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31 January 1985

USSR Report

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 10, October 1984

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31 January 1985

USSR REPORT

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No 10, October 1984

Except where indicated otherwise in the table of contents the following is a complete translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.

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ENGLISH SUMMARY OF MAJOR ARTICLES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10,
Oct 84 (signed to press 14 Sep 84) pp 158-159

[Text] A. Arbatov in the article "Military and Strategic Balance and Reagan Administration's Policy" concentrates on military programs, measures and plans of the U.S. administration. The U.S. military-industrial complex and military circles are doing their best to break down the existing equilibrium of forces and achieve military-strategic superiority over the Soviet Union through the alteration of the existing types of armaments on new, more effective ones. But the American policy-makers undertake futile attempts. In connection with this the author reveals the reasons why the American side has upset the talks on the limitation and reduction of nuclear armaments. The article critically examines the U.S. conceptions dealing with the issues of limitation and control over the strategic armaments and shows the approach of the USSR to the problem of the strategic balance, according to which the limitations of qualitative improvements of nuclear potential are of special importance. The Soviet Union is a convinced champion of halting and reversing the arms race, freezing without delay all nuclear arsenals, limiting and substantially reducing strategic armaments, radically lowering the level of nuclear confrontation in Europe, preventing the militarization of outer space.

The emphasis on military force in settling international problems which Washington has raised to the level of state policy and its bid to escalate U.S. military presence in various regions of the world predetermines the character of American policy. It is obvious that Washington has set its course of achieving domination over its allies, imposing its will on them, exploiting their territories economically, using them for Washington's military-strategic purposes and considering these territories as a possible theatre of military actions in a nuclear war. A. Markov in the article "Japan and South Korea in the Plans of American Imperialism" examines the alteration of the foreign and political course of the noted countries since the sixties. The author points out that one of the new lines of the Japanese policy is its tendency to consolidate military and political relations not only with the U.S.A. but with other countries of the capitalist West. The author points to the process of "natoization" of Japan, which assuming different forms and embracing economic, political and other problems possesses a clearly expressed military and political trend. The Japanese leaders while coordinating their policy with that of Washington are trying to emerge in the international arena as a mighty

military power, once again seeking domination in the region. The rebirth of Japanese militarism is of great danger for the people of Asia, the article states. The author considers also the process of "total militarization" of South Korea and of turning it into a military spring-board aimed at the Korean People's Democratic Republic, the USSR and other socialist states of Asia. The article states that Washington by carrying out such a policy is building a powerful military base on the eastern frontiers of the USSR.

S. Storchak in the article "Aggravation of Indebtedness Problem of Developing Countries: Causes and Consequences" says that the principal reasons for the unprecedented scale of the debt crisis in the developing countries in the early eighties constitute not only endogenous and exogenous factors but also "imbalances" in the structure of the very debt ("crucial points"). Among them he names the concentration of commitments to private creditors, contrary to the case in the early seventies; concentration of debt in a small group of countries; its concentration in U.S. dollars' on the free floating rate conditions as well as a drastic growth of the short-term credits in the total debt. For the first time in the post-war history of capitalism the Western creditors have lost control over events concerning international credit. A real danger of "chain reaction" of bankruptcy of the banking monopolies has arisen. The economical and political interests of vital importance to the West in former colonial and semi-colonial areas have been endangered. The developed capitalist countries have taken a set of measures resulting only in a short-term effect as they do not remove the principal causes of the crisis, in fact practically do not change the debt structure. The creditors in the course of renegotiation of the foreign debt, the banks primarily, not only refuse to soften the terms of repayment but place on the developing countries a new financial burden. An indebtedness crisis may break out with new force within the next few years. Though the destabilized impact of indebtedness on world capitalism is obvious the developed capitalist countries have failed to solve the problem of a long-term basis. The author arrives at a conclusion that it is necessary to re-examine theoretically the political economy nature of foreign debts, taking into account the attempts of the West to stimulate the development of capitalist production relations in the developing world.

During the past decade the multifacet problem of inflation has occupied the central place in economic studies in the West. The urgent task of today is to revise the existing concepts of inflation and to work out the appropriate programs to stop it or at least to slacken its pace. I. Nerushenko in her article "Problems and Contradictions of Antiinflationary Policy at the Turn of the 80's" points out that inflation has acquired a chronic character during the postwar decennaries with an average of 8.6 percent. Beginning with the mid-1970's it reached the double digit level. Under the increasing economic internationalization inflation appears to be a multinational phenomenon, typified by the so-called "export of inflation". The sluggish economic growth in the late 1970's brought about the stagflation as a combination of inflation and stagnation. The economic policy of industrial capitalist countries rested upon the Keynesian postulates during the 1950-1960's. The inflation then was interpreted as a by-product of the expansion of demand, the cost, so to say, of high rates of economic growth. There were conventional tools applied to

offset that kind of inflation: mechanism of prices' stabilization and income policy. When the countering of inflation became the priority of the economic policy goals with the Keynesian prescriptions crisis, the Neoconservative doctrines came to the fore. Monetarist and "supply-side" theories are centered on measures targeted to curb inflation. The author traces the history of anti-inflationary theory and practice, presents her estimates of the contemporary policy to do away with inflation. The ideological essence of this policy might be reduced to the open advocacy of free capitalist market, deregulation of economic matters on behalf of the bourgeois state, drastic curtailment of state entrepreneurship. The author pays special attention to the problem of budget deficits and subsequent shifts in fiscal policy in the capitalist countries. She also features the particulars of monetary policy, the causes and implications of high interest rates, especially on the dimensions of unemployment. The analysis gives evidence to the fact that concrete measures designated to counter inflation are counterproductive and tend to become more and more expensive.

The economic crises of the 1974-1975 and 1980-1982 in the U.S.A. were hardly less impressive in comparison with those of the prewar period, the times of the "great depression" excluded. Their depth and scales exceeded the same features of the postwar crises. The crisis of the 1980-1982 took more than three years and its consequences still have repercussions on the whole economic activity, on the pace of the recovery. These crises were vivid manifestations of the further aggravation of the capitalist contradictions. The growing interaction of cyclical and structural crises, complemented by the prolonged inflation contributed to the crucial in the very character of business cycles. These changes demand for the new theoretical work, assessing the recent developments within the capitalist economy. "Particulars of the Overaccumulation of Capital in the U.S.A. during the Business Cycles of the 1970's and early 1980's" by S. Aukutsionek is aimed to study the problem of the overaccumulation of capital in the light of the contemporary economic development of American economy. This problem occupies an important place in the Marxist theory of cycles and crises, which provides a firm basis for the thorough analysis of the modern characteristics of the overaccumulation of capital. The presented investigation of the noted problem substantiated by numerous statistical data, tables and graphs, allows the conclusion that the overaccumulation of capital during the 1970's has been primarily of a structural character. Recurrent excess of capital has been distributed quite unevenly within the capitalist economy from one industrial branch to another, from one monopoly group to another. This unevenness has proven to persist in the long perspective, closely connected with the industrial restructuring of the economy. This overaccumulation cannot be eliminated during one business cycle.

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A. ARBATOV ON ARMS CONTROL, REDUCTION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, Oct 84 (signed to press 14 Sep 84) pp 3-14

[A. Arbatov article: "Military-Strategic Balance and the Policies of the Reagan Administration"]

[Text] Since the beginning of the eighties Soviet-American dialogue on the limitation of nuclear weapons has entered a new and extremely complex stage. Ten years earlier, negotiations between the Soviet Union and the United States on this problem were developing within the context of extensive, positive changes in the world arena, which were reflected in the concise concept of 'detente.' These changes on the basis of the strategic parity existing between the USSR and the United States made it possible for the two powers, heading alliances of states opposite from both a socioeconomic and military-political point of view, to make the transition to discussion of problems comprising the core of their military might and national security.

On the threshold of the current decade, detente entered a phase of serious ordeals. The U.S. leadership altered the course of its foreign policy and embarked upon a path of building up tension, intensifying the arms race, and issuing unconcealed nuclear threats to the socialist community, while pursuing a policy of blatant neocolonialist expansion in regions of the developing world rich in raw materials. This has made the search for mutually acceptable compromise in negotiations on the limitation of strategic weapons and nuclear weapons on the European continent incredibly difficult.

The development of dialogue on the limitation and reduction of nuclear weapons has come hard up against great obstacles. The latter have primarily been caused by the forced program for building up and modernizing the U.S. arsenal of nuclear weapons, which is openly aimed at gaining military superiority over the Soviet Union. Comprehensive measures to increase military potential have been accompanied by attempts to utilize negotiations for the purpose of imposing unequal agreements on the other side, agreements which would encroach upon its legitimate interests. The other side of the coin is the U.S. striving to utilize negotiations to deceive the world public and to justify American military programs by reference to the impasse which has arisen in these negotiations. The aforementioned course is aimed at overcoming the objective realities existing in the world which bar the path to imperialism's aggressive

impulses and in the seventies, served as a basis for detente and for the first mutually advantageous agreements between states with different social systems.

I

A most important barrier blocking the way of the Reagan administration's imperial claims is the general military-strategic balance between the USSR and the United States and between the Warsaw Pact and NATO countries on the European continent. The coming into being of this balance or parity by the beginning of the seventies is an historic achievement of the Soviet people and the most palpable and inspiring manifestation of the changed correlation of forces in the world in favor of socialism, this correlation having become the foundation of detente and negotiations on the limitation of arms. As was pointed out at the 26th CPSU congress, the existing strategic balance "objectively serves the preservation of peace on our planet." In this connection, the question of this parity's durability acquires decisive significance for the prospects of prevention of a thermonuclear war and progress in the cause of disarmament.

The Reagan administration came to power having committed itself to revive American 'nuclear superiority' by means of forcing the arms race, spoke in favor of renouncing the SALT-2 Treaty (and also, if possible, SALT-1), and expressed a willingness to embark upon a path of unlimited nuclear missile rivalry. One of the first steps taken by the administration was to sharply increase military appropriations. It has also single-mindedly pursued this course ever since. The Defense Department has requested \$305 billion for the 1985 financial year,¹ which, at fixed prices, exceeds appropriations for the 1968 financial year--the peak of U.S. aggression in Vietnam--by 27.6 percent. And the financial estimate for the period 1985-1989 envisages allocating approximately \$2 trillion for military purposes.

There is no doubt that the programs, measures, and projects of the Republican administration represent a transition to a new cycle in the large-scale build-up of U.S. nuclear might. During the eighties the number of nuclear warheads of U.S. strategic means must be increased by 50 percent (up to 15,000 units), strike power will increase significantly, and potentials for using strategic weapons will likewise increase. The United State's aspiration to superiority is also attested to by statements made by the American leadership concerning the possibility of 'victory' in a nuclear war and the feasibility of a 'limited and protracted nuclear war.' When characterizing American strategic concepts, Secretary of Defense C. Weinberger publicly set the task of ensuring the ability to "force (on the enemy--A.A.) the conclusion of a great war even with the use of nuclear weapons and on conditions favorable to the United States and its allies."²

For the purpose of creating this kind of potential it is planned to build approximately 20 gigantic Ohio submarine missile carriers (four are already in operation), to begin equipping them from 1989 onwards with the new Trident-2 missiles, and to begin deploying the new heavy B-1B bombers in 1985 and, in 1986, the MX intercontinental ballistic missiles. The deployment of sea-based Trident-1 ballistic missiles, air-launched cruise missiles, and also Pershing-2

intermediate-range ballistic missiles and land-based cruise missiles in Western Europe is continuing, and is backed up by the deployment of sea-based cruise missiles on submarines and ships cruising in areas from which their weapons can reach Soviet territory. U.S. measures in the sphere of offensive nuclear weapons are implemented in conjunction with new programs for perfecting control and communication systems and for developing and introducing new military space systems, including antisatellite weapons. Appropriations have significantly increased for developing projects connected with space missile-defense systems using fundamentally new weapons with directed energy transfer (laser and ray systems).

At the same time, while appraising U.S. potentials for altering the existing military-strategic correlation of forces in favor of the United States, it should primarily be taken into account that recognition of parity was by no means an act of American 'charity' toward the Soviet Union which the United States could cease at will 'to punish' the USSR. On the contrary, in an attempt to free itself from a nuclear impasse and gain strategic superiority, the United States tried to make a forced leap in the arms race in the sixties, and in the seventies strove again and again to gain unilateral strategic advantages.

Nevertheless, despite U.S. measures, parity existed by the beginning of the seventies, and during the seventies the strategic balance became much broader and much more balanced and stable. This happened as a consequence of the singleminded policies pursued by the CPSU and the Soviet state to strengthen the USSR's defense capabilities, and thanks to the selfless labor of the Soviet people. We are now reaping the fruits of these efforts: The defense of the Soviet state and of its allies and friends is strong as never before. As was pointed out in this connection in a statement by the USSR Council of Ministers, military-strategic parity "will be preserved under any conditions. The security of our own country and of our friends and allies will remain reliably guaranteed!"

Representatives of the administration themselves find it difficult to more or less concretely explain what they understand by superiority. From a propaganda point of view this slogan is far from always effective, in which connection it has recently been substituted by the hazy euphemism "guarantee of stability in security." And this is not surprising considering the present levels of destructive arsenals and the power of Soviet means of restraining a potential nuclear aggressor. But one must also not underestimate the danger of the present U.S. military-political course. For the concrete substance of such a cardinal factor in contemporary international relations as strategic balance does not remain unchanged during the intensive development of science and technology and with the appearance of new types of weapons which, in their turn, also reflect upon the process of forming strategic doctrines and concepts in the West.

In this connection it must be noted that, in addition to the quantitative parameters of the military balance, such as the number of nuclear carriers or warheads, for all their importance, an increasing influence will be exerted upon the correlation of forces by factors of a different kind. The U.S. military-industrial complex and militarist circles count on breaking parity and

gaining superiority primarily by means of qualitative arms race, that is, by replacing existing types of strategic weapons with new, much more effective nuclear missile systems. In the more distant future they also gamble on fundamentally new technology in spheres such as antimissile and antisubmarine defense, directed energy weapons, space warfare means, and so forth. Attempts to 'outflank' strategic parity by means of deploying ballistic and cruise missiles close to the territory of the Soviet Union--in Western Europe, in the Middle East, in surrounding seas, and in other regions--should also be mentioned. "In this respect," as D.F. Ustinov, member of the CPSU Central Committee Politburo, USSR Minister of Defense, and Marshal of the Soviet Union, points out, "superiority is simply understood as achieving the ability to strike the Soviet Union whenever and wherever Washington thinks fit, while counting on the fact that a counter-strike against the United States will be less powerful than it would be under different conditions."

Accordingly, when approaching strategic balance, that is, a correlation of forces which excludes the superiority or unilateral advantage of any of the sides, not only the quantitative balance of the two powers' strategic forces will have to be taken into account, but also the correlation between the potential of a first strike, to which the United States aspires, and the ability of the Soviet Union for a crushing nuclear retaliation. This kind of approach implies consideration of the whole complex of qualitative and geostrategic factors in the contemporary military balance. For its part, the USSR has repeatedly expressed willingness to consider the legitimate interests of U.S. security, in accordance with the principles of parity and equal security, if U.S. military policy proceeds exclusively from defense aims. The Soviet Union does not aspire to strategic superiority over the other side and it has also unilaterally rejected the first use of nuclear weapons.

II

Comprehensive analysis of the objective state of affairs shows that the contemporary military-strategic balance has a considerable guarantee of stability. Of course, it would be wrong to present the influence of this factor in a simplified or 'mechanical' fashion. Parity does not maintain itself like some kind of self-regulating system which is insensitive to destabilizing factors--new armaments programs. The guarantee of stability of the strategic balance, which has taken shape over the past decades, primarily lies in the fact that it is far more difficult for one side to break this balance in its favor, to any significant effect, and for a protracted period of time, than it is for the other side to hinder these attempts.

This situation is explained by several important facts. First, at the present levels of nuclear missile potentials, a further build-up of strategic forces in a quantitative respect will experience the law of diminishing returns. In other words, overtaking, upon which the United States could count, would be, in comparison to the sixties, for example, increasingly expensive and less and less important from a strategic and political point of view as the general levels of nuclear missile confrontation rise further. Simple calculation on the basis of published data shows that if the United States decided to revive its predominance in the general size of its strategic forces, comparable to the

period 1966-1967, then it would have to deploy approximately 10,000 carriers and 30-40,000 warheads instead of the approximate 2,300 strategic carriers and 13,000 nuclear warheads which now make up its fighting strength. It is obvious that even larger military appropriations than those planned by the administration could not ensure such a radical increase in strategic means.

As far as gaining the ability to seriously weaken the force of a counter-strike by means of a pre-emptive missile strike is concerned, fulfilling this task will become even more difficult for the United States in the coming years in the light of possible counter-measures adopted by the Soviet Union. As D.F. Ustinov noted, "the United States will not succeed in carrying out a disarming strike against the socialist countries considering the Soviet Union's present detection systems and the combat readiness of its strategic nuclear weapons. The aggressor will not escape a crushing counter strike." Further improvement in the combat readiness of our strategic forces and in their technical equipment, and perfection of communications and control are capable of reducing to a minimum the influence of the surprise factor. To this one can add the population and industry of the United States are concentrated in comparatively few centers (more than 50 percent of the country's inhabitants and industry is concentrated in approximately 150 of these centers). In this respect, in the opinion of the majority of specialists, the appearance in the foreseeable future of sufficiently reliable means of defending extensive territories from nuclear missile weapons is not likely. Accordingly, the Pentagon's counting upon reducing American losses in a thermonuclear war to any "acceptable" scale does not have any real grounds.

