable significance from the standpoint of the interests of the USSR. Africa as a whole owes us more than 13 billion rubles, including 3 billion rubles in defaulted payments. This is not only the result of objective difficulties confronting many countries in the region, but is also the result of the miscalculations of our policy which was primarily oriented toward ideological and military support for authoritarian "socialist-oriented" regimes. The beneficial effect of such a policy proved to be almost zero everywhere. It is very doubtful, for example, that Angola, Ethiopia, and Mozambique, that owe us more than 6 billion marks, will be able to pay their bills even in the distant future. It is more likely, to the contrary, that the sums to be written off will grow. The prospects for the repayment of Soviet credits will also diminish in no small measure due to the relatively low return on capital investments, the bulk of which are frozen in enormous (frequently prestigious) projects that have little structural relevance to the African economy.

The first sitting of the Presidential Council emphasized the urgent need for the radical rethinking of our international cooperation. The conceptual basis of credit relations between the Soviet Union and the Third World also require revision in this connection. We must decisively rid ourselves of the excessive politicalization of these relations, remove the veils of ideological dogmas and stereotypes from them, and reorient them toward the strict observance of the principle of rationality, the anti-cost approach, and mutual benefit.

As a first step, in my view the USSR Supreme Soviet should take an exhaustive inventory of credits, loans, and subsidies extended by different departments to the developing countries and then, on the basis of an in-depth analysis, should make feasible corrections immediately in the appropriate column of budget expenditures. Subsequent yearly official aid allocations should

be determined and voted by the Supreme Soviet on the basis of the careful consideration of our financial potential and should be broken down by country and program (loans for development, preferential humanitarian aid, military credits, and other special deliveries).

In order to increase the effectiveness of the planning, coordination, and monitoring of the use of financial resources allocated from the budget for all types of aid, it would also be advisable to think about extradepartmental organization (along the lines of Western aid agencies) and to subordinate its operational activity directly to the USSR Council of Ministers. Specific terms for extending credits, loan repayment schedules, recommendations on the differential regulation of debts, etc., should be determined within the framework of such an organization.

The Soviet Union's transition to an open economy in principle creates favorable prerequisites for bringing its positions closer to those of the leading Western states. Accordingly, our unflagging attention must be devoted to stimulating the participation of the USSR in the development of joint programs for assisting Africa and other Third-World regions. Soviet banks, state enterprises, and other organizations must become more boldly involved in various forms of syndicated crediting of highly profitable projects in African and other developing countries. We must do our utmost to introduce into international practice new export credit mechanisms increasing the possibility for us to export our machinery to these countries.

USSR Gosbank is now quite energetically establishing contacts with the International Monetary Fund, the World Bank, and a number of regional development banks. Joining these organizations as full-fledged members and becoming a party to the General Agreement on Trade and Tariffs in principle accord with the interests of the Soviet Union and its orientation toward involvement in the world economy. The radical resolution of this question in the spirit of compromise would make it possible to appreciably expand the boundaries of collective participation in the elaboration of the principles and mechanisms of credit and currency policy on a basis that is mutually acceptable to all, to coordinate our aid more closely to African and other developing countries with programs for their structural reform under the aegis of international organizations and as a result to noticeably increase the effectiveness of USSR credit cooperation with the Third World.

It would seem that the planned radicalization of the restructuring process will provide a certain stimulus for raising the future potential of our economic cooperation with the developing countries especially through the introduction of more effective methods and forms of credit relations into practice. At the same time, external financing, even though very important, is just one of the levers that is helping to alleviate the debt crisis of young states. The degree of positive influence of the influx of loan capital on their economy can acquire a stable

character only under the conditions of the international approach oriented toward normalizing and increasing the effectiveness of the entire spectrum of international economic relations on the basis of the balance of reciprocal interests and the collective responsibility of all participants in the world community. It is specifically such an approach that makes it possible to lay the foundation for resolving the global problems of modern time, including such a complex problem as the resolution of crisis situations in Africa and other regions of the world.

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Soviet Journalist Observes Political Change in South Africa

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[Article by Andrey Viktorovich Dubrovskiy, Soviet international journalist, "Novosti" information agency correspondent in Harare (Zimbabwe): "Republic of South Africa: Whites Against Whites, Blacks Against Blacks"]

[Excerpt(s)] The reforms of the apartheid system implemented by Republic of South Africa's President F. de Klerk have encountered serious obstacles. Part of the white community has openly spoken out against them. At the same time, the ethnic contradictions among black Africans have turned to bloodshed and internecine strife. In this situation, it is becoming more difficult for the government and the leaders of the liberation movement to reach compromise decisions. However, there is no other rational solution, as we can see from this article published by a Soviet journalist, one of the few who had occasion to visit the Republic of South Africa [RSA].

In Soweto

"Look out, be careful," advised my friends as I was leaving on my trip. "They have armed clashes there. Whites are shooting at whites now, and blacks are shooting at blacks, and everyone walks around with automatic weapons". Having found myself in the whirlpool of Johannesburg several hours after crossing the border, I, alas, did not see one citizen carrying an automatic weapon, although the police carry weapons. But later, when I went into a 5-story supermarket, I found an excellent gun shop with a wide selection of weapons, even grenade launchers. Nevertheless, as I noted, no one was in any hurry to be armed. South Africa's problems today are much deeper and more complex than they appear from outside.

I was in Johannesburg for the first time about a year-and-a-half ago, when the then-President Pieter Botha was unsuccessfully tightening the screws, trying to suppress the mass democratic movement in the country. For most of the whites the struggle was going on somewhere

over there, in the African suburbs—the townships. It was practically not reflected in the measured lifestyle which had been introduced 40 years ago and which was based on "separate development", i.e. racial segregation.

Johannesburg airport alone astounded me in the direct sense of the word. Airplanes from the South African "SAA" line and foreign airlines spewed out streams of tourists by the thousands from all around the world. As we can see, there are some sizeable breaches in the wall of the cultural and economic boycott of the RSA.

Johannesburg is a huge European-style megalopolis. From the top of the skyscraper which is the Hotel Carlton one may see huge waste heaps on the horizon—mountains of stripped gold-bearing rock, as if symbolizing power and riches. One may also see the twinkling lights of expensive stores, countless restaurants and multi-story trade centers. Along the parallel one-way streets raced lines of cars, remarkably changing directions and finding their way through the traffic circles, which were sometimes located on 3-4 levels. In short, it was a strong and self-assured "first world". And then, quite unexpectedly, it found itself under siege from the "third world", driven to desperation.

This desperation is most acutely felt as one drives along the streets of Soweto, cluttered with barracks. Soweto is not only a suburb of Johannesburg. It is an entire city with a population of 3 million, one of the largest in Africa. It is true that here too there are cozy villas belonging to the upcoming African bourgeoisie. Yet there are many more shacks belonging to the poor. In the evenings the dirty streets of the poor quarters are lit up by light projection towers, as if putting on display the poverty and vices of the hapless and hopeless life of those by whose labor, in essence, South Africa was built...

Yet the center of Johannesburg today seems to be experiencing an illness. There is rubbish and dirt in the streets. People dressed in rags are lying on the dulled winter grass.

"The fruits of democracy," sadly comments my journalist friend. In fact, going home after work to the quiet green suburbs, to their rich villas with swimming pools and tennis courts, the white employees leave the city to the homeless, to those for whom there is no room even in Soweto. The subtext is clear: "Apartheid has been abolished—and look what is happening to the city".

Yet I am sure that Johannesburg will recover, as did Harare, the former Salisbury or Windhoek after the victory of the black majority at the elections. Life will invariably take its course, and the dirt will be swept out of the city together with the old signs reading "whites only" or "open to non-Europeans".