Another law of the existing strategic correlation of forces consists in the fact that rapid and comparatively cheap measures (such as, for example, the planned U.S. deployment of an additional 50 Minuteman-3 missiles) can have no perceptible effect upon the nuclear balance. While the major military programs, which are capable of exerting this kind of influence, require vast outlays and long periods of time to be implemented: the MX, Trident-2, and B-1B programs can yield an effect only at the end of the eighties, and the Stealth, antimissile defense, and other programs--still later. This provides the other side with the opportunity to identify and evaluate the threat in good time and take the necessary counter steps.

The facts of history confirm this. At the beginning of the sixties the United States began the forced deployment of land- and sea-based strategic missiles (Minuteman and Polaris) and also deployed intermediate-range ballistic missiles in Western Europe and Asia (Tor and Jupiter). Of course, these nuclear means have ceded place to a large extent to contemporary weapons systems in technical respects. But the correlation of forces was also completely different. It is sufficient to say that American intermediate-range ballistic missiles and bombers alone, as well as forward-based nuclear means, let alone strategic forces, in terms of quantity, significantly exceeded all Soviet strategic means capable of carrying out an intercontinental counter-strike and intended to contain Washington's nuclear aggression.³ Then no less than 10 years were needed to liquidate American superiority and neutralize the effect of the leap forward in the arms race--strategic parity was achieved by the beginning of the seventies. A decade later, at the beginning of the eighties, the United States made another attempt to gain superiority, in

particular, by beginning the deployment of new nuclear missiles in Europe in December 1983. However, thanks to countermeasures on the part of the USSR and its allies, the nuclear balance began to be restored within approximately 6 months, which was officially announced by the Soviet Minister of Defense.

The Soviet Union now has precisely the same means, which it can set off against new U.S. strategic weapons: the sea-based Trident missile system--the Typhoon system; the new land-based MX bombers and missiles--an analogous Soviet plane and ICBM; cruise missiles--its own long-range cruise missiles, which have already been tested. And in the more distant future the same will also apply to fundamentally new antisatellite, antimissile, and other space weapons. As D.F. Ustinov has said on this matter: "If American pretenders to world supremacy increase their intermediate-range missiles in Europe and other nuclear forces still further, including strategic weapons, we will have no choice other than to reply in the same vein. The Washington leaders should not deceive themselves or the world public that supposedly with the aid of new missiles or new projects for building 'a comprehensive U.S. antimissile defense system' the USSR can be forced by means of threats and pressure to make one-sided concessions. These are unrealizable hopes."

The Soviet Union does not consider the development of new rounds in the arms race a normal and satisfactory situation. Military-strategic parity is every time restored at an even higher level. At present, as a result of steps taken by the West and Soviet countermeasures, the number of nuclear warheads aimed by both sides at one another has increased, and the time for making a decision in response to a nuclear attack or a situation which has accidentally arisen and is fraught with the possibility of a nuclear conflict has been sharply reduced. Trust between states has been greatly damaged and arms limitation talks have been broken off. But the fact still remains that, given the present correlation of forces, the United States has not succeeded and will not succeed in gaining superiority either from the point of view of quantity or quality (in terms of capacity, precision of weapons, range, and flight time in reaching targets), or in the sense of reducing the ability of the USSR to carry out an immediate and inevitable strike in response to a nuclear attack, both against territories where missiles are located and territories from which the command is given to use these missiles.

The economic consideration of counting on wearing down the USSR by means of imposing upon it increasingly costly military rivalry has always figured in the American policy of intensifying the arms race and in recent years it has become a determining consideration. The United States sets itself even more pretentious strategic and military-political tasks. It declares whole regions of the world and continents located thousands of kilometers from its borders to be spheres of American "vitally important" interests. Washington aspires to superiority over the USSR in space warfare systems and in strategic weapons and intermediate-range nuclear means at frontlines in Europe, Asia, and the seas surrounding them. The lion's share of the U.S. military budget goes to conventional armed forces. In addition to the two already existing theaters of military operations, located along the perimeter of the borders of the socialist community on the European continent and in the Far East, where the United States is intensifying military confrontation, the Pentagon is at present engaged in organizing another theater of military operations, which is furthest from American borders--in the zone of the Persian Gulf and the Indian Ocean.

Meanwhile, the USSR expends on military needs exactly the amount necessary for the reliable defense of the Soviet State and of its allies and friends. The USSR's military doctrine is of a strictly defensive nature--it does not intend to pursue the United States in every military program and in every weapons system. Aggressive, interventionist aims are alien to the Soviet Union and it has no need of either foreign military bases or the natural resources of other countries. Its enterprising, peace-loving foreign policy gives the Soviet Union greater flexibility in planning its military requirements and also the possibility of not frittering away its resources by passively reacting to all measures and plans of the other side but of concentrating them in decisive directions in order to reliably contain the main potential aggressor.

Despite the differences in the economic potentials of the USSR and the United States, the Soviet Union has every potential for preventing the United States from breaking the strategic balance both in the event of a resumption in the future of dialogue on arms limitation and in a situation of an unlimited arms race. As a matter of fact, the majority of Western specialists admit that in this case the strategic position of the United States itself will be seriously complicated and will by no means become more favorable in the foreseeable future than it is today.

III

Of course, all that has been said does not mean that the militarist policies of the United States will soon change for the better, that the arms race will gradually come to a halt of its own accord, and that the danger of a thermonuclear war will fade away in the not too distant future. No U.S. policy in recent years has already caused a great deal of damage to peace and to general security, and strategic programs have gathered considerable inertia, which will be increasingly difficult to eliminate with every passing year. It is also impossible not to see that behind the forced arms programs in the United States lie the interests of the powerful military-industrial complex, which has vitally strengthened its positions and influence in the country during recent years. And the U.S. political leadership itself, which professes an ideology of militant anticommunism, as yet shows no desire to adopt a more realistic point of view. The certain changes it has made are no more than maneuvering within the channel of its previous militarist course and a current adaptation to the changing situation. This primarily applies to the administration's policy in the sphere of limiting and reducing nuclear arms.

The problems of limiting arms--both strategic and nuclear means in Europe--are organically and indissolubly connected with matters relating to the military-strategic balance. Basically, it is already impossible to regard them in isolation from one another. The formation of a nuclear balance between the USSR and the United States on a global scale, and between East and West on the European continent in the seventies, was, as has already been noted, one of the most important prerequisites for Soviet-American dialogue on the limitation and reduction of nuclear arms. Attempts on the part of the United States and its NATO allies to break this parity in their favor led to the breaking off of this dialogue at the beginning of the eighties. Balance, while being an essential basis for the preservation of peace, does not in itself

ensure a full guarantee of peace. Balance, or parity, is not necessary as an aim in itself, but as such a condition of the military correlation of forces in which, first, the possibilities of carrying out unpunished nuclear aggression are reduced to a minimum. Second, it represents the only starting point, mutually acceptable to the opposing sides, for making a transition to the limitation and reduction of arms by means of equal agreements. Only agreements on strengthening parity at increasingly lower levels of nuclear potential--with increasingly strict limitations on the qualitative perfection of this potential--can serve as a truly reliable guarantee of peace and the security of states.

The sides' approach to the military-strategic correlation of forces also decisively determines their course at arms limitation talks. Striving to strengthen parity at increasingly lower levels, the Soviet Union strictly bases its policy of negotiations on the principles of parity and the equal security of both sides, upon which the first SALT agreements in the seventies were also based. The United States, on the other hand, while expending stubborn efforts to change the balance in its favor, tries to impose unequal conditions on the Soviet Union which would unilaterally restrict the USSR and give the United States maximum freedom of movement. Since such agreements are obviously unacceptable to the Soviet Union, since the beginning of the eighties American policy has been increasingly aimed at deceiving public opinion and ensuring support for the Reagan administration by means of forced military programs.

At the beginning of the eighties this policy of Washington's resulted in the braking off of the Geneva negotiations, both on the limitation and reduction of strategic weapons (START) and on the limitation of nuclear weapons in Europe. In the conditions of increasing criticism addressed to the Reagan administration over its unconstructive line in this sphere, the U.S. leadership is making maneuvers and addressing the USSR with the hypocritical appeals to return to the negotiations table while simultaneously continuing to advertize American proposals as being a supposedly "mutually acceptable" way to concluding agreements. The recent idea of a "build-down or, more accurately, "reduction through modernization," is a clear example of this. This idea has become one of the most important aspects of U.S. ruling circles' approach to the problem of limiting and reducing strategic weapons which, to all appearances, will exert a great influence on U.S. policy in the foreseeable future. This idea merits individual examination, because it reflects, like a drop of water, the main features of American policy in the sphere of strategic arms as a whole.

The idea of "reduction through modernization" was put forward at the beginning of 1983 by Senator W. Cohen and, in its original form, was very simple: to reach Soviet-American agreement to withdraw two existing nuclear warheads from the fighting strength of strategic forces with deployment of each new warhead. Cohen was supported by Senators S. Nunn and C. Percy and also by Congressmen L. Aspin, A. Gore, and N. Dicks. During discussion of this question in the Senate the idea was made more complex: the ratio of introduced and removed warheads in land-based ICBM's with independently-targeted warheads must be 1:2; in submarine-based ballistic missiles with independently-targeted warheads--1:1.5; and in missiles with single warheads--1:1. Obligatory annual reductions in warheads (for example,

by 5 percent) would also be introduced irrespective of rates of modernization, that is, the introduction of new carriers and warheads. The aforementioned group of figures in Congress conducted negotiations with the administration (through the mediation of the well-known retired General B. Scowcroft), during which it strove to force its deal of "reduction through modernization" upon the administration, even resorting in this respect to the threat of cutting appropriations for the main strategic programs, primarily the MX program.

Meanwhile, this concept became even more complicated and was turned into "double reduction through modernization: (double build-down). In accordance with this project, the ratio of introduced and withdrawn weapons would no longer simply be calculated according to the number of warheads, but rather on the basis of "the standard weapon station," which would characterize the general destructive potentials of a weapon while taking into account the capacity of a warhead, the throw weight of a missile, and its class (ICBM or submarine-based ballistic missile). Principles were also put forward for reducing the total throw weight of ballistic missiles in exchange for reducing the general payload of heavy bombers and limiting the number of cruise missiles on every carrier-aircraft. It is assumed that an agreement could be effective until 1996, envisaging annual reductions in warheads, irrespective of modernization, by approximately 5 percent, which would ultimately lead to reducing the number of warheads on the missiles of each side to 5,000 and the general destructive potentials of each side from 16-17,000 to 8,500 "standard weapon stations." It would be implemented as a supplement to SALT-2 and possible subsequent agreements connected with START.

The concept of "double reduction through modernization" was incorporated in the administration's START policy and presented in autumn 1983 in a general form at the Soviet-American negotiations in Geneva. It has been given broad support in the Capitol, which was evident in the voting at the Senate on 31 October 1983, when a resolution in its favor won the majority vote (84 to 13).

Theses on the allegedly existing impossibility of halting scientific-technical progress in military matters, the "unattainability" of agreements on banning the development and deployment of all new weapons systems, and the "impossibility of controlling" observance of agreements of this kind are the initial premise of advocates of this concept. At the same time, it is said that existing strategic weapons can be reduced within certain limits and new ones limited by means of agreement between the USSR and the United States with the aim of reducing the destructive potentials of the two powers. Advocates of this concept consider its chief merit to be the fact that indirect and dynamic restrictions would be placed upon both sides rather than direct and static limits as under SALT-1 and SALT-2. These restrictions would permit each side to bring new weapons systems into operation at its own discretion, but would at the same time impose a certain "fee" for modernization in the form of removing a large number of existing weapons (in terms of warheads). In this way the total number of nuclear warheads would be reduced.

The fixed coefficients of substitution, advocates of this approach assume, would create incentive to introduce new missiles with the smallest number of independently-targeted warheads, which would entail a change in the ratio of carriers and warheads for each power in favor of the former. In the long-term, it is claimed, this would create the conditions for a return to missiles with single warheads--"elimination of multiple independently-targeted re-entry vehicles." In the opinion of American specialists, this trend would increase the vitality of the strategic forces of both sides and reduce the possibility and probability of a first strike with the aim of disarming the enemy. The highest coefficient of substitution for ICBM's with independently-targeted warheads is substantiated by the same considerations, these weapons being arbitrarily recognized in the United States as the most destabilizing type of weapon, that is, the one supposedly most suitable for carrying out a first strike.

It is totally obvious that the concept of "reduction through modernization" has the most serious weak spots. In the first place, objections are aroused over the fact that this approach does not exclude and does not limit any of the strategic programs planned by the Pentagon. A further increase in the nuclear potential of the United States is planned, with no holds barred, not only by means of increasing the number of nuclear warheads, but also by means of bringing new weapons systems with enhanced efficiency into operation. In the case of one new warhead exceeding one or two old warheads in terms of qualitative parameters, the "reduction" of warheads will not basically create any obstacles for increasing destructive potential.

The thesis on increasing the vitality of strategic forces in the process of "reduction through modernization" is also not as simple as advocates of this concept try to make out. The correlation between the number of warheads and carriers on each side, and also between the number of warheads on one side and the number of carriers on the other at present is repeatedly in favor of warheads.⁴ Consequently, the question of the vulnerability of certain components of strategic forces is not so much one of the correlation between the number of carriers and warheads so much as one of the existence of a sufficient number of warheads with an optimum combination of precision and capacity for striking defended objectives (launching silos for ICBM's), means of detecting concealed targets (for example, submarine missile carriers at sea), and means with a short flight time for striking urgent and moving targets (such as command posts, aircraft at aerodromes, and mobile missile-launching complexes).

The new MX, Trident-2, and cruise missile programs would ensure a multiple increase in warheads with a combination of precision and capacity for effectively striking defended objectives, as well as a considerable increase in first-strike potential, even if, in accordance with the concept of "reduction through modernization," 1.2-2 times more existing warheads, much less effective in the fulfillment of these tasks, were removed at the same time.

In addition to the debatable nature of its principled prerequisites, this concept is also totally unacceptable from the point of view of the principles of parity and equal security which have been the basis of the SALT negotiations

from the very beginning. The higher coefficient of substitution for land-based ICBM's with independently-targeted warheads would impose the most rigid conditions of modernization upon land-based ballistic missiles, which have traditionally played a far more important role in the strategic forces of the USSR than in those of the United States. At the same time, a lower coefficient of substitution would be applied to sea-based missiles with independently-targeted warheads, since the type of strategic forces has much greater significance for the United States.

As far as heavy bombers are concerned, in which the United States has the greatest advantage over the USSR, then at first, the idea of "reduction" envisaged no limitations in this sphere at all. Only afterwards was it proposed to establish highly amorphous restrictions on bombers. In their case no coefficients of substitution of warheads were stipulated (U.S. strategic airforce can now carry approximately 3-4,000 units of nuclear ammunition in one flight), rather it was only planned to reduce the general payload, and that in conjunction with a reduction in the throw weight of Soviet ballistic missiles with a ratio of 1:2. Under these conditions the United States would be able to dismantle some of its obsolete bombers, which were destined to be scrapped anyway, while the USSR would have to withdraw its most effective strategic means from operation.

Finally, the organization of the problem of radically reducing the strategic means of the USSR and the United States is unacceptable as a whole--along whatever parameters and in whatever form this reduction is proposed--without a proportional reduction in American forward-based nuclear means and due consideration of the nuclear forces of third powers which are capable of reaching the territory of the Soviet Union.

Despite obvious omissions and negative aspects, the concept of "reduction through modernization" has quickly won popularity in Congress, primarily as a compromise between the advocates of "reducing" strategic weapons and the administration's strategic programs and of transferring strategic forces to missiles with single warheads--"eliminating multiple independently-targeted re-entry vehicles" in the spirit of the recommendations of the B. Scowcroft commission.

However, at first this idea aroused a negative response in the administration. Officials in the National Security Council and the Arms Control and Disarmament Agency, responsible for policy in the START sphere, did not want to permit a departure from the rigid position adopted in the START talks which envisaged a direct and extremely unequal reduction in the USSR's strategic forces--land-based ballistic missiles. Representatives of the Department of Defense were dissatisfied with the fact that this approach would prevent increasing the number of nuclear warheads in U.S. strategic forces to 15,000 as planned for the eighties, and, according to their calculations, could theoretically entail their reduction (taking into account warheads on bombers) to 8,000 units.⁵ What is more, the necessity of removing a large number of existing warheads as new ones were put into operation could cast doubt on the expediency of those military programs which were subject to criticism anyway from a military-technical and strategic point of view.

It seems that, in the final analysis, the administration adopted this idea as a result of the following considerations. First of all, the idea was adopted because of the threat of an influential group in Congress that, should this not be done, the appropriations for the MX program would be stopped. In addition to this, the government decided to oppose this concept to the idea of the nuclear weapons freeze and undermine the advocacy of the latter in the Capitol.

Thus, the U.S. Government's support for this concept represents to a considerable extent only a means of weakening the pressure of the antiwar movement of the public and of the moderate conservative group of members of Congress. The intention to exert political and propaganda pressure on the Soviet Union also plays a great role. Having wrecked the negotiations by deploying its new missiles in Europe, Washington tries to deceive American and world public opinion as regards the question of who is really responsible for such a dangerous development of events, and is hypocritically calling on the USSR to return to the negotiating table and, in particular, to resume discussions on the U.S. START proposals. At the same time, as a result of the efforts of the administration and its supporters, the concept of "reduction through modernization" has been formulated in concrete details in a way that is unacceptable to the USSR to a maximum extent and has been clearly perfectly bent to fit the Reagan administration's previous position at the START talks, the position that had already brought them to a stalemate once.

A return to the situation existing prior to the deployment of the new U.S. nuclear missile weapons in Europe would open the road to a resumption of the START negotiations and the negotiations on limiting nuclear weapons in Europe. However, even then an agreement on limiting and reducing nuclear weapons would be impossible without a revision of Washington's one-sided and unequal conditions that are in no way contributing to really curbing the arms race. A.A. Gromyko, member of the CPSU Central Committee Politburo, first deputy chairman of the USSR Council of Ministers, and USSR Minister of Foreign Affairs, has noted: "The removal of the American missiles would make it possible to start negotiations on nuclear weapons, including both the nuclear weapons in Europe and the strategic nuclear weapons. But no serious and productive negotiations can be held as long as one of the sides, the United States, refuses to renounce its attempts to break the regional and strategic parity. The negotiations should not be held for the purpose of eyewash or in order to cover up military preparations, but rather to really lower the level of the opposite nuclear positions in Europe and the world."

The Soviet Union has always advocated and continues to advocate a radical reduction of strategic weapons, including the reduction of nuclear warheads in strategic arsenals. As regards the quantity criteria, the number of nuclear warheads is a more important indicator of the destructive power and of the military correlation of forces than the quantity of these or those forms or types of strategic carriers, the "throw weight" of ballistic missiles, and so forth. It is precisely for this reason that the American statements about the alleged "superiority" of the USSR are totally unfounded. So far, the United States has the advantage on its side as regards the number of warheads and it was precisely Washington that, at the beginning of the seventies, began to

sharply increase this number by introducing multiple warheads despite the Soviet proposals to ban them within the SALT agreement.

Expressing its readiness to considerably reduce nuclear warheads, the Soviet Union, at the same time, is against speeding up the arms race as regards the quality of weapons. Even if the quantitative level of nuclear warheads and their carriers is low, the threat of war may increase if even more effective and destructive weapons, that are particularly dangerous from the viewpoint of the possibility for carrying out the first strike, continue to be introduced. For this reason the USSR considers it exceptionally important to make maximum efforts to ban or limit new strategic programs by developing the provisions of the SALT-II agreement and in accordance with the Soviet proposals in Geneva. The Soviet Union considers it necessary to move forward without delay to a practical examination of the questions of the nuclear arms freeze, that is, of stopping all nuclear programs until the conclusion of a new START agreement.

The measures on reducing strategic weapons must be based on the principles of equality and equal security of both sides. They must deal in equal measure with all pertinent aspects and types of strategic weapons without discriminating against and infringing upon some of them and without arbitrarily removing others beyond the framework of reductions. The steps taken in the START sphere should not be reduced simply to legalizing the deployment of new weapons systems simultaneously with the planned dismantling of the already obsolete weapons. It is necessary to ensure that the agreements will really limit and slow down the arms race both in its quantitative and its qualitative aspects.

In addition to this, the Soviet Union believes that the more substantial and radical the measures on limiting and reducing strategic weapons will be, the more important nuclear weapons will become in the theaters of military action in Europe, Asia, and the seas surrounding them, that is, the nuclear weapons among which many can strike deep into the Soviet territory and which are therefore of equal strategic importance for the Soviet Union. Consequently, substantial progress in the START sphere, including progress through a reduction of nuclear warheads, is impossible without a corresponding limitation and reduction of the U.S. and USSR nuclear weapons in the theaters of military actions along the border perimeter of the socialist states and without also taking into account the nuclear potential of third countries which is aimed against the Soviet Union.

The outer space strike systems that are basically new weapons, including the antisatellite and antimissile systems and outer space systems capable of striking land, sea, and airspace targets that are now being built and planned in the United States also represent a very serious threat to peace. It is in this connection that new tasks, in addition to the existing ones, become topical in the cause of maintaining the general military strategic balance and preventing a general war.

What is primarily involved is the need to open without delay the negotiations between the USSR and the United States on preventing the militarization of outer space and on banning the use of force in outer space, from outer space against earth, and from earth against the targets in outer space. In this

context K.U. Chernenko, General Secretary of the CPSU Central Committee and Chairman of the Presidium of the USSR Supreme Soviet, pointed out in his answers to questions from the newspaper PRAVDA, published on 2 September 1984: "What does the Soviet Union propose as topics for negotiations? It proposes to exclude the possibility of extending the arms race to outer space and to completely renounce the outer space strike systems, including the antisatellite weapons. In other words, to prevent any military threat to Earth from outer space and to outer space from Earth or from outer space itself. At the first step we propose to establish a mutual moratorium on testing and developing space strike systems.

"Such an accord would not only prevent an arms race in outer space but, what is no less important, would also contribute to solving the problems of limitation and reduction of other strategic weapons."

FOOTNOTES

1. Report of the Secretary of Defense Caspar W. Weinberger to the Congress on the JY 1985 Budget and FY 1985-1989 Defense Programs, Washington, 1984, p 279.
2. Annual Report to the Congress. Caspar W. Weinberger, Secretary of Defense. Fiscal Year 1983, Washington, 1982, pp 1-18.
3. J.M. Collins, U.S.-Soviet Military Balance, Washington, 1980, pp 35-38.
4. For example, at present the USSR's strategic forces number approximately 2,500 carriers and 7,000 nuclear warheads in its combat strength, while the strategic forces of the United States number approximately 2,300 carriers and 13,000 warheads (Whence the Threat to Peace 2d ed, Moscow, 1982, pp 8, 33.
5. Foreign Affairs, Winger 1983/1984, p 303.

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CRITIQUE OF U.S. ASIAN POLICY RE JAPAN, SOUTH KOREA

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10,
Oct 84 (signed to press 14 Sep 84) pp 15-24

[Article by A. Markov: "Japan and South Korea in the Plans of American Imperialism"]

[Text]

I

A particularly important place in U.S. global strategy is assigned countries and territories with which Washington has concluded a military alliance or "mutual defense" treaty. After the war, such agreements were signed in different years with dozens of states. This occurred, as a rule, under conditions where on the corresponding territories there were American troops exercising direct occupation (Japan, West Germany, Italy) or who has stayed on after the war as forces of the "allied country" (Britain, certain other West European states). The presence of American troops was together with other factors a decisive feature in the signing of a document on the deployment of American bases here.

Thus military strength served in Washington's hands as the basic means of maintaining the expanding its military presence on the territory of many states, where it has been and continues to be used in the interests of the United States' imperialist policy. A considerable number of similar agreements signed by Washington in later years was also a result of direct military, political and other pressure on the part of the United States or a backstage deal with dictators and "best friends" of the Zia ul-Haq type in Pakistan or the rulers of South Korea.

In other words, all the postwar treaties and agreements on military alliances were in one way or another foisted on the peoples of these states by the United States. Washington regards each partner, its military potential and its material and technical resources primarily from the viewpoint of its own strategic interests and as an active factor of its own global policy, which pursues the goal of the establishment of world domination, and the territory of the allied country as a probable theater of military operations in a future war, nuclear included.

What has been said applies in full to Japan and South Korea, whose enlistment in the United States' global military strategy, which is aimed against the socialist community countries and the developing states of Asia, has always

been a subject of Washington's cravings. This idea was reflected in the unsuccessful attempts to cobble together military blocs in the 1960's with the participation of the United States, Japan, South Korea and Taiwan. It was expressed in even more unconcealed form in the "total power" concept of Defense Secretary M. Laird, who during his official visit to Tokyo in July 1971 proposed a unification of the armed forces and resources of Japan, South Korea, Australia and New Zealand and also, possibly, of the ASEAN countries (Indonesia, Malaysia, Singapore, Thailand and the Philippines) in some militarist bloc under a joint command, in which the United States would have the predominant role. It was essentially a question of the creation of a NATO look-alike for the Asia-Pacific region.

At that time Washington's importunings were not supported--for various reasons--either on the part of Japan or in the ASEAN countries but were, on the other hand, greeted with complete understanding in Seoul. Japan's refusal to support the idea of the creation in Asia of a "total force" under the aegis of the United States was particularly unacceptable to American politicians and generals. But at that time the Japanese Government preferred not to operate openly but to pursue a policy of "creeping militarization" and rejected direct participation in U.S. global strategy, discerning in Washington's actions an endeavor to "switch in" Japan in the realization of its dangerous expansionist designs, having compelled it "to pull the chestnuts out of the fire" for Uncle Sam in Asia. For this reason, despite growing pressure on the part of the White House and "hawks" in its own country, the government deemed it necessary to display a certain restraint on certain military-political issues. These included the preservation of comparatively small (241,000 men) "self-defense forces"; limitation of military spending (officially at a level of no more than 1 percent of GNP); a ban on military equipment and technology exports; observance of the "three nonnuclear principles" (not to produce, not to have and not to import nuclear weapons to the country's territory); formal nonparticipation in military blocs; and the use of exclusively economic and other nonmilitary factors for the achievement of foreign policy goals.

The situation began to change, however, at the start of the 1980's with the assumption of office in the United States of the R. Reagan administration and in Japan of the Z. Suzuki cabinet and subsequently, in November 1982, of the present government headed by Y. Nakasone. Having taken the path of preparation for war, the new U.S. Administration emphatically demanded of "allied Japan" that it not only sharply increase military spending and build up the army's offensive power to the maximum but also strengthen its ties to NATO and actively support the military, political and other actions of the United States aimed against the USSR, other socialist community countries and against the developing states.

Washington's persistent demands on Japan in this sphere have at times assumed frankly insulting forms in recent years. However, they have not, as a rule, encountered resistance on the part of the country's ruling circles. The point being that there has been a pronounced stirring of the "hawks" and the circles of big business which have long advocated a sharp increase in military production, wide-ranging militarist preparations and the pursuit of an active military policy in Asia in alliance with the United States and with the support of West European states.

Increasingly profound qualitative changes are occurring in Japan's policy under the influence of the United States. Visiting Washington in May 1981, Prime Minister Z. Suzuki virtually abandoned in talks with R. Reagan the previous "moderate" approach to certain fundamental questions of the country's foreign policy. He consented to an annual 10-percent increase in military spending and an 18.5-percent increase in appropriations for the upkeep of American forces in the country; he expressed readiness to "ensure security" in the face of the "Soviet military threat" in areas adjacent to the Japanese islands, include within the zone of operation of the Japanese Navy waters west of the island of Guam and north of the Philippines--a distance of up to 1,000 nautical miles from Japan's shores--and also to carry out aerial patrolling in certain areas of the Pacific; consented to the participation of Japanese armed forces in blocking the Sangar, Korea and (Laperuz) straits "in the event of extraordinary circumstances"; and prepared the ground for the transfer to the United States of the latest Japanese military equipment and technology. For the first time the "Security Treaty" was officially elevated to the level of military alliance, like that which exists between NATO countries. Japan undertook to make even greater efforts to enhance its military might both on its own territory and in its surrounding seas and airspace.

All these arrangements represented a direct violation of the country's constitution and the will of the Japanese people. They ran counter to the "three nonnuclear principles" by which the government has undertaken to abide; most important constitutional provisions prohibiting war as a means of national policy, the creation of offensive types of combat equipment and, even more, participation in any offensive operations were violated. Concerning the Pentagon's plans in respect of Japan and other Asian states, retired American Adm N. Gayler wrote that in the event of a global war Japan and the other Asian allies must "eliminate the threat of Soviet submarine attacks by mining the main sea lanes of Soviet ships. Bombing military bases and ensuring 'protection of the seas,' particularly off Japan's shores, they must destroy ship-repair and shipbuilding bases, mainly by air attack."*

On assuming office the Y. Nakasone government did not simply continue Z. Suzuki's policy--it imparted to it an even more militarist thrust. On a visit to Washington in January 1983, Nakasone declared following talks with Reagan that he would seek to turn Japan into an "unsinkable aircraft carrier" and build up its military power in alliance with the United States.

A fundamentally new feature of the new cabinet's policy has been the endeavor to strengthen Japan's military-political ties not only to the United States but also to other Western countries, pretending to the role of "representative of Asia" here. For this purpose Japan's leaders are persistently emphasizing the proposition concerning the need for a "global approach" to talks on any nuclear arms limitation in Europe, talking over and over, contrary to the truth, about the "existence of a threat" to Japan, South Korea and China on the part of Soviet SS-20's.** And whereas Z. Suzuki would have had us believe that Japan is

* "Asian Security in the 1980's. Problems and Politics for the Time of Transition," Ed. R. Solomon, Cambridge (Mass.), 1979, p 60.

** See "Boey Khakuse" (Defense White Paper) Tokyo, 1983, p 18.

opposed to the deployment of new types of nuclear weapons, intermediate-range included, in any part of the world, Y. Nakasone openly emphasizes Washington's line aimed at achieving military superiority over the USSR and welcomes the U.S. Administration's endeavor to impart a global nature to this policy. He believes that Japan should now be not simply a dependable springboard of Washington but its active partner and a political leader of the capitalist world influencing the formulation of the Western bloc's common strategy aimed at "encirclement" of the USSR.

Supporting the closest possible coordination of the policy of Japan, the United States and other NATO countries, at the talks of the heads of government of the seven leading capitalist powers in Williamsburg (May 1983) Nakasone proposed incorporation in the conference's summary statement of the formula: "Our countries' security is indivisible, and it should be approached on a global basis."* This elicited Reagan's warm approbation. "In signing the statement of the NATO countries in Williamsburg," the journal FAR EASTERN ECONOMIC REVIEW, which is published in Hong Kong, observes, "Nakasone tied Japan's fate on military issues to the West. This signature marks a divide in Tokyo's foreign policy, and changing such a course will be extremely difficult."** Addressing the London International Institute of Strategic Studies in June 1984, the head of the Japanese Government again called for the cobbling together of a military-strategic alliance of the NATO countries and Japan and the strengthening of Tokyo's cooperation with the United States.

Thus the idea of Japan's "NATO-ization" has been recognized officially and is being implemented by the Y. Nakasone government. The preparations for its realization, however, began even earlier. A so-called joint working group consisting of prominent politicians and scientists of Japan and NATO countries was set up in 1980 and was instructed to elaborate the fundamental principles of a strengthening of military-political and other cooperation between them and also the corresponding recommendations to the governments.***

The recommendations amounted, however, to the fact that "faced with the Soviet threat," the NATO countries and Japan would be in a position to ensure their security only by "collective efforts," not relying, as was the case previously, on the United States alone but making their contribution to the realization of a "uniform program of a comprehensive guarantee of security". All components of the program--political, economic and military--are of equal importance, the authors believe, and should be regarded as a single whole. None of them may be ignored: the United States and Japan must also develop a mechanism for the coordination of their defense efforts which is no less effective than in the North Atlantic Treaty, and a regular dialogue should be established between Japan and NATO on political, economic and military questions.**** The need for standardization and unitization in the armed forces of the NATO countries and Japan of means of communication, types of weapons and personnel training

* FAR EASTERN ECONOMIC REVIEW, 23 June 1983, p 45.

** Ibid., p 46.

*** NATO REVIEW, February 1981, pp 8-14.

**** Ibid., April 1981, pp 12-16.

systems was emphasized, the coordination of intelligence operations and an increase in Japan's expenditure on maintaining the American forces and military bases on its territory were recommended and some "obligation" of the "allied powers" to compensate for a possible temporary reduction in American armed forces in this part of the world or the other by way of a corresponding increase in their own military assertiveness was raised. It was proposed that Washington and Tokyo "step up military and other assistance to South Korea and the ASEAN countries, which occupy an important geographical position," "render China economic and technological assistance" for modernization purposes, also supplying it with "nonlethal weapons," and pursue a "uniform policy" in trade and other questions of mutual interest.*

The working group's recommendations were evaluated positively in the capitalist of the United States, the West European countries and Japan. An accord was arrived at in July 1981 at the talks between Z. Omura, chief of the National Defense Agency, and NATO General Secretary J. Luns in Brussels on an exchange of military information between Japan and the West European NATO countries. The question of arms standardization was also discussed. Later, during his meeting with the FRG defense minister, it was resolved to "expand the defense potential" of the two countries in accordance with U.S. requirements.