Destined to Live Together

There are not many Russians in the Republic of South Africa. As I was told, there are only a few hundred of

them. Unlike the Jewish, Greek, Italian and other minorities, they have no association of countrymen. As for the rumors about the current mass emigration of citizens from the USSR and the East European countries, the Republic of South Africa's Ministry of Foreign Affairs believes that such rumors are significantly exaggerated. John Mare, who is responsible for the countries of Eastern Europe in this department, told me that the government is striving first of all to provide work for its own unemployed—white, "colored", and black. Therefore, it is allowing a specific influx only of highly trained specialists from abroad. South Africa has its own problems.

The country where the situation is changing before one's very eyes today stands on the threshold of one of the most unique experiments in human history: The peaceful transition from a system of apartheid and racial oppression to a democratic multi-racial society. Here I must recall a parable told to me by one of my friends here:

"Look at the zebra. What will happen to the animal if we cut off his white stripes? That is how we are. We are destined to live together in one country. The 5 million white stripes today are trying to get along with the 28 million black."

Who are you, Boers, Afrikaaners, the white tribe of Africa? You are sentimental and cruelly stubborn in achieving your set goal. You are enterprising and open, slightly conceited and accustomed to living according to schedule. It is not easy to describe the character of a people which has created itself and built a freedom-loving and rich state thousands of miles away from the homeland of its forefathers—Holland. They undertook everything: They raised ostriches and sheep, brewed beer, prospected for diamonds and panned gold, and planted vineyards and tangerine plantations...

The mountains rise high under the piercing blue sky. Having made its way through the dizzying serpentine, our car finds itself in a real desert. This is the land over which the pioneers passed. It is no accident that there are so many small towns here with names ending in "fontaine"—the "source". They are landmarks on the path of the Boer wagons. Here lie the graves of the grandfathers and great-grandfathers of today's Afrikaaners. One must assume an extremely non-objective point of view in order to deny the role of the Afrikaaners in the development of South Africa. Today they have no other homeland.

Over 30 years ago, speaking before the RSA parliament, the British Prime-Minister presented a speech about the "wind of change", referring to the national-liberation movement in Africa. Today in the majestic building in Capetown they speak of a new "wind of change"—the movement toward the future democratic and non-racist South Africa. I was in Capetown during the exceptionally important session of parliament. It was reviewing measures which would have seemed fantastic even a few

months before. The 4-year state of emergency was being rescinded, political prisoners were being freed, and the most odious segregation laws were being reviewed...

Having received the support of the USA, England, and France, President de Klerk continues to direct the movement along the path outlined at the negotiations with the African National Congress of South Africa (ANC). Here sceptics note that the laws which are far from liberal still remain in effect.

Nevertheless, changes are noticeable. Political currents have received more space, and newspapers print material for which even a year ago they might easily have paid with closure of their publication offices or even lengthy jail sentences for their editors.

The course of Frederik de Klerk, obviously, is not to everyone's liking. The rightist conservative forces have demanded new parliamentary elections, maintaining that the president has exceeded the mandate given to him in September of last year. The swing of public sentiment to the right was demonstrated also by the recent elections in Durban, the traditional stronghold of the Nationalist Party. Many of the whites who formerly supported the government voted for the conservatives there. They are seriously concerned by the tempo chosen by de Klerk, and by his desire to change the segregationist way of life all at once. Therefore, today the president has no more important task than to convince the white community that there is no alternative to change and, like a magician, to show the public some tangible results—at least a weakening of international sanctions against the Republic of South Africa.

Be that as it may, the reformer de Klerk continues to retain his popularity. The newspaper RAPPORT, which is published in the Afrikaans language, notes that the president has reached a peak in his support by public opinion: 44.9 percent of those surveyed were "very satisfied" or "satisfied" with his activity.

As in Moscow or in Vilnius, political discussions flare today in the RSA in any company. I recall a conversation within a circle of friends in Pretoria, where the topic of discussion centered around the fact that the President is a rare example of a politician who consciously risks his career.