Subsequently the idea of "NATO-ization" has been reflected in other official documents and also Tokyo's practical steps. For the first time the Defense White Paper for 1983 regards the strengthening of military power as an inalienable component of the global strategy of the United States and the West European countries. Japan, it says, should build up its own military power and also strengthen military cooperation with the United States and other NATO countries.** Addressing parliament in January 1983, Foreign Minister S. Abe declared that Japan's cooperation with the NATO countries is an indispensable condition for the cohesion and unity of the Western camp.***

A series of meetings was held in April 1983 in the Japanese Foreign Ministry with delegations from the United States, Great Britain and France at which specific questions of the strengthening of Japan's political cooperation with NATO were discussed. There was a meeting in July of the same year in Tokyo between a delegation of the North Atlantic assembly and members of the Japanese parliamentary Comprehensive Security Council. According to newspaper reports, such questions as the strengthening of Japan's cooperation with NATO countries on a global scale, the deployment of American intermediate-range missiles in Europe and also the possibility of their deployment on the territory of Japan and South Korea were discussed. Essentially, AKAHATA wrote, "the meeting dealt with the creation of a mechanism to coordinate the activity of the North Atlantic bloc and the Japanese-American 'Security Treaty'. This corresponds fully to the policy of the Reagan administration, which dreams of the knocking together of a global anti-Soviet coalition."****

* See NATO REVIEW, April 1981, pp 12-16.

** See "Boey Khakuse," p 335.

*** DAILY YOMIURI, 23 January 1983.

****AKAHATA, 12 July 1983.

A council was set up on Washington's initiative attached to NATO headquarters in Brussels made up of representatives of the bloc's members. It formulates recommendations to the governments and is engaged in coordinating measures aimed at tackling tasks connected with fulfillment of the corresponding comprehensive programs. Its representatives attend the North Atlantic bloc's council sessions as observers.

The Y. Nakasone government also is increasingly adjusting its practical actions to NATO policy. The vigorous preparation of the Japanese Navy and Air Force for performing functions to "protect" sea lanes 1,000 miles from Japan's shores is under way. Simultaneously the "Self-Defense Forces" are being supplied with the most modern offensive weapons. The terms for the transfer to Washington of the latest Japanese military equipment and technology, particularly for the creation of the United States' offensive potential in space and realization of the wide-ranging program of ABM defense announced by the Pentagon, have been agreed. While continuing to repeat over and over its fidelity to the "three nonnuclear principles" Tokyo is closing its eyes to the calls at Japanese ports of American warships carrying nuclear weapons, has practically consented to the landing in Japan of American aircraft carrying nuclear weapons which are based in South Korea* and has ordered the construction in the Misawa Prefecture of an airfield for the deployment of 48 American F-16 long-range multipurpose fighter bombers. Active work is under way on expanding the exchange with the United States of licenses for the production of the latest combat equipment and standardizing arms both with the United States and with the other NATO countries. At the regular American-Japanese consultations on military cooperation it was resolved in June 1984 in Honolulu to expand the system of operational interaction--from the unitization of military equipment through the development of the armies' joint combat operations.

Joint military games and exercises are being conducted increasingly often in line with the extension of relations and the strengthening of Japan's military-political cooperation with the NATO countries. As of 1980 Japan has taken part in the large-scale "Rimpac" ("Pacific Ring") maneuvers together with the United States, Canada, Australia and New Zealand. Japanese observers, as a rule, attend the other annual large-scale "Team Spirit" exercises conducted by the United States and South Korea close to the shores of the DPRK, the PRC and the USSR.

Japan is also coordinating with the NATO countries its policy on the Kampuchean and Afghan issues, impeding a solution of the problems politically, without outside interference. It has supported the United States' aggression against Grenada and Washington's policy of robbery and violence in respect of Nicaragua and other Central American states. Its representatives in the United Nations voted together the delegates of the NATO countries against resolutions condemning the preparation and waging of nuclear war and also on other questions of fundamental significance for strengthening peace. Tokyo is an active participant in the so-called "economic sanctions" and other discriminatory actions in respect of the USSR and other socialist community countries and is following the lead of Washington's adventurist policy. As a result Japan's trade and other relations with these countries have declined considerably and relations have deteriorated.

* ASAHI SHIMBUN, 31 January 1983.

However, the Reagan administration believes that Tokyo is still not displaying due "zeal". It is employing all available means to accelerate Japan's militarization and subordinate it completely to the goals of its imperial policy. At the meeting of the Trilateral Commission, which is a kind of "brains trust" of international imperialism, which was held in April 1984 in Washington there was particular emphasis of the proposition concerning the "interdependence of the strategic interests of the West and Japan". The latter was called on to associate itself more assertively with the military preparations of the United States and the West European countries. It was required, in particular, to adopt new undertakings pertaining to "defense of the Western world" and to increase military spending by billions of dollars.

In other words, the process of involving Japan in the global strategy of the United States is being intensified sharply. It has a clearly expressed military-political thrust and corresponds fully to the provocative designs of the "crusade" against the USSR and other socialist community countries announced by R. Reagan and to the goals of the preparation for nuclear war. Japan's "Security Treaty" commitments are being used for this primarily.

There are also, of course, other reasons for Tokyo's pliability and its readiness to meet half-way the demands of the U.S. Administration, which are contrary to the country's fundamental, truly national interests and which are putting it in an extremely dangerous position. There is considerable significance, in particular, in the perfectly definite fact that Japan's ruling circles are linking with the strengthening of cooperation with the United States and other NATO countries hopes for the surmounting of the complications caused by the Japanese corporations' powerful invasion of the markets of these states and the developing countries dependent on them and for facilitating access to fuel and raw material sources controlled by the United States and its allies.

A particular role is being performed by the aspiration of Japanese "hawks" to finally acquire the freedom to realize the plans concocted long since for Japan's "total militarization," turning it into a country able and prepared to pursue a policy of expansion in Asia. Tokyo discerns in the global strategy of violence and military adventures into which the R. Reagan administration is endeavoring to switch Japan a favorable opportunity for itself to emerge in the world arena as a major military power again pretending to leadership in the Asia-Pacific region.

As is known, it was precisely in the hope of occupying the predominant positions here that Japanese militarism once unleashed war. While having suffered a devastating defeat, it has by no means abandoned its designs. It is significant that having broadcast Emperor Hirohito's order to Japanese forces on capitulation, the announcer read out on 15 August 1945 the following statement: "We have lost, but this is only temporary. Japan's mistake consisted of a lack of material strength, scientific knowledge and arms. We will rectify this mistake."*

* W. Price, "Key to Japan," New York, 1946, p 289.

Japan's ruling circles are hoping at this stage to achieve their goals precisely with the aid of the United States and for this reason are meeting its demands half-way and displaying a readiness to persistently arm. Tokyo hereby hopes to overcome the obstacles in the way of militarization, bringing the scale thereof into line with the country's increased economic potential and political authority, and to achieve a continued strengthening of its positions in the "Western community" and the possibility of influencing the formation of imperialism's global policy course with regard for its own interests.

The present subordinate position in the Japanese-American military alliance is not to Tokyo's liking. In the book "Japan Declares" Y. Nakasone, advocating a revision of the constitution and the maximum buildup of the country's military power, emphasized that in time it has to be guaranteed the possibility of "independently defending itself" after American forces have been withdrawn from its territory and the Japanese-American military alliance "has been put on a reasonable footing."* Nakasone believes that it is necessary "to make flexible use" of the "Security Treaty" and in the future renounce it altogether.**

Nakasone's pronouncements gave rise to a certain disquiet in the United States. Alluding to his ultranationalism and his emphasis of Japan's "special role" in Asia, the newspaper WALL STREET JOURNAL wrote: "Formerly Japanese policy was shaped in Washington. Nakasone wants it to be formulated in Tokyo. He is a long-distance runner."***

For his part, Y. Nakasone is endeavoring to prove in every way possible his loyalty to the American ally and his readiness to serve it faithfully and truthfully. Immediately following his election as prime minister, he delivered at a press conference the declaration "My Political Fidelity," in which he again confirmed his adherence to the idea of the creation of a "strong Japan" pursuing an active policy in Asia in alliance with the United States, and declared his interest in a strengthening of the "Security Treaty".

Tokyo's readiness and ability to provide for the country's accelerated armament and its enlistment in the global strategy of the United States and NATO--all this is intended to serve as confirmation of fidelity to the United States and the "Western community".

II

South Korea, which almost 40 years ago was occupied by the United States, long since became a most important strategic springboard of American imperialism using which Washington is aiming at the accomplishment of far-reaching expansionist tasks in the Asian zone. Accordingly, this springboard is saturated with armed forces--both American, which are supplied with thermonuclear weapons, and also South Korean, which the Pentagon provides with modern arms. The fact that as early as the end of 1953 Washington had concluded

* Y. Nakasone, "Nippon va sengen," Tokyo, 1977, p 32.

** KOMEI SHIMBUN, 24 February 1982.

*** WALL STREET JOURNAL, 1 September 1983.

a "Joint Defense Treaty" with the South Korean regime emphasizes for the umpteenth time its far-reaching hopes of using this important strategic springboard for its aggressive purposes. It stands to reason that such hopes are being realized by the creation of an essentially terrorist regime in South Korea and efforts to prevent unification of the two parts of a country divided by the imperialists.

There are more than 40,000 American troops on the territory of South Korea deployed at 40 large-scale bases and military facilities situated close to Seoul, Pusan, Taegu, Kwangju, (Osan, Kunsan) and other cities and also along the DMZ. Units of the United States' RDF are deployed here. The U.S. Army is armed with up to 1,000 nuclear warheads. The Pentagon is planning to deliver Pershings and neutron and other weapons of mass annihilation here.

The South Korean reactionary clique performed the role of partner of the United States when the latter unleashed the shameful, criminal war against the heroic Vietnamese people, who crushingly rebuffed the aggressor. The multibillion-dollar injections into the South Korean economy are graphic testimony to the significance which U.S. rulers attach to the South Korean strategic springboard.

It should at the same time be emphasized that Washington is by no means alone in its purposeful use of South Korean territory. For many years it has operated in a duet with the Japanese imperialists. Almost two decades ago Japan signed the "Treaty on the Normalization of Relations" with South Korea. Its essence is reliance on the frustration of all attempts to overcome the division of Korea, use Seoul as a vassal of the Japanese "hawks" and afford the Japanese monopolies unlimited opportunities for invasion of the South Korean economy.

Currently Washington's main efforts are geared, first, toward the expansion of its military presence in South Korea, its further militarization and the provision of its 600,000-man army, subordinate to the American command, with the latest weapons and, second, toward strengthening Seoul's military-political relations and contacts with Tokyo for the purpose of preparing for the creation in the Far East of a triple alliance consisting of the United States, Japan and South Korea.

Washington attempted to create such an alliance earlier, in the 1960's. However, for a number of reasons (mainly owing to the resistance to this of the Japanese public and the patriotic forces of South Korea and also as a consequence of disagreements in the leadership of the two countries" this venture had to be abandoned at that time. But preparations for the formation of the "triangle" continued.

The military rapprochement of Tokyo and Seoul occurred with the active assistance of American diplomacy. As of the 1960's the plans of the U.S. and Japanese army staffs have been connected with the development--with the participation of the South Korean military--of joint actions in "defense" of South Korea.

Japan actually began rendering the Seoul regime military assistance as of 1962, when an agreement was reached between their military departments (with the

Americans' assistance), in accordance with which it was contemplated: organizing an exchange of officer groups, initiating the repair of South Korea's ships and military equipment in Japan, ensuring supplies of spares to the former, providing for the training of South Korean pilots in Japan and also "studying the question of amalgamating the aerial early warning system under the jurisdiction of the United States with an analogous system in South Korea and on Taiwan." Kim Hyun Yu, former director of the South Korean CIA, acknowledged in 1977 that as of 1965 Seoul intelligence has been cooperating with Japan's National Defense Agency (NDA), exchanging secret information and work experience with it.

In subsequent years Japan's military-political contacts with South Korea strengthened even more. In an interview with the NEW YORK TIMES the then South Korean dictator Pak Chong-hui declared in the summer of 1975 that he had proposed to the Japanese leaders an expansion of the "special relations" in the defense sphere inasmuch as both sides were linked by military treaties with the United States. Pak's assassination did not influence the realization of the said plans.

An example of the practical embodiment of such "cooperation," which is expressed primarily in activity hostile to the USSR, was the sending on the night of 1 September 1983 deep into Soviet territory with espionage purposes of the South Korean Boeing 747 airliner. The special services not only of the United States but also of South Korea and Japan took part in the operation.

A Japanese-South Korean "Parliamentary Security Council" was set up in April 1979 to coordinate the positions of Tokyo and Seoul on military-political issues. With the help of the United States and Japan a national military industry has been created in South Korea which is even now catering for more than half of the South Korean Army's orders for supplies of military equipment. Regular trilateral consultations are held on questions of military policy, and various forms of cooperation between the armies are being strengthened. The Y. Nakasone government has sharply increased financial assistance to the Chun Doo Hwan regime, allocating it in 1983 a preferential loan totaling \$4 billion. An accord was reached between the dictator Chun and Nakasone on closer mutual relations with the Western allies and a strengthening of the system of collaboration on questions of "ensuring the security" of Japan, the United States and South Korea.*

An official visit at the start of September 1984 by the Seoul dictator Chun Doo Hwan to Tokyo, where the authorities gave him an accentuatedly warm reception, despite protests on the part of the country's public, was subordinated to the accomplishment of the said task. During the negotiations both sides spoke repeatedly of an endeavor "to begin a new era of partnership in the name of peace in Asia." The foreign press pointed out that the sponsor and organizer of Chun's visit to Tokyo was the Pentagon. THE NEW YORK TIMES wrote that the U.S. Administration is attempting with might and main to achieve a rapprochement between Japan and South Korea. According to the newspaper MAINICHI, the main topic of the South Korean dictator's talks with Japanese leaders was discussion of questions of military cooperation. And it is this which is cherished desire of Washington, which is behind the Japanese-South Korean contacts, which have

* AKAHATA, 12 January 1983.

become more frequent of late. It was not fortuitous that during the visit military representatives of Japan and South Korea held a number of meetings, discussing specific methods and ways of strengthening military-political cooperation.

In other words, preparations for the creation of a trilateral military bloc in the Far East under the aegis of the United States are in full swing and are already quite far advanced. This question was the subject of a discussion between Reagan and Nakasone during the latter's visit to Washington in January 1983. In working on creating such a bloc Washington is hoping in the future to coordinate its activity with that of NATO.

Paying a 1-day visit to Japan in May 1984, U.S. Defense Secretary C. Weinberger (he met with the prime minister, foreign minister and NDA chief) again called for an intensification of Japan's military preparations and the allies' more active participation in the Pentagon's strategy. He stressed the need for coordination of action between NATO and the military-political "triangle" in the Far East.

Sharply criticizing the policy of the United States, Japan and South Korea, Kim Il-song, general secretary of the Korean Labor Party Central Committee and DPRK president, declared that the revival of Japanese militarism represents a big threat to the peoples of Asia. The fact that the Soviet Union is increasing vigilance in respect of Japan's remilitarization and raising its voice against the creation of a United States--Japan--South Korea military "triangle" is perfectly justified and meets with the Korean people's complete approval. The DPRK and the USSR are allies, Kim Il-song emphasized. We will continue to exert big efforts to strengthen the friendship and cohesion between our countries and actively support the Soviet people's just struggle for peace in the world.* While on an official visit to Moscow in March 1984 Kim Il-song again emphasized at the talks with Soviet leaders the DPRK's firm position on these issues and its interest in a normalization of the situation on the Korean peninsula and in the Far East as a whole.

In pursuing a policy of the armament and "NATO-ization" of Japan and simultaneously knocking together a trilateral alliance in the Far East Washington is thus counting on preventing a peaceful unification of Korea and creating on the Soviet Union's eastern borders a powerful military springboard where it intends to deploy nuclear missiles. The R. Reagan administration is also hoping to use the military presence in the Far East to influence China's policy for the purpose of keeping it in anti-Soviet positions and, if successful, its even deeper involvement in American imperialism's global plans on the basis of the so-called "strategic cooperation" policy, taking advantage of Beijing's interest in obtaining modern equipment and technology, credit and also the latest weapons from Western countries and Japan.

Washington's goals also include the strengthening of its influence in the ASEAN countries, whose persistent militarization it is spurring, the establishment of

* See PRAVDA, 10 April 1984.

actual U.S. control over the most important ports and international straits in Southeast Asia and an expansion of its military presence here. The American military is putting constant pressure on India, Burma, Bangladesh, Sri Lanka and other developing countries in the Indian Ocean basin, threatening their security and attempting to compel them to abandon the policy of nonalignment in order to take advantage of the evolved situation to establish hegemonist positions of the United States in the region.

The long-standing efforts of the American imperialists prepared the corresponding ground for the conversion of Japan and South Korea into a special springboard. The results are now to hand. The Washington--Tokyo--Seoul strategic "triangle," which operates on the basis of the doctrine of the "crusade" against the cause of peace and the people's security, civilization and progress, is actually being constructed.