"He is sure of the correctness of his chosen path and will follow it to the end, knowing even that he is risking his career," noted my friend, who is certainly no novice in politics.

"He has a good background. De Klerk is an excellent jurist and will always find work," noted another.

Proponents and Opponents of Compromise

In the grandiose building of the government's residence in Pretoria, which looks from the outside like a huge

casemate, I am talking with one of the leaders of the Republic of South Africa's Ministry of Foreign Affairs, Nico Dubois.

"We will have to share power with the ANC, and the unique joint 'transitional government' will yield the best chances, after which a new constitution will be adopted and free equal elections will be held," he says. "Reforms and changes—this is a painful process which gives rise to internecine strife, but it leads to a better future. At one time we tried to preserve our Boer nation and culture, and we came to the doctrine of 'separate development' and segregation, which immediately gave rise to the mass resistance of the Africans. Now we are solving problems which have already been caused by apartheid."

"Are you not concerned by the strengthening of positions of the rightists, the creation of armed detachments and terrorist organizations, the talk in beer bars about the fact that 'we must kill de Klerk or Mandela', the explosions in the offices of the Nationalist Party, the synagogues, and the trade union representations? In short, [are you not worried about] the possibility of a rightist overthrow?"

"If the rightists gain power, which I might add is unlikely, in an hour they will be beset by the same mountain of problems which the government is trying to resolve today. And in another hour, after working [on these problems], they will be forced to leave. After all, it is always easier to criticize. In principle I believe that the process of transformations in South Africa is proceeding rather dynamically, and if the talks with the ANC are successful, then in a year we will be able to speak of a 'new South Africa'."

One of the African National Congress leaders, a member of its National Executive Committee Pallo Jordan, explained to me the ANC's position at the negotiations:

"Our position is clear: Agreement with the regime must be reached no later than a year after the start of negotiations. And their result, in our opinion, must be elections to the Constitutional Assembly on the principle of 'one man—one vote'."

"Judging by de Klerk's statements, this principle does not suit Pretoria..."

"Yes, the regime is setting traps on the path toward true democratization of South Africa. For example, the term 'equal or equivalent elections' has been introduced. This, in essence, means the retention of the infamous 'group rights' for the privileged white minority. This goal is pursued also by the concept of the 'two-chamber parliament' which has been presented by the government, where in one of the chambers all the national groups would be represented equally, and not proportionately."

Planning their moves, the whites are striving first toward a consensus, and then toward elections. For the blacks it is important to begin with elections in order to gain the majority on the chessboard. It is not far to checkmate,

and for this reason both sides are putting the primary figures into play, among which one of the main ones is sanctions...

Economic sanctions are a sore point for South Africa. My friend, diplomat Nico Dubois, stated with indignation: "Sanctions are not fair. They are an interference in our domestic affairs. We do not meddle in anyone's affairs, so let us solve our own problems ourselves!"

Having begun the process of reforms and having agreed to talks with the ANC, de Klerk then hurried off to Europe, appealing for an end to the international boycott of the Republic of South Africa: "We are changing, and you are choking us with sanctions".

After his release from prison, Nelson Mandela also went to Europe, and then also to the USA. However, he agitated in favor of retaining the sanctions. The leader of the ANC insisted on the unconditional release of all political prisoners, the removal of all prohibitions on the activity of public organizations and individuals, the withdrawal of all troops from the townships, the repeal of the state of emergency and all laws limiting political activity, and the abolition of political trials and executions. In order to achieve this, it is necessary to apply sanctions. After all, in the opinion of the ANC, it is specifically sanctions, as well as the armed struggle and mass demonstrations, which have forced the regime to agree to concessions.

A leading financier, Standard Bank Director Conrad Strauss, told me:

"The problem is that sanctions have cut us off from the rest of the financial world. We were denied the influx of fresh capital which is necessary for the full-fledged development of the economy. The country could have developed faster than it is developing today. Yet as a result, in the last 20 years we managed only to stay on the surface instead of rising to a new level of development. Add to this the harsh draught of the 80s, the 1-15 percent inflation rate, and the dramatic drop in gold prices... Without the sanctions South Africa would have been much more powerful and richer..."