Washington's main and ultimate goal is the achievement of military superiority over the Soviet Union, the establishment of hegemonist positions of the United States in Asia and the creation of conditions for the preparation and unleashing of a nuclear war threatening mankind's very existence. "We see perfectly well," K.U. Chernenko, general secretary of the CPSU Central Committee, said at the CPSU Central Committee special February (1984) Plenum, "the threat being created for mankind today by the senseless, adventurist actions of aggressive imperialism and are speaking about this at the top of our voices, drawing the attention of the whole world to this danger." The struggle against it is the most important cause of all peace-loving forces, peoples and governments of all states.

American imperialism is endeavoring to enter among its assets the formation of a so-called "eastern front" for the purpose of "encircling" the Soviet Union and undermining the people's national liberation movement. Vain attempts! Whoever fails to heed reality is doomed to cruel failures. So it will be. Mankind aspires to peace, normal international relations and the peaceful coexistence of all states. The future is for the realization of this aspiration.

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AGGRAVATION OF LDC INDEBTEDNESS: CAUSES AND CONSEQUENCES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, October 84 (signed to press 14 Sep 84) pp 25-38

[Article by S. Storchak: "Exacerbation of the Developing Countries' Debt Problem--Causes and Consequences"*]

[Text] The debt crisis of the start of the 1980's is unparalleled in the history of capitalism in terms of its scale, number of states involved therein to this extent or the other, the measures which Western creditors have been forced to adopt, influence on the socioeconomic situation in the debtor-countries and impact on international economic, currency-credit and even political relations. In 1982 alone 35 states deferred payments on foreign debts totaling approximately \$140 billion, which was an absolute record in international credit practice.¹ Western banks were forced in 1982-1983 to reschedule the debts of 24 developing countries to the tune of \$67 billion² and also to grant new credit of almost \$30 billion within a "rescue operation" framework. We would note for comparison that in the preceding quarter of a century only 60 instances of the rescheduling (that is, less than three a year) of the debts of 21 countries were recorded and that the sum total of the foreign liabilities transferred to a later time of liquidation constituted only \$32 billion.³ Furthermore, at the start of the 1980's a number of debtor-states had not met their liabilities on schedule not only with respect to the basic debt but also to interest and short-term liabilities, while Mexico rescheduled the debt on monies loaned, which had not happened since the economic crisis of the 1930's.

The sharply increased probability that some debtor would declare his insolvency was immediately reflected in the behavior of many Western creditors, private creditors particularly. They began to recall previously granted credit, thereby depriving the developing countries of the possibility of at least in some way meeting urgent foreign liabilities. In August-September 1982 the situation on the capitalist states' stock markets was on the verge of panic. The price of the stock of leading banking monopolies began to decline, and investors, frightened by the banks' awkward position, began to convert the withdrawn deposits into real and not "paper" assets, particularly gold. As a result in 2 weeks since Mexico's declaration that it would cease for 3 months payments to liquidate the basic debt total the price of the yellow metal rose from \$300 to

* The article is published by way of propounding the question.

almost \$500 an ounce. The debt crisis of the developing states (other debtor-countries also began to declare their inability to meet foreign obligations in the wake of Mexico), specialists believe, has determined the high price of gold for some time to come.⁴

For a certain period Western banks lost control of the situation in the international capitalist credit sphere. Whereas hitherto they had tackled questions of the refinancing of the debt of this country or the other relatively promptly, allowing the debtor a deferment on current payments to liquidate the basic debt and granting new credit for the payment of interest, in the fall of 1982 use of the traditional method of settling the problem came to be attended by a number of difficulties. First, a larger group of states than ever before proved incapable of meeting foreign obligations. Second, it was necessary to simultaneously reschedule the debts and grant new credit in an unprecedented amount. It was necessary here to coordinate the actions of a huge number of creditors (in Mexico's case, for example, the question arose of the postponement of the specified time of liquidation of \$20 billion of debt, the allocation of new credit in an amount of \$5 billion and the enlistment in participation in this financial operation besides the IMF, the Bank for International Settlements [BIS] and the central banks of the OECD countries of a further 1,400 private banks of the capitalist states).⁵ Third, a considerable number of the West's small banks refused to grant new credit precisely when there was a dire need for it, thereby increasing the crisis nature of the situation in this sphere.

I

What were the causes of the emergence of such an unusual situation?

The answer to this question which is encountered most often amounts to indication of the exceptionally unfavorable external factors from the viewpoint of the debtor-countries, which made even more precarious their capacity for paying off the debt on schedule: the economic crisis in the West on the eve and at the outset of the 1980's, which caused a sharp reduction in demand for commodities of the developing countries and which reduced the purchasing power of their exports, increased protectionism in international commerce, the decline in its rate of increase and so forth.⁶ Undoubtedly, these factors played their part in the sharp deterioration in the developing states' financial position, and they have to be taken into consideration. However, if we follow the logic of this standpoint, the conclusion that liquidation of the said causes will lead to a surmounting of the crisis suggests itself. But reality refutes such a conclusion.

Economic crises and other circumstances unfavorable for debtors had occurred prior to 1982 also, but this problem had never been so acute. Further, it was precisely under the conditions of a relatively favorable foreign economic situation (particularly from 1976 through 1979) that the debts grew at a higher rate and the prerequisites of the current crisis took shape. Finally, the economic upturn which began in the United States and subsequently in Japan, the FRG and Great Britain brought no marked alleviation of the foreign liabilities, the developing countries' debt in 1983 not only did not decline but, on the contrary, increased approximately 10 percent.

The experts who in addition to external factors see the causes of the debt crisis in the debtor-countries' domestic economic situation also are right in their way. Truly, the emergent states' financial problems graphically demonstrated the unreadiness of their national economies to absorb the huge amounts of loan capital which had rushed in search of profit to the periphery of the world capitalist economy in the mid-1970's. This is expressed primarily in the fact that the developing countries' foreign debt has increased at a rate (an annual 20-25 percent) considerably in excess of the scale of increase in their gross social product, industrial production and exports. The loans which were attracted were not always used to expand production and develop the export or import-substituting sectors. In addition, they frequently went on unproductive consumption, including purchases of arms and luxuries, the installation of "prestige" facilities and so forth.

However, if it was precisely factors of a domestic economic order which had determined the nature of the current debt crisis, Western creditors would have confirmed themselves to the adoption of measures to settle it which have already been proven repeatedly: imposition on the debtor of the IMF's "economic stabilization program" refinancing of part of the basic debt and the granting of new credit to pay off the interest, which in aggregate have repeatedly ensured for them a favorable solution of problems which have arisen. But on this occasion such measures are not producing the anticipated result--they are not leading to a stabilization of the situation in the international capitalist credit sphere and not removing the stress loads from the developed capitalist states' banking system.

Thus regarding merely domestic and (or) external factors of the debt crisis as the basic factors does not permit us to explain sufficiently cogently its current scale and depth. Neither of the said approaches takes account of the relatively independent role of international debts in the world capitalist economy. Yet it is essential to study this phenomenon not only as the result of the interaction of two groups of factors--external and internal--but also to take fully into consideration here the reverse influence of the result itself of their interaction--the foreign debts--and the interconnections and correlations concealed in their structure. Of course, like the preceding two also, this third group of factors cannot be examined in isolation from one another and absolutized. Bringing it to the forefront is explained by the fact that it was precisely the change in the structural components of foreign debt and their reaching "critical points," as it were, which knocked the traditional methods of settling it out of the hands of the creditors.

As of the end of 1982, according to OECD data, the sum total of the developing countries' medium- and long-term debt to all Western creditors (governments--within the "official development assistance" framework and in terms of export credit; the West's private banks and international finance organizations) constituted \$564 billion, having increased almost sevenfold in the preceding 11 years.⁷ These states' liabilities in the face of private creditors increased at an even higher rate: from \$20 billion to \$265 billion, and with regard for export credit, including government-guaranteed, to \$413 billion.⁸ Thereby whereas at the start of the 1970's private creditors accounted for only one-third of the developing countries' debts, in 1982 they accounted for approximately two-thirds, and taking short-term debt into consideration, four-fifths even.

This change in the debt structure (the first "critical point") has to be evaluated dually. First of all, the terms on which the former colonial and semicolonial periphery obtained credit from private banks were in respect of all basic parameters (interest rate, term, grace period) considerably worse than from official creditors--the governments of the developed capitalist countries (see Table 1), which led to a sharp increase in the emergent states' financial burden. Whereas in 1971 their interest payments constituted only \$3.3 billion, in 1982 they had risen to \$60.1 billion, and 95 percent of this amount, moreover, was connected with meeting loan obligations obtained "on market terms".

Table 1. Terms of the Extension of Credit to Developing Countries 1972-1981
(Per Creditor Group)

<u>Official creditors</u>	<u>1972</u>	<u>1976</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Interest rate, %	4.3	5.4	5.1	5.3	6.7
Term, years	25.3	23	23	23.7	22.1
Grace period, years	6.7	6.5	6.1	6.1	5.6
<u>Private creditors</u>					
Interest rate, %	7.3	7.9	11.6	12.8	14.7
Term, years	9.2	8.7	9.2	8.9	8.9
Grace period, years	2.9	2.9	3.8	3.4	3.4

Source: "World Debt Tables. External Debt of Developing Countries," Washington, 1983 p 3.

The said structural shift, particularly under the conditions of the exacerbation of the developing countries' economic problems, is sharply complicating the position not only of the debtors but of the creditors also. It is becoming increasingly difficult for the latter to coordinate debt-settlement policy. The point being that the extension of bank credit to the developing countries has expanded in two directions. On the one hand in the period between 1973 and 1982 the proportion of loans to these countries in the sum total of Western banks' domestic and foreign assets increased from 2 to 6 percent. On the other, an increasingly large number of private banks has begun to participate in credit expansion on the former colonial and semicolonial periphery. By the start of the 1980's their total number was approaching several thousand. There was thereby an increase both in the dependence of the debtor-countries on a given group of creditors and the dependence between banks with assets in the emergent states. This fact is of particular significance inasmuch as a tremendous number of small banks, considering the heightened risk connected with the export of loan capital to the developing countries, built their credit policy on the basis of the rapid recall of the extended credit, given special circumstances.

Under normal conditions the refusal of one or two small banks to grant loans on the strength of previously concluded credit agreements is not in itself capable of inflicting serious losses on either the debtor or a group of creditors (syndicated loan certificates, and it is with these that these creditors "work"

more often than not, are small, as a rule--\$10-15 million and sometimes \$1-5 million even). However, a "crisis of confidence" in the debtor-country's solvency immediately sets off a chain reaction on the part of the private banks and a "flight into liquidity" begins. It is easy to imagine the problems which the developing countries could encounter in such a case not only in paying off the foreign debt but also in paying for imports, including spare parts and food. Some 1,000 and 1,400 private banks, for example, participate in extending credit to Mexico and Brazil respectively. If each of them recalls only \$1 million of extended credit, these countries are deprived of \$1 and \$1.4 billion. Such was the case in reality (see Table 2).

Table 2. Growth Rate and Proportion of Demands of Different Groups of U.S. Banks on Latin American Countries, %*

<u>Size of banks**</u>	<u>Demands, total</u>	<u>Demands for a term of up to 1 year on all debtors</u>	<u>Demands on private banks of countries of the region</u>	<u>Demands on state debtors</u>	<u>Demands on private nonbank debtors</u>
<u>Average annual growth rate of demands in 1978-1981</u>					
Large	15.1	20	22.9	17.8	9.2
Medium	15.8	20.3	18.4	5.1	23
Small	21.9	25.4	28.5	5.7	30.2
<u>Increase in demands in 1982</u>					
Large	12.8	7.1	11.4	33.3	-6.6
Medium	19	21.8	27.9	23.6	7.4
Small	2.8	-0.3	-1.2	23.3	-5.1
<u>Proportion of banks in total volume of demands as of end of 1981</u>					
Large	58.6	57	45.9	70	59.5
Medium	18.9	18.7	23	14.4	(fig illegible)
Small	22.5	24.3	31.1	15.6	21

Footnotes: * The data do not include the liabilities of Venezuela.

** The 9 biggest banks are the large ones, the 15 next ones are the medium banks and other banks are the small ones.

Source: BANK FOR INTERNATIONAL SETTLEMENTS. PRESS REVIEW, 14 December 1983, p 4.

In the period 1978 through 1981, when the debtors as a whole paid off their foreign liabilities conscientiously, all the U.S. banks, particularly the small ones, were extraordinarily active in exporting loan capital to the Latin American developing countries. But in 1982, with the change in the situation, they practically all reduced the pace of foreign expansion, and a few banks even attempted (they were successful in some cases) to cut back their assets in the Latin America region in absolute terms. In Brazil alone interbank

relations (credit lines, in particular) had declined \$5 billion by mid-1983 compared with the start of the year, and, furthermore, whereas U.S. banks had reduced their accounts "only" 15 percent, the financial institutions of other Western states, which had participated in the extension of credit to this country to a lesser extent, were more "assertive"--the banks of Italy recalled 81 percent of their holdings, those of Switzerland 47 percent and those of Japan 37 percent.

Thus the private-ownership interest of the Western banks, which was aimed at preservation of their assets, was manifested particularly forcefully precisely at a time when the developing world most needed financial support and when the joint efforts of all parties concerned were required. Even many Western experts were forced to conclude that the biggest threat of mass bankruptcies emanated from the ill-considered actions of the small banks.

The foreign expansion of private loan capital to the developing countries had as its consequence the appearance of another structural "warp": there was a sharp increase in the volume of short-term debts, which at the end of 1972 constituted, according to various estimates, \$121-181 billion.⁹ Consequently, these states' overall foreign debt to the West has long since passed the \$700 billion mark, and for this reason the assertions that their indebtedness has as of the present passed the \$800 billion mark are not without foundations.¹⁰

Short-term debt increased owing to the fact that in the extension of credit to the young states the risk of nonpayment is high, and is increasing, furthermore, as overall conditions on the world capitalist market deteriorate. For this reason on the eve and at the outset of the 1980's private creditors gradually increased their short-term loans in the overall amount of the credit they extend. Whereas in 1978 they accounted for only 15 percent of new loans, in 1981 they were accounting for 48 percent. "This dramatic reduction in the term for which credit is extended," the American Express bank wrote in a special survey, "is inducing fears in the experts inasmuch as it is manifestly exacerbating the foreign debt problem...."¹¹

The negative impact of short-term debts on the debtors' financial position consists of the fact that it is having a sharply deleterious effect on their capacity for paying off foreign liabilities on schedule. Indeed, supplementary to the \$131.3 which were scheduled to be paid off in 1982 in respect of medium- and long-term debt the emergent states had to find currency resources to meet short-term obligations in a comparable amount, while having a trade imbalance of several tens of millions of dollars.¹²

Furthermore, whereas under normal conditions short-term debt is easily extended (as was observed in preceding years), in a crisis atmosphere, when the market loses confidence in the debtors, refinancing becomes difficult or altogether impossible. This increases sharply the likelihood of bankruptcy with all the consequences ensuing thence for the creditors. It is not for this reason surprising that the INSTITUTIONAL INVESTOR, an influential journal in the West, emphasizes: as an ever-growing proportion of the foreign debt switches to the short-term category, the problem becomes increasingly "burning".¹³

Nor are there any fewer problems for the exporters of the loan capital. For the individual creditor the short-term loan is a highly liquid asset. However, for groups of banks--and there are hundreds of them for the big debtors--this circumstance has a different context. First, Western banks cannot now simultaneously recall their credit: this would mean in practice inevitable bankruptcy for some debtors (for example, Mexico's short-term liabilities at the end of 1981 were the equivalent of \$19 billion, those of Brazil \$12 billion and of Argentina \$11 billion). Second, in spite of the growing risk, Western banks have been forced to extend the indebtedness which is taking shape in order to maintain resources allocated earlier as "functioning assets". Consequently, there is left not a trace of the former "benefits" of the short-term granting of credit compared with medium- and long-term. On the contrary, this structural singularity of indebtedness, being simultaneously also the first warning of impending crisis and the stimulator thereof, makes extraordinarily vulnerable the position not only of the debtors but also the creditors.

The appearance of two other "critical points" is directly connected with the expansion of private loan capital in the emergent states. It is a question of an abrupt change in the direction of debts which have taken shape in connection with the developing countries' attraction of credit on "floating" interest rate terms and of the currency structure of their foreign liabilities.¹⁴

Whereas in 1972 such credit accounted for only 7 percent of total medium- and long-term debt, in 1981 it accounted for 87 percent, and with regard for the debts of the private sector of the developing countries 40-50 percent even.¹⁵ In the precrisis years the LIBOR rate, and it is to this that the "cost" of credit is most often "tied," increased constantly: in 1977 it was the equivalent of 6.5 percent, in 1980 some 14 percent and in 1981 it stood at 16.6 percent.¹⁶ Simultaneously there was also an increase from 7.8 to 17.5 percent in the rate which debtor-states from the developing world had to pay Western creditors for loans obtained several years earlier. This structural ingredient of indebtedness is costing the developing countries dear. In 1981-1982, according to certain estimates, they paid the West in interest payments \$40 billion more than originally contemplated,¹⁷ which appreciably undermined their capacity for meeting foreign obligations and accelerated the onset of the crisis.

A characteristic feature of the currency structure of indebtedness is the fact that the developing countries have to pay off approximately 70 percent of their foreign liabilities in U.S. dollars. Until the American currency's exchange rate declined, as it did for a large part of the 1970's, the debtors only gained inasmuch as it is always more beneficial to pay in a "weak" currency. However, as of 1979 the dollar has "gone up": at the start of October 1982 its exchange rate had increased 50 percent compared with the worst period of October 1978. The developing countries' debt-servicing expenditure grew in consequence. Calculations of economists of New York's Federal Reserve Bank testify that if the currency structure of these countries' foreign debt had corresponded to the structure of their foreign trade payments, in the period 1979-1982 they would have saved on debt payments no less than \$30 billion.

A paradoxical situation is taking shape: the imminence of the times for payment is forcing the emergent states to act in the currency markets as purchasers of the American currency. This is naturally increasing the demand for dollars, thereby contributing to its increased exchange rate. As a result it transpires that the developing countries find themselves in a kind of vicious circle wherein they have an objective interest in a decline in the dollar's exchange rate, but their transactions on the currency markets are supporting the U.S. currency with detriment to themselves.

Further, the change in the young states' foreign debt structure is connected with the increase in the absolute amounts and proportion of foreign liabilities accounted for by private enterprises and firms of the developing world. This is a "phenomenon" of most recent years, and it is not surprising, therefore, that its scale has not yet been precisely determined. Furthermore, there is no organization in the West which takes account of its increase. Yet the private sector of a number of developing countries is directly responsible for the sharp exacerbation of their financial problems. Fearing for the fate of their own resources, private firms, banks and individuals are transferring huge amounts abroad. Thus the flight of capital from Mexico in the past few years has constituted in sum \$50 billion, while foreign investments have not been more than \$11 billion. Some \$12 billion dollars were transferred abroad from Brazil in 1982 alone.

By the end of 1982, according to certain estimates, the debts of private businessmen of countries of the former colonial and semicolonial periphery constituted approximately \$50 billion.¹⁸ Of course, this sum is small even compared, for example, with annual interest payments. However, the influence of this change in the debt structure on the "nervous atmosphere" surrounding the developing countries' foreign debt problems and also on the financial position and behavior of many creditors has been substantial. The point being that under the conditions of economic recession in the West the possibilities of the private sector for selling its products on the markets of the imperialist powers, obtaining currency proceeds and paying off foreign liabilities have been constricted to an even greater extent than those of state enterprises of the developing countries. Furthermore, payment difficulties are forcing their governments to impose various currency restrictions. Strict priority for settlements with foreign contracting parties, when the country's foreign debt is paid off first, imports are paid for and only then under strict government control may private individuals be authorized to make their own foreign payments, is provided for, as a rule, within the framework of these restrictions.

For the Western banks the said singularities of the functioning of the private sector of the developing world essentially mean that their resources are switched to the category of "dubious" or "nonfunctioning" assets inasmuch as the debtor-firms are deprived of the possibility of meeting foreign obligations even if they acquire a sufficient amount of profit in the local currency. The situation is made even worse if the loans attracted by the private sector have not been guaranteed by the government and also if the country's authorities, for the purpose of saving foreign currency, impose import restrictions, depriving enterprises and firms of the opportunity to import raw material, spares, components and such in the former volumes, which makes even worse their already

modest possibilities of export production and currency proceeds. It was precisely in respect of the foreign liabilities of the private sector that Western banks incurred the first losses in connection with the debt crisis. Thus in 1982 even Mexican firms failed to pay American banks merely in interest \$600 million, and, what is more, the latter were forced to write off almost \$520 million as "bad credit".

Among the structural "warps" of indebtedness a particular place belongs to the concentration of the overwhelming proportion thereof in a comparatively small group of developing countries. Indeed, 20 debtor-states account for approximately 70 percent of medium- and long-term debt, 80 percent of the payments to liquidate it, 85 percent of the foreign debt on "floating" interest rate terms, approximately 90 percent of short-term liabilities and 80 percent of the debt to private creditors. Furthermore, these states obtain only 50 percent of the developing world's aggregate currency from exports of commodities and services.

What are the consequences of such concentration? First, the three biggest debtors--Mexico, Brazil and Argentina--had in 1982 to pay Western creditors \$80.7 billion. This means that even in the event of a total renunciation of commodity and service imports their total currency proceeds would be sufficient to cover little more than half of the foreign payments due. The need to defer these countries' payments contributed to the transposition of the times for the liquidation of part of the debts of other developing countries. Second, this structural ingredient makes the position of the capitalist countries' banks extraordinarily vulnerable. In fact, nine of the biggest U.S. banking monopolies have granted the developing world credit in an amount equivalent to 280 percent of their capital stock and, of course, obtain tremendous proceeds from this. But they are deprived of all their profit and one-third of the capital if only the three said biggest debtors cannot for this reason or the other pay the sums due to the American banks scheduled for payment in just one year of the current decade.

Such in general outline is how the structure of the emergent states' foreign debt appears today. It is difficult to overestimate the significance of the "warps" which have taken shape therein in the onset of the debt crisis. At the same time the "critical points" graphically demonstrate how vulnerable is the position not only of the debtors but also the creditors, who, given this structure, cannot rely on the traditional methods of regulating relations which arise in connection with the export of loan capital to the developing countries.

II

The real threat of mass bankruptcies forced the developed capitalist countries to urgently seek ways to overcome the crisis. However, their actions were dictated by no means by concern for the well-being of the emergent states. Most important economic and political interests of the West in the zone of the former colonial and semicolonial periphery were in jeopardy. After all, the developing world currently absorbs approximately one-third of the exports of the capitalist centers, and this not only means the loading of production capacity and huge monopoly profits but also and not least the preservation of a certain level of employment.

The consequences of the debt crisis have been felt by all Western states, primarily the United States. Even the West Europeans, who have participated to a considerably lesser extent in extending credit to the periphery of the world capitalist economy, have been forced to cut back their exports. Thus commodity exports from the FRG in the first 8 months of 1983 fell compared with the analogous period of 1982 some 57 percent to Mexico, 48 percent to Venezuela and 27 percent to Brazil.¹⁹ The developing countries' payment problems have been reflected in the pace of the West's emergence from the economic crisis, have increased stagnation phenomena in the export sectors and led to a further rise in unemployment.

Particular vigor was imparted to the imperialist powers' measures to overcome the debt crisis by the fact that a real possibility had appeared of an increase in anti-imperialist sentiments in the dependent and exploited part of the world capitalist economy. "The internal political evolution of certain developing states, including friendly countries which are very important for the United States, is at stake"--these words of H. Kissinger quite accurately convey the West's approach to a solution of the debt problems of this country or the other.²⁰

Finance capital began a series of "rescue operations" with urgent measures designed to provide for the payment of the interest on Mexico's foreign debt. In August 1982 even the Reagan administration granted its southern neighbor \$1 billion credit for future supplies of oil and a further \$1 billion as "financial guarantees" of this country's imports of American food. Simultaneously Mexico obtained "interim credit"²¹ of \$1.85 billion, and only half the amount was granted by the United States, moreover, the remainder by the BIS. Together with the financial measures political measures were instituted also. We would recall that in the fall of 1982 the Latin America region became a place of "pilgrimage" for high-ranking representatives of governments and banking circles of the capitalist countries. All this together was intended to take the stream out of the passions surrounding the indebtedness and gain time for the adoption of "more cardinal" measures.

The next step was... restoring "order" in the banking community. Primarily the U.S. Federal Reserve system and the Bank of England and subsequently the central banks of other Western countries ordered the commercial banks to preserve the short-term credit lines which had been opened earlier by the biggest debtors. Unprecedented pressure was put on the private banks, particularly the small ones, for the purpose of forcing them to continue extending credit to the biggest debtor-countries. A "penalty credit" system was introduced: the IMF and the central banks of Western countries made it incumbent upon the private banks to grant Mexico new credit in 1982 in an amount equal to 7 percent of their assets in this country.²² A similar decision was adopted in Brazil and other debtor-countries. This measure was repeated in 1983.

Simultaneously the governments of the imperialist powers took steps to increase coordination of the credit policy of all exporters of loan capital to the developing countries. As a result operations of a gigantic scale were mounted to reschedule the debt of the biggest debtors (see Table 3). Implementation of the said operations completed a kind of first stage in the surmounting of the debt

crisis, which as a whole may be characterized as an attempt to remove the destructive influence of the most painful "critical points": the concentration of the debts with respect to private banks and in short-term form.

Table 3. Special Credit Granted Mexico, Brazil and Argentina in 1982-1983, \$, Billions

	<u>Mexico</u>	<u>Brazil</u>	<u>Argentina</u>
Debts, total (at start of 1983)	83	89	39
IMF credit	3.8	6	2.2
BIS "interim credit"	1.85*	1.2	0.5
New private bank credit	5	4.4	2.6
Rescheduling of the indebtedness to the private banks	19.7	4	5.5
Government credit	4	1.3	--

Note: * Half of this amount was granted by the United States. All the above-mentioned credit was obtained on condition that the country undertake to abide by the economic policy formulated for it by experts of the IMF and under its supervision.

Source: "International Credit Policy and the Foreign Policy of States...", p 44.

The West then embarked on implementation of preemptive measures designed to prepare the state and financial system of the developed capitalist countries for "extraordinary events" (a debtor's declaration of bankruptcy or a moratorium, for example) and to soften the impact of such actions on the behavior of individual banks and investors. Using the IMF as an instrument of their policy, Western creditors primarily began to impose on the debtor-countries an economic course which guarantees that they receive the amounts due to them, particularly the interest. Any country had only to fail to fulfill any clause of the "economic stabilization program" fund for it to be immediately refused credit within the framework of agreements which had already been concluded even. Even the biggest debtors--Brazil in 1983 and Argentina at the start of 1984--experienced these tactics.

The imperialist powers, primarily the United States, are doing everything possible to prevent the organizational unification of the developing debtor-countries. The pivot of the West's approach to a solution of the debt problem is the policy of individual approach to each instance of debt settlement, which precludes the formulation of any general outlines or measures. It is supplemented with direct threats against states which might attempt to cease payments.

Following a lengthy period when control over the international activity of the private banks was minimal, governments of the developed capitalist countries have begun to adopt long-term measures to regulate the export of loan capital. Thus the U.S. authorities have approved an entire program incorporating: 1) an enhancement of the role of the system of determination and assessment of credit risk operating in the country; 2) the private banks' introduction of a special reserve system supplementary to that which already exists; 3) a tightening of the demands with respect to banks' accountability for international

activity (besides submitting their balance sheets to the federal agency regulating banking operations, the banks are now obliged to include their quarterly accounting information on loans in default, the level of interest and limited liabilities and submit data on the state of assets and liabilities and plans to revise debt-payment times); 4) the introduction of a new system of rules of the profit rate of imposts and commission levied on a foreign debtor presupposing the stage-by-stage realization of this accounting transaction in the period that the credit agreement is in force and not at the time of its conclusion, as was the case previously; and 5) an increase in coordination and the exchange of information with international organizations--the IMF and the BIS--and the governments of other Western countries.²³

Under the influence of the debt crisis the revision of banking legislation in the FRG and France was speeded up. West German banks, for example, are now obliged to submit quarterly to the agency monitoring banking operations a detailed report of their financial position based on a consolidated balance sheet of the entire banking group, that is, with regard for daughter institutions, branches and partnerships.

Endeavoring to increase still further the IMF's role in the solution of the debt problem and taking account of the limited nature of its resources, a decision was adopted 2 years ahead of the planned time to increase its capital from SDR61.03 billion to SDR90 billion (\$98.5 billion). The resources of the General Loans Agreement (GLA), which constitute SDR17 billion (\$19 billion), were increased almost threefold. Besides the parties to the agreement themselves, a fund "for granting credit in extraordinary situations entailing a threat to the international currency system"²⁴ acquired the right to dispose of GLA resources. The IMF undertook to obtain and disseminate "reliable information" on the debtors' financial position.

The Western banks themselves also began to employ measures to increase the security of their assets, increasing reserves with respect to "dubious loans" and even writing off "bad debts". However, this could hardly be the predominant method inasmuch as it is directly reflected in the banks' income. For this reason the practice of increasing the diversification of assets from the viewpoint primarily of regional geographic risk has become more prevalent. The big banks began to assertively sell share certificates in syndicated loans. Trading in bonds of Latin American countries is the most intensive. Last summer they were being sold at a discount of 13 to 25 percent. The American Bankers Trust Company even organized debt swaps, as it were. The point of the transaction is that if, for example, bank A has large-scale assets in Brazil, but few in Mexico and for bank B the situation is the reverse, they conclude a "debt swap," that is, simultaneously purchase from and sell to one another their assets for a certain period, thereby improving the "regional geographic position".

A special place in the entire set of measures to overcome the debt crisis is occupied by the creation by the West's leading commercial banks of the so-called Institute of International Financing. As of the end of 1983 some 180 banks from 39 countries (the United States was represented by 49 banks), which account for 75 percent of the indebtedness of OECD nonmembers to private banks,²⁵ constituted the members of this institution.

Such are the most significant of the practical measures to surmount the debt crisis which have already actually been adopted by the developed capitalist countries.²⁶ As we can see, none of them is in any appreciable way alleviating the financial position of the developing countries. At the same time, however, the forced refinancing of the debts is proving a highly profitable business for the banks. In the "rescue operations" they have obtained for their credit a rate more than 2 percentage points higher than the LIBOR. This is enabling them to "earn" annually an additional \$1.75 billion on the debts rescheduled in 1983. V.I. Lenin's words resound with new force today: "hundreds of millions of people are now condemned for decades to themselves paying and forcing their grandsons and great grandsons to pay for loans to enrich the French, British and other imperialists."²⁷

The broad-scale postponement of the debt-liquidation times improves the debtor's position only for some time. A graphic example of this is Mexico: as a result of the revision of the payment times the country's financial position will be complicated sharply as of 1985 and will probably be even worse than in the period of the 1982 crisis inasmuch as in 1985 it will have to pay \$16 billion merely to liquidate the basic debt without the interest, \$27 billion in 1986 and \$28 billion in 1987.²⁸

Nor are the measures of pressure on the part of governments of the Western powers on the private banks, which are cutting back the extension of credit to developing countries, particularly successful. According to preliminary data, in 1983 the emergent states were able to mobilize \$35.5 billion of new credits and loans, which was considerably less than the average annual indicators for 1978-1982. Of this amount, only \$17.6 billion were obtained in the traditional way. The remainder was money allocated within the framework of the "rescue operations".²⁹ An appreciable change is hardly to be expected in connection with the intensification of administrative measures to regulate international banking activity. After all, under the conditions of capitalism governments do not have many more chances of averting the onset of a debt crisis than the private banks themselves.

The increase in the quotas of the IMF members will produce only \$15 billion in freely convertible currency (the rest of the capital consists of contributions in national and, as a rule, nonconvertible currencies). Together with GLA resources the increase in the Fund's capital will constitute a sum of \$35-40 billion,³⁰ which, of course, is little compared both with the total amount of debt and the annual payments to liquidate it.

Thus the West's measures, despite the tremendous destabilizing influence which the developing countries' foreign debt is exerting on the capitalist system, are not removing, nor can they remove the deep-lying causes of the debt crisis and, in particular, leave its structure practically unaltered.³¹ The "debt disease" is thereby not only not being cured but is being driven increasingly inward, portending new upheavals for imperialism.

Nor has the West been able to propose cardinal measures following the series of conferences and meetings in May-June 1984 of bankers, industrialists and politicians on the question of a settlement of the debt crisis, including

discussion of this problem at the regular OECD session and the meeting of the "Seven" in London. Nor was such an important, albeit essentially palliative, proposal as the establishment of a maximum interest rate on the "old" debts adopted, which would have made it possible to eliminate to some extent the impact of the growth of interest rates on the debtors' financial position. Furthermore, all this occurred after the virtual bankruptcy of the seventh biggest American bank--Continental Illinois--and the emergence of serious problems for such a giant as Manufacturers Hanover Trust.³²

What can such "myopia" mean? A reluctance to come to terms with reality, lack of the necessary resources or, perhaps, the fundamental impossibility of taking a step back to the situation on the eve and at the outset of the 1970's, which permitted Western creditors to settle debt crises relatively easily? And is it possible to have a qualitatively different debt structure under the conditions of the attempts being made by imperialism to encourage by various methods, including foreign credit, the development in the emergent states of capitalist production relations?

The answer to these questions is inseparably connected with an elucidation of the nature of the developing world's foreign debt to the West.