At the same time, we also cannot overlook the other side of the matter: International isolation has forced the RSA economy to become an autonomous mechanism, to achieve almost full self sufficiency in many kinds of goods. As a result, the RSA stands as one of the world leaders in terms of the different variety of goods produced in the country itself—and goods of excellent quality, we might add. The question is how this involuntary achievement will be secured in the future.

Yes, the Republic of South Africa after apartheid is viewed differently by many people.

Mshieni Nkosi from Soweto is opposed to compromises: "There is no sense in holding talks with the oppressors," he wrote to the newspaper SOWETAN. "The land belongs to the Africans. We must once again take it and

decide how to make use of it, since we have the right to do with it whatever we like. The white minority must learn to live under the majority". In the Sunday STAR, Bernice Makgetson [surname as transliterated] from Bryanston complains: "Mandela should be hanged. De Klerk is a traitor. How much did they pay him to sell South Africa to the USA and USSR?"

Between these extreme viewpoints is a broad spectrum of more moderate sentiments.

"The situation has changed, and in the future we must accept the rule of the African majority," Dr. Leopold Shultz, one of the leading observers of the Afrikaans-language newspaper DIE BURGER, told me. "This is a reality which we cannot escape. We must learn to accept it as it is. The main thing for us now is to secure guarantees of the rights of national and ethnic groups, the retention of their traditions and their cultural autonomy. We do not want the standards of education in our schools to decline, or our children to forget the Afrikaans language and the rich culture of the Boer people in the future South Africa..."

"As I understand it, we are speaking of retaining the lifestyle of the white community, or rather that living standard to which it has become accustomed?" I asked.

"All this enters into the broad concept of 'preserving culture'. We are not speaking, as before, about 'separate development'. This is a stage which we have passed. We need definite guarantees in the constitution, all-national laws and local statutes which would provide for the preservation of the achieved level. Today we are opening to non-whites professions and positions which were formerly closed to them, increasing their level of training, and giving them a chance in life. For example, before in our editorial office a non-white could only be a courier, but now "colored", i.e. mulattos, are working as journalists."

Of course, the key question is what will the economy of "post-apartheid" and the multi-racial society be like? At a recent seminar in Pretoria, representatives of white business and the ANC came to the conclusion that significant investments of capital will be needed, local capital as well as foreign, and primarily in order to narrow the gap in wealth, income and level of training between the different racial groups. In Washington, addressing the USA Congress, Mandela stressed: "We must correct the imbalance in the country, where all the resources are owned by a tiny minority".

The gross national product of the Republic of South Africa in 1988 comprised \$77.7 billion.

And this was at the height of the international boycott and the sanctions! At the same time, the joint indicator for 10 neighboring republics—Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland,

Tanzania, Zambia and Zimbabwe—was only \$22.9 billion. It is difficult to doubt that the RSA is capable of playing a unique role in the development of the entire region in the future.

Regular Unexpectedness

The very nice Mr. Nico Nel, head of the RSA trade mission in Zimbabwe (there is no consulate there), while issuing my entry visa, persistently emphasized that this time the Soviet journalist's visit to the republic will be "limited to Johannesburg, Pretoria, Capetown and their adjoining regions". In fact, the discussion centered around permission to visit three provinces out of four: Orange, Transvaal and Cape. The last one—Natal—was not under discussion.

And this was no accident. It was specifically the reports from Natal about bloody clashes of the proponents of the African National Congress and members of the "Inkatha", a tribalist Zulu grouping under the leadership of the "king of the Zulus", M. Buthezi, which already at the beginning of the summer had filled the headlines. We will recall that even the president, while rescinding the state of emergency in the entire country in June, was forced to retain it in Natal Province, where troops were sent. Yet even they were not able to deal with the raging violence.