On the surface of the phenomena the developing countries' foreign debt appears as a direct consequence of their attraction of loans and credit. But such a credit-monetary interpretation of the debts is incapable of fully revealing the complex cause and effect relations which led to its appearance and surging growth. It is impossible while remaining in the sphere of monetary circulation and credit to understand and explain the emergence (to the detriment of the capitalist creditors) of "critical points" in the debt structure and its conversion into a powerful factor of the destabilization of world capitalism. It was not fortuitous that in analyzing the sphere of capitalist credit K. Marx stipulated specially that legal forms leading to the appearance of obligations of the parties cannot, being only forms, determine the content of the deals, particularly loan deals. They merely express it.³³

In order to evaluate the developing countries' debts from the standpoint of the "development of the production forces and the class struggle" (V.I. Lenin) it is essential, first, to creatively develop (with reference to current conditions, when foreign loans account for three-fourths of the inflow of capital resources into the young states) a most important proposition of Lenin's theory of the export of capital concerning the consequences of exports thereof to the zone of the former colonial periphery: "The export of capital to the countries to which it is being channeled influences the development of capitalism, accelerating it extraordinarily."³⁴ Second, a study of the political economy nature of the developing countries' debt should be based on K. Marx's conclusion concerning the dual nature of capitalist credit, which "accelerates the development of the material production forces and the creation of a world market, the raising of which... to a certain high degree of development constitutes the historical mission of the capitalist mode of production. At the same time credit accelerates violent eruptions... and crises and thereby increases the elements of decomposition of the old mode of production."³⁵

FOOTNOTES

1. "International Credit Policy and the Foreign Policy of States: the Mexican Debt and Payments Crisis," Geneva, 1983, p 28; "Exchange Arrangements and Exchange Restrictions, Annual Report 1983," IMF, Washington, p 39.
2. B. Balassa, "The Problem of the Debt in Developing Countries. Paper Prepared for the Conference on 'The International Monetary System and Economic Recovery'," Turin, 30-31 March 1984, p 1.
3. "External Debt of Developing Countries, 1982 Survey," OECD, Paris, 1982, pp 44-45; EUROMONEY, August 1982, p 21.
4. GOLD STATISTICS AND ANALYSIS, March 1983, pp 9, 69.
5. M. Mendelsohn, "Commercial Banks and the Restructuring of Cross-Border Debt," New York, 1983, pp 23, 24.
6. It is important to note that it is precisely this interpretation of the causes of the debt crisis which predominates among Western economists. It is defended by, inter alia, such prominent scientists in the West as D. Avramovic and W. Cline. It figures in the annual reports of the IMF, World Bank, and BIS and is encountered most frequently in the pronouncements of officials and representatives of business circles of capitalist states. See, for example, W.R. Cline, "International Debt and the Stability of the World Economy," Washington, 1983; D. Avramovic, "The Debt Problem of Developing Countries at the End of 1982" (AUSSENWIRTSCHAFT, vol 1. 1983, pp 65-84).
7. "External Debt of Developing Countries," OECD, Paris, 1982, p 26. The often-published figure of \$626 billion includes other liabilities of the emergent debtor-states.
8. Ibidem.
9. "The Maturity Distribution of International Bank Lending--Second Half of 1982 Developments," BIS, Basle, July 1983, p 4.
10. It is significant that official periodicals, particularly of the IMF, World Bank and OECD, do not, as a rule, show the total sum of the developing countries' foreign debt (including short-term debts). OECD experts, for example, explain this by the fact that the debtors themselves have short-term assets (currency reserves) in Western banks. Whence the conclusion is drawn that such data "dramatize the situation unnecessarily". However, the true reasons why this information is lacking are contained in the endeavor of finance capital, American primarily, to maintain control over the development of events in this sphere (see, for example, INSTITUTIONAL INVESTOR, November 1982, pp 81-84; "IMF Annual Report 1983," Washington, 1983, p 31).

11. THE AMEX BANK REVIEW, 25 October 1982, pp 1, 2.
12. OECD ECONOMIC OUTLOOK, Paris, December 1983, p 126.
13. INSTITUTIONAL INVESTOR, December 1982, p 97.
14. The growth of debts on "floating" interest rate terms is explained by the fact that the private banks could not be reconciled to a situation where the actual rates (nominal minus the rate of inflation) were negative. For this reason the credit agreements determine in advance that the "cost" of the loan will change periodically in accordance with the movement of rates on the West's credit markets.
15. "World Debt Tables: External Debt of Developing Countries," p XIV; "External Debt of Developing Countries," p 33. Short-term debt also is formed on "floating" interest rate terms.
16. "World Bank Annual Report 1982," Washington, 1982, p 25. "LIBOR" is the interbank deposit rate on the London market.
17. TRADE, FINANCE AND THE WORLD ECONOMY, Paris, October 1983, p 4.
18. INSTITUTIONAL INVESTOR, November 1982, p 108; EUROMONEY, November 1982, p 32.
19. BANK FOR INTERNATIONAL SETTLEMENTS. PRESS REVIEW, 31 October 1983, p 4.
20. NEWSWEEK, 24 January 1983, p 18.
21. The meaning of "interim credit" is that a country obtains a loan practically at once for a short term, in the course of which it undertakes to conclude a credit agreement with the IMF within the framework of the "economic stabilization" program.
22. EUROMONEY, February 1983, p 37.
23. See BANK FOR INTERNATIONAL SETTLEMENTS. PRESS REVIEW, 11 May 1983, pp 3-6.
24. IMF Survey, 2 February 1983, pp 49, 50.
25. THE BANKER, November 1983, p 27.
26. As far as the theoretical substantiations put forward by Western specialists are concerned, an evaluation thereof was made by F. Leutweiler, president of the Bank of Switzerland, in one of his speeches: "...our wise heads have seemingly not found the key to a solution of the debt problem. There is no shortage of proposals. But they often preclude one another or their application would have contradictory results" (BANK FOR INTERNATIONAL SETTLEMENTS. PRESS REVIEW, 24 December 1983, p 3).
27. V.I. Lenin, "Complete Works," vol 41, p 354.

28. INTERNATIONAL CURRENCY REVIEW, September 1983, p 74.
29. WORLD FINANCIAL MARKETS. MORGAN GUARANTY TRUST CO., January 1984, pp 1-2.
30. Ibid., February 1983, p 12.
31. Only short-term debt, which as a result of the debt-refinancing operations has declined somewhat, constituting approximately \$102 billion at the end of 1983, constitutes an exception.
32. Only the official intervention of U.S. federal authorities saved the banks from a mass "flight" of investors. See, for example, TIME, 28 May 1984, pp 52-53; 4 June 1984, pp 40-41.
33. See K. Marx, F. Engels, "Collected Works," vol 25, part 1, p 373.
34. V.I. Lenin, "Complete Works," vol 26, p 223; vol 27, p 362.
35. K. Marx, F. Engels, "Collected Works," vol 25, part 1, pp 484-485.

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BULGARIA'S REFORMS: PLANNING ECONOMIC DECENTRALIZATION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10,
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[V. Grebennikov article: "Bulgaria--Ways of Building Developed Socialism"]

[Text] Nine September 1984 was the 40th anniversary of the victory of the armed uprising of the Bulgarian people's masses, which initiated the socialist revolution in the country. This victory was the result of the long class struggle of the working people under the leadership of the Communist Party against capitalism and fascism. It marked the start of a new, socialist stage of the Bulgarian people's national history.

The September uprising was the natural result of the country's socioeconomic and political development. At the same time it represents the creative continuation and development of the process begun by the Great October Socialist Revolution and new confirmation of the general regularities of the revolutionary transition from capitalism to socialism discovered and substantiated by Marxist-Leninist science.

The inspiration, organizer and leader of the uprising was the Bulgarian Communist Party. It developed the strategy and tactics of the struggle, rallied the democratic and antifascist forces under the banner of the Fatherland Front, organized and headed the people's masses and raised them to armed uprising, which conquered under the conditions of the Soviet Army's surging offensive in the Balkans.

II

By the start of the 1970's Bulgaria has become an industrial-agrarian socialist state with a diversified economy, in which Marxism-Leninism had become the predominant world outlook. The 10th Bulgarian Communist Party Congress (1971) ratified the party program. It emphasized that as a result of the successful completion of the transitional period from capitalism to socialism "The Bulgarian People's Republic has embarked on a new stage of development--that of building a developed socialist society." The party's main task became the building of a society of mature socialism.

Bulgaria entered the 1980's possessing considerable industrial potential in terms of the scale of the country and large-scale highly-mechanized agriculture conducted on an intensive basis. In terms of the structure of the economy it has approached the industrial state type.

In 101st place in the world in size of territory and 61st in population, Bulgaria occupies first place in the world in the per capita production of storage-battery trucks and motor cars and calcinated soda and one of the first places in electronics exports. Engineering products constitute approximately 60 percent of total exports. Power generation per capita in 1983 reached 4,762 kilowatt-hours (42 kilowatt-hours in 1939), which was higher than this indicator in such industrially developed countries as Italy and France.

Bulgaria's agriculture is one of the most highly concentrated and specialized in the world. The average wheat and barley yield approaches 50 quintals, and that of corn 60 quintals. In recent years, considering even individual unfavorable years in terms of weather conditions, Bulgaria has been producing annually an average of 1 ton of grain per capita.

The structure of the national economy ensures a flexible response to the demands of the home and international market. The population's living standard is growing constantly on the basis of the economic successes. In 1983 per capita consumption of meat amounted to 69.5 kilos, eggs 225 and milk and dairy products 183.3 liters. There are 87 television receivers, 88 refrigerators and almost 34 automobiles per 100 homes and more than 15 square meters of living space per person.

Bulgaria is among the first countries in the world in terms of the relative number of annual graduates from higher and secondary educational institutions (52 per 10,000 of the population) and also in terms of the number of periodical publications (113.3 copies of newspapers and 6.7 copies of journals), the book collection of the libraries (11 volumes per capita) and the number of books published annually (6.9 volumes).

III

The paths of the continued building of the developed socialist society were substantiated by the 12th Bulgarian Communist Party Congress (1981). Analyzing the processes of the development of real socialism, the party concluded that a considerable length of time would be required, in the course of which it would be essential to create a material-technical base adequate to mature socialism, streamline the basis and superstructure, approach even closer the social homogeneity of society by way of a consistent surmounting of socio-class differences and secure the continued growth of the people's living standard.

Determining the principal socioeconomic task of the Eighth Five-Year Plan, the congress pointed to the need to continue the policy of comprehensive satisfaction of the people's constantly growing material, spiritual and social requirements on the basis of an intensification of the national economy, the consistent application of the new economic approach and its mechanism and a further improvement in socialist social relations.

The development of fixed production capital, the value of which increased from 33 billion lei in 1970 to 77 billion lei in 1980, is contributing primarily to the creation of the material-technical base of mature socialism. Almost 9 billion lei of fixed capital more than in the Sixth Five-Year Plan were commissioned in the Seventh Five-Year Plan alone.

With regard for accumulated experience the Bulgarian Communist Party developed a clear-cut program of the ways and directions of the development of the material-technical base of mature socialism the achievements of the current scientific-technical revolution are to serve as whose basis. The main directions were determined in accordance with this.

First, regarded as a most important strategic direction, this means comprehensive automation. It should be implemented on the basis of the creation of automated systems both in material production and in other social spheres. It is contemplated in the current 5-year plan even embarking on the introduction of flexible automated production systems using electronic and, primarily, microprocessor technology, primarily at facilities of decisive significance for the national economy.

The second direction is comprehensive mechanization making it possible to considerably reduce manual and heavy physical labor and also to increase the extent of the use of available production capital. The third direction is the extensive use of national and foreign progressive experience, which will make it possible to rapidly raise the technical, technological and organizational level of production without big capital investments.

The main direction of the development of the production forces and the decisive condition of the building of mature socialism is, as defined by the 12th Bulgarian Communist Party Congress, the intensification of the national economy. This problem is not a new one for Bulgaria. The task of transition from predominantly extensive to predominantly intensive development was formulated back at the Ninth Bulgarian Communist Party Congress in 1966 and was further elaborated at the 10th and 11th party congresses.

However, despite the results that have been achieved, the transition to predominantly intensive development is not yet, as the documents of the 12th Bulgarian Communist Party observe, complete. In a number of material production sectors product manufacture is growing mainly thanks to an increase in capital investments, raw material and intermediate products, and in some sectors thanks to the enlistment of additional manpower. Extensive factors are, as before, playing a big party in the nonproduction sphere also.

Intensification of the economy has been realized, as a rule, mainly thanks to savings of live labor. It has been possible to achieve a trend toward a reduction in material expenditure per unit product only in the past two 5-year plans. The capital-intensiveness of products has increased, returns on capital have declined. This is the reason for the set task of a universal transition to the predominantly intensive development of the economy and also other spheres of social life. This means the fuller use of all three components of the production process--live labor, the means of labor and the subjects of labor--that is, a reduction in the material- and capital-intensiveness of products.

The accomplishment of this task is connected not only with the accelerated introduction of the latest achievements of scientific-technical progress but also with the fuller use of existing production capacity and the country's material and labor resources, an improvement in product quality and so forth.

Certain new approaches are being employed for the achievement of these goals. They are contributing to the solution of questions of the further development of the national economy. One of them concerns capital investment distribution policy. Until recently the main attention was paid to the modernization and rebuilding of operating capacity. A substantial proportion of capital investments (approximately 70 percent) was spent to this end. It has now been decided for ensuring the more efficient reorganization of the material-technical base to channel the bulk of capital investments into the creation of modern facilities with progressive technology. The question of the concentration and specialization of production, which should be effected with the maximum possible degree of standardization of the manufactured product and technology, has been posed anew.

IV

Control of the national economy under the conditions of intensification is organized on the basis of the use of economic approach and the economic mechanism. The main purpose of this approach is the economic stimulation of production and people's labor assertiveness.

The new approach, given preservation of centralized principles in planning, points toward a growth of the economic independence and initiative of the economic-planning organizations. This is being achieved primarily with the help of changes in the nature of the plan, which will pay the main attention to the substantiation and formation of a long-term economic policy of the state, determination of the rate and proportions of development, stabilization of national balance sheets and to ensuring the necessary conditions for the harmonious development of the national economy.

With the change in the nature of planning there is an appreciable increase in the role of the counterplan. It represents a comprehensive program of indicators of the entire production-economic and social activity of the labor collective providing for fulfillment of approved state quotas and increased efficiency by way of the ascertainment of reserves.

The new method of management predetermined the introduction of new methods of labor organization. Particular attention is being paid to the brigade form, which is evaluated as the main factor of an increase in production efficiency. The new type of brigade is the basic organizational, economic and social component in the reproduction process. It works on the principle of complete financial autonomy and a self-paying nature. The formation of such brigades is evaluated in Bulgaria not only as an economic but also a highly important political task.

The new method of planning is affording the economic planning organizations-producers the possibility of a direct link with the consumers and investing them with the obligation to thoroughly study the demand for their products and sell them with the maximum efficiency. The contract system forms the basis of the ties and mutual relations between economic organizations.

The economic approach is functionally manifested in the economic mechanism. It represents the sum total of rules and norms which determine the activity of the economic organizations and their mutual relations with society and regulate the economic relations between subdivisions of economic bodies and also between them and individual workers. This is achieved via a system of incentives and penalties.

Work on the introduction of the new economic approach and its mechanism is at the initial stage. The first steps have also been taken with respect to application of its basic principles in the nonproduction sphere. Positive results have been achieved, confirmation of which is the successful development of the country's economy in the 1980's.

An exceptionally important problem to which the Bulgarian Communist Party is paying close attention is the quality of the products being produced. "An improvement in quality everywhere," the material of the Bulgarian Communist Party National Party Conference (March 1984), which determined ways of the struggle for quality, emphasize, "is becoming a basic prerequisite of continued dynamic development and the creation of mature socialism in the country." Questions of quality should be tackled with the aid of the new method of management. The economic mechanism must tie in material incentive more closely with quality and the technical level of the product.

The Bulgarian Communist Party's economic policy is wholly and fully subordinate to the accomplishment of the main task--a rise in the people's living standard. Use of the new principles of control of the economy is contributing to the achievement of the fuller interconnection of economic and social policy. The program of a rise in the people's living standard approved by the 12th Bulgarian Communist Party Congress contains a number of new features. In particular, it provides for comprehensive satisfaction of people's requirements and the achievement of an economically substantiated correlation between the growth of the money supply and the volume of material benefits and services. The significance of the wage as the basic source of the population's income is growing, while it itself is being made even more dependent on the quantity and quality of each person's labor and the end results of the activity of the entire collective.

The Bulgarian Communist Party pays particular attention to the establishment of the correct correlation between labor productivity, national income and the social consumption funds. "The purpose of these funds," the 12th Bulgarian Communist Party Congress emphasized, "is not to simulate a consumer attitude in people. Their purpose is to contribute to the fuller solution of the problems of the working man and his family, a rise in the level of his education and qualifications and the organization of more meaningful leisure--everything that makes his labor more productive and efficient for society as a whole and for him personally."

Importance for the development and use of the social consumption funds and also the increased efficiency of local resources is attached to the participation in the formation of the funds of the labor collectives and population locally and the creation of the conditions for the promotion of their initiative.

It is perfectly understandable that in realization of the plans of the building of the developed socialist society a place of paramount importance is assigned an improvement in the political system. This means primarily a strengthening of the people's political unity and their cohesion around the party line and increased political and labor assertiveness. The successes which have been achieved have largely been brought about by the fact that "the harmonious structure of a socialist political system has been firmly established and is functioning successfully and efficiently" in the country, as T. Zhivkov, general secretary of the Bulgarian Communist Party Central Committee and chairman of the Bulgarian State Council, observed.

Paramount significance is attached to an enhancement of the Bulgarian Communist Party's leading role and the strengthening of its interconnection with the Bulgarian Farmers Popular Alliance. Socialist democratism demands an improvement in the work of all state bodies, a strengthening of their ties to the population and control of their activity on the part of the working people and public organizations.

The question "of man's growth at his place of work," that is, of each worker being guaranteed an opportunity for advancement not only along the vertical of the social hierarchy but also "at his level" and of this personal progress being secured both by material reward and various forms of participation in social life, has been posed anew. The search for new and the enrichment of the content of existing forms of the working people's participation in the control of all socioeconomic and political processes, that is, the continued development of socialist democratism, is evaluated as a task of the current period and for the distant long term.

Use of state-social and social-state principles in control of various spheres of the country's social life is regarded as the arterial path of the growth of the state of dictatorship of the proletariat into a state of all the people. The departments operating on this basis combine to a greater or lesser extent the features of a state and simultaneously social elective body.

At the center of the party's attention is an intensification of the role in the political system of the mass public organizations (the Fatherland Front, trade unions, youth union and such). They are assigned the role of public guarantors of the implementation of party policy in this sphere or the other. At the same time, however, measures are being implemented for the further development of economic democracy and the increased initiative and role of the individual and also the labor collective in the organization of economic activity. A set of measures in this field is provided for in a new labor code which is being drawn up, whose basic provisions were approved by the Bulgarian Communist Party Central Committee November (1982) Plenum and have been the subject of nationwide discussion.

In four decades the Bulgarian People's Republic has trodden a path from economic backwardness to all-around progress, from the working people's sociopolitical lack of rights to developed forms of socialist democracy and from international isolation to active participation in international life.

Everything that the country has achieved is the fruit of the labor of the people, the scientifically substantiated policy of the Bulgarian Communist Party, Bulgaria's close interaction with the socialist community states and all-around cooperation and rapprochement with the USSR. The CEMA countries account for more than 75 percent of Bulgaria's foreign trade exchange, including the Soviet Union's 57 percent. A harmonious system of cooperation with the fraternal countries making it possible to make efficient use of the achievements of scientific-technical progress and tackle questions of the intensive development of Bulgaria's national economy has been created.

The country's foreign policy is determined by the socialist nature of Bulgarian society. Its main task is securing the most favorable conditions for building the developed socialist society and struggle to avert thermonuclear catastrophe and for the triumph of the cause of peace and social progress. The unshakable basis of this policy is concerted actions with the USSR and the other fraternal socialist countries.

Socialist Bulgaria is pursuing an invariable policy of good-neighborliness and the all-around development of relations in the Balkans. Political, economic and cultural cooperation with neighboring states is expanding from year to year. Bulgaria consistently advocates the conversion of this part of Europe into a nuclear-free zone.

Bulgaria greeted its 40th anniversary in an atmosphere of creative quest, confidence and optimism. Soviet people rejoice in the achievements of the fraternal Bulgarian people in socialist building. Bulgaria consistently pursues the concerted policy of the fraternal countries, is contributing to the strengthening of their common economic and defense might, is extending cooperation with them both on a bilateral basis and within the framework of the collective organizations--the Warsaw Pact and CEMA--and is ensuring realization of the decisions adopted by the top-level economic conference of CEMA countries.

The Bulgarian Communist Party's economic strategy is based, through the consistent use of all intrinsic potential of the national economy, on deepening socialist integration, assimilating in close cooperation with the fraternal countries the highest scientific-technical achievements in all spheres, raising on this basis the people's material and cultural living standard and contributing to the strengthening of the socialist community's defense potential.

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REVIEW OF CURRENT WORLD POLITICAL ISSUES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, Oct 84
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[B. Babak, V. Vladimirov review: "Current Problems of World Politics"]

[Text] The planet's political pulse has been beating in a tense rhythm in recent months. This period has been packed with complex, contradictory events. The course thereof was determined by the confrontation of the two lines and two diametrically opposite trends in international life. On the one hand the persistent struggle of the USSR and the other socialist states to ward off the threat of thermonuclear war which is hanging over mankind, curb the arms race and develop friendship and equal cooperation between the peoples, which enjoys the support of all peace-loving forces. On the other, the policy of the most aggressive imperialist circles headed by the United States, which aspire with the aid of force to restore lost positions in the world and achieve "social revenge". The election platform adopted at the Republican Party Convention in August again confirmed that Washington, as K.U. Chernenko, general secretary of the CPSU Central Committee and chairman of the USSR Supreme Soviet Presidium, put it, "is now talking about a 'crusade' not only against socialism but in fact against the whole world."

In this situation the unity and cohesion of the socialist states and the concerted nature of their actions aimed at imparting new impetus to the struggle for recuperation of the atmosphere in the world, continuation of the policy of relaxation of tension and consolidation of the principles of the peaceful coexistence of states with different social systems is more important than ever.

1. On the Path of Peace and Progress

A most important political event of the past summer was the top-level economic conference of CEMA countries in Moscow. It was a major landmark in the life of the fraternal socialist countries and the strengthening of unity and interaction on the path of the accomplishment of the tasks confronting them in the interests of an upsurge in the well-being of the peoples of the socialist community and a rise in the economic power of the states incorporated therein. The time of the convening of the conference almost coincided with two other significant dates in the life of the community of fraternal states--the 35th anniversary of its creation (the first, constituent, CEMA session was held in April 1949) and the 15th anniversary of the CEMA countries' proclamation of a

policy of the development of socialist economic integration--the 23d (Special) Session in April 1969.

In the 35 years of CEMA's existence its participants have scored considerable successes in the development of the economy and demonstrated the indisputable advantages of the socialist method of managing the economy. This is graphically expressed in the growth rate of national income and industrial production. From 1950 through 1983 the national income of the CEMA countries increased by a factor of 8.6, while industrial production increased fourteenfold, whereas in the developed capitalist countries the corresponding indicators grew in the same period by factors of merely 3.4 and 3.8. The community, with approximately one-tenth of the world population, now accounts for roughly one-third of the industrial products produced in the world, one-fourth of the national income which is created and one-fifth of the agricultural product.

The dynamic development of the socialist states' economy serves as the basis of the rise in the living standard of their population and the fuller satisfaction of the working people's constantly growing material and spiritual requirements. Real income per capita has increased almost five-fold since the start of the 1950's. The rapid growth of well-being is particularly impressive against the background of the decline in the real purchasing power of the working people's wages and the reduction in state social spending in the capitalist world and the sharp increase in the stratum of the population which even according to official estimates is living below the poverty threshold. But it is not only, of course, a question of economic indicators. "Socialism," K.U. Chernenko emphasized, "is demonstrating in practice that it is a society of genuine equality and progress..., a society where the interests of the working class and the people of labor have been given pride of place."

The results of the development of the socialist community countries refute as convincingly as can be the fabrications of bourgeois propaganda, which, speculating on the difficulties and problems of socialist building which are sometimes encountered, is shouting about the alleged "crisis of the planned economy," the "futility" of socialist economic integration, the "nonviability" of CEMA and so forth. Evaluating the results achieved by CEMA in the period that has elapsed since the preceding top-level meeting, which adopted the policy of socialist economic integration, K.U. Chernenko declared in his speech to the conferees in the Kremlin: "It may rightly be said today that this policy has fully justified itself. Our community has strengthened and grown. CEMA's international authority has increased. Its positive impact on the economic life of each fraternal country has increased."

The successes which have been scored give the CEMA countries confidence in their powers. They have everything necessary for a further expansion of their cooperation and the successful accomplishment of the tasks confronting them. The main tasks here are acceleration of the transition of the economy to an intensive path of development, increased efficiency of the use of the resources at their disposal, an improvement in the quality of the manufactured product and acceleration of the process of equalization of the economic development levels of the CEMA states, primarily the pulling up of the economies of Vietnam, Cuba and Mongolia to the level of the European socialist CEMA countries.

The conference of leaders of the communist and workers parties and heads of government of the CEMA countries comprehensively discussed the most important questions of the current stage and the prospects of the fraternal countries' economic development and mutual cooperation and set large-scale tasks in this sphere. Two documents were formulated and adopted in the course of the forum's work: "Statement on the Basic Directions of the Further Development and Deepening of the CEMA Countries' Economic and Scientific-Technical Cooperation" and the CEMA Declaration "The Preservation of Peace and International Economic Cooperation".

The adopted statement observes, inter alia, that the experience of the CEMA countries' development has fully confirmed "the soundness and timeliness of the collectively formulated policy of a deepening of cooperation and the development of socialist economic integration, which have become an important factor of the all-around progress of each fraternal country and the rapprochement of their economic development levels." The plan-oriented development of the national economy and the joint labor of the CEMA participants, the document emphasizes, has made it possible in many spheres to appreciably ease the impact on their economies of the economic crisis which has erupted in the capitalist world and made it easier for the CEMA countries to counteract the aggressive policy of imperialist circles and the attempts of the United States and some of its allies to pursue a policy of economic pressure and discrimination in respect of the socialist countries.

The statement emphasizes that the leaders of the CEMA countries deem it necessary to continue to consistently develop economic cooperation with the other socialist states which are not a part of this organization, proceeding from the important role which such cooperation performs in strengthening socialism's positions in the world. The document expresses a readiness to develop economic and scientific-technical relations with all countries based on mutual benefit, equality, noninterference in internal affairs and respect for international commitments.

The conference paid considerable attention to an analysis of the current international situation. The international tension which has arisen through the fault of imperialism, its aggressive aspirations and the disorders in the world capitalist economy cannot fail to have a negative impact on the entire political and economic situation in the world, in the CEMA countries included. The leaders of the fraternal states emphasize in the declaration that they "consider it their duty to draw the attention of peoples of the world and governments to the need for urgent measures to ensure the normal development of international political and economic relations in the name of the consolidation of peace in the world and the progress of mankind." It points to the need for a search for constructive ways of developing stable international political and economic relations given consideration of the existing realities in the world and the interests of all countries and expresses the firm conviction of the socialist states' top leaders that no world problems, including the historical dispute between socialism and capitalism, can be solved militarily. True to the principles of peaceful coexistence, the leaders of the communist and workers parties and the heads of state and government of the CEMA countries "advocate the establishment of mutually profitable relations between CEMA and the

economic organizations of the developed capitalist and developing states. In this connection they confirm their readiness to conclude corresponding agreements between CEMA and the EEC."

The socialist community countries support the developing states' progressive demands in their struggle for economic decolonization and to secure complete sovereignty in respect of their natural and other resources. They, the declaration emphasizes, "will continue to render states which have gained their freedom and independence as much economic and technical assistance as possible in their efforts to develop the national economy."

Examining the results of the conference, the CPSU Central Committee Politburo observed that they mark a new stage in the development of relations between the fraternal parties and countries of CEMA, which have taken a big step forward in the coordination of economic policy and the development of socialist economic integration for the long term.

The results of the conference caused widespread repercussions throughout the world. The socialist countries' mass media and the democratic press of the developed capitalist and developing states greeted the published documents with approval. Even the West's bourgeois press was forced to acknowledge the importance of the decisions adopted in Moscow. "CEMA," London's FINANCIAL TIMES wrote, "confirmed its aspiration to develop economic relations with the capitalist world. Having declared a readiness to conclude a corresponding agreement with the EEC, the Moscow conferees emphasized that they would pursue a scrupulous policy of the development of trade-economic relations with all countries based on mutual benefit, equality, noninterference in one another's internal affairs and respect for international commitments."

Currently work is unfolding in the fraternal countries on the basis of the conference's decision on the determination of a set of measures aimed at realization of the adopted decisions. Particular attention is being paid to questions of the precise coordination of the plans being drawn up for the future 5-year plan for the purpose of the more efficient use of the economic potential which has already been created, introduction of the achievements of the scientific-technical revolution and a rise in product quality.

There were significant events in the life of the socialist world in recent months. On 22 July the Polish people and, together with them, their friends commemorated the 40th anniversary of the country's birth. The celebrations in Poland's cities and villages became a festival of the entire socialist community, of which Poland is an inalienable part. As W. Jaruzelski, first secretary of the Polish United Workers Party [PZPR] Central Committee and chairman of the Polish Council of Ministers, observed, "the 40th anniversary imparts to our party, the working class and the people new impetus. The Polish People's Republic greets it as a socialist state which, following difficult trials, is now again continuing with resolute stride under the leadership of the PZPR the march toward a better future."

In 40 years the country has become a developed industrial-agrarian state. The industrial product has grown more than 40-fold compared with 1946. Agriculture is producing four times more than at the start of people's Poland's existence.

The social structure of society has changed fundamentally, and the numbers of the working class in industry and construction have increased more than fourfold. The economic changes have been accompanied by profound transformations in the population's living conditions, education, culture and morality. Socialism has guaranteed Poland's working people broad civil democratic rights, created a developed social security system and afforded big opportunities for participation in management at all levels, from the individual enterprise through the state as a whole. This summer elections to the people's councils were held in Poland, as a result of which over 100,000 citizens were elected to local organs of power.

Considering the progress in the country's political and economic stabilization, the PZPR together with the Democratic Party and the United Peasant Party and also other institutions of the patriotic national recovery movement is advocating next year elections to the country's sejm.

However, imperialist circles headed by the United States have not yet abandoned attempts to interfere in the Polish people's internal affairs. Political persecution, economic "sanctions" leading to big losses in the country's economy and psychological warfare are continuing. In its struggle against these imperialist intrigues people's Poland relies on the assistance and support of the socialist countries and the joint power of the whole community. "We attach particular significance," W. Jaruzelski observed, "to long-term, all-around cooperation with the Soviet Union, the strong basis of which is the recently signed 'Long-Term Program of the Development of Economic and Scientific-Technical Cooperation Between the USSR and Poland for the Period up to the Year 2000'." As the greetings telegram of the CPSU Central Committee, USSR Supreme Soviet Presidium and USSR Council of Ministers on the Polish people's national holiday observed, "the indestructible Soviet-Polish alliance, reinforced by the Friendship, Cooperation and Mutual Assistance Treaty Between the USSR and Poland, has joined the two fraternal peoples forever. The strength and value of this alliance lie in the fact that it corresponds fully to the fundamental interests of the Soviet Union and Poland and is based on the community of historical destiny of the two peoples, unity of ideology and political goals of the CPSU and the PZPR and on the principles of Marxism-Leninism and socialist internationalism."

The Romanian people celebrated the 40th anniversary of people's power on 23 August. Relying on the all-around assistance of the USSR and the other fraternal countries, Romania has come a long way in a short time and scored considerable successes in socioeconomic and cultural development. A country which in the not-too-distant past was a backward agrarian land has become a socialist state with a diversified developing economy. Romania currently produces 53 times more industrial output than in 1938. The agricultural product has grown almost fourfold in the same period. In 1983 the cereals' yield amounted to 20 million tons compared with 5.1 million tons in 1950.

The visit to the USSR at the start of June by N. Ceausescu, general secretary of the Romanian Communist Party and president of Romania, was of great significance for the further development and strengthening of relations between the two countries. The basic directions of the continued development and

deepening of relations between the CPSU and the Romanian Communist Party and the USSR and Romania were discussed during the talks with Soviet leaders. The importance of the Friendship, Cooperation and Mutual Assistance Treaty between the USSR and Romania of 7 July 1970 and the Soviet-Romanian joint statement of 24 November 1976 was noted in this connection. The parties expressed a resolve to continue to exert constant effort to strengthen allied relations, expand all-around mutual profitable economic and scientific-technical cooperation and improve its forms and methods and confirmed their endeavor to stimulate relations in the political, ideological, cultural and other spheres. As K.U. Chernenko observed, the Soviet side will do "everything to ensure that relations of friendship and all-around cooperation and the allied ties between our parties, countries and peoples strengthen and develop on the basis of the permanent principles of Marxism-Leninism and socialist internationalism for the good of socialism and the cause of peace."

On 29 August Czechoslovakia commemorated the 40th anniversary of the Slovak national uprising, a major antifascist demonstration in Europe during World War II. It initiated a new historical era in the national and state life of the Czechoslovak people and lent impetus to the popular-democratic revolution in the country, the logical result of which was the building of socialism. Today socialist Czechoslovakia is a strong link in the community of fraternal countries, which are united by the ideals of peace and communism.

In past decades the Czechoslovak people have under the leadership of the Communist Party scored considerable successes in all walks of life. The republic is making an impressive contribution to the strengthening of the unity and cohesion of the fraternal countries and actively cooperating with the other socialist states within the CEMA and Warsaw Pact framework. The CSSR consistently advocates the removal of the threat of nuclear war and is emphatically rebuffing the intrigues of international imperialism.

The celebrations devoted to the glorious anniversary were attended by a Soviet party-government delegation headed by Marshal of the Soviet Union D.F. Ustinov, member of the CPSU Central Committee Politburo and USSR defense minister. Addressing a ceremonial meeting in Banska-Bistrica, which was the center of the uprising, D.F. Ustinov observed that "born in the fire of the fighting at the Dukla pass, the slogan 'With the Soviet Union for Always!' became the banner of the unity of the Soviet and Czechoslovak peoples. It expressed their cherished aspirations and mutual longing for great and indestructible friendship."

The cooperation of the fraternal countries