The count of victims from both sides numbered in the hundreds. Here an especially cruel method of dealing with enemies was used. This method was called the "necklace". They would take a person who had been beaten half to death, place a tire cover around his neck, and set it afire...

Now it is already not only in Natal, but also in Johannesburg and other cities that "blacks are killing blacks". It is difficult to think of a more profitable formula for the proponents of apartheid for detracting attention away from the primary conflict in the country—between the still omnipotent white minority and the black majority which is still deprived of rights. The very same Nico Dubois, an experienced diplomat, developed for me the theory that "saving drowning victims is the work of the drowning victims themselves":

"The African National Congress must prove that it has real power, and using its authority, extinguish the internecine strife. This, I might add, might become one of its first responsible tasks in the future transitional coalition government..."

"We need not dredge up the past to determine who is guilty, who started it first," said Leopold Shultz, observer for the conservative newspaper DIE BURGER. "The task now is to find a way out of the situation which has been created..."

The arguments are just in their own way, if we really try to forget that it was specifically the regime of apartheid which for four decades sowed hatred not only among blacks and whites, but also among the tribal groups of the

Zulus, Khosa, and Ndebele. Now the ANC is supposed to disentangle the mess. This was stated recently also by Nelson Mandela himself, who is trying to do everything possible to bridle the war which has flared up in the townships.

There is one other important aspect of the conflict. I was reminded of it by Phillip Nel:

"I am carefully watching the inter-ethnic conflicts in the Soviet Union," says this tall, youthful-looking professor with the build of an athlete. "I must say that your case and ours have much in common. First of all, it is the use of detachments of fighters consisting primarily of young people and teen-agers. Based on our experience, I can say that the most dangerous thing in the period of changes and reforms is the generation of under-educated young people destined for unemployment, not having any reference points in life, and therefore especially aggressive. We are already encountering this, and I believe that this problem will become even more acute in the future..."

Will Phillip become a prophet? Will the transition to the new democratic and non-racist South Africa become darkened by new ethnic conflicts? Will the "Black Maria", the police hearse, again be picking up more dead bodies in the townships each morning? After all, the "Inkata" extremists, counting on the future division of power, are today striving to use someone else's blood to secure their place in the future black majority government.

In my years of working in South Africa, I was witness to all kinds of "unexpected occurrences" which happened, as they say, behind the curtain. The day of 1 April 1989, the historic date marking the beginning of Namibia's road toward independence, was marred by bloody battles along its border with Angola. In late July of 1990, literally on the eve of the ceremony of the official return

of the South African communist party to legal activity, a campaign of true hysteria was unfurled against the "red conspiracy to overthrow the government". In short, I do not exclude the possibility that both sides are preparing many ominous gifts for the birth of the new South Africa.

The many years of oppression of black citizens in South Africa perhaps explains today, although in no way justifies, the extremism and excessive nationalism of those who shout: "Beat the whites until they turn black!" Of course, nothing can justify the shameless racism of the "true Boers", who insist: "A good black is a dead black!"

There are tens of white minority extremist organizations active in the country—ranging from the infamous "white wolves", who are responsible for numerous political killings, burnings, and bombings, to the militarized organization of Boer women, who are undergoing combat training, learning self-defense methods and "methods of enemy detection".

Today in Pretoria one may hear appeals to remember the traditions of the partisan Afrikaaners from the times of the Anglo Boerish Wars. A maniac who has found his way onto the pages of the mass press accuses the Nationalist Party of treason, threatens to deal with reformers and to raise the Boers up to war against the institutions of power, and to wreck the economy and the country's infrastructure. It is whites against whites, not just blacks against blacks.

Where are you going, South Africa? The compromise on the basis of which a new political and social organism may emerge here has only been outlined. Any sharp movement by one side or the other may undermine the positive process. Moreover, history shows that in politics, Caesarean section rarely helps the birth of democracy. Let us hope that South Africa avoids such surgical intervention and gives the world a strong, healthy child. However, the birth will be difficult.

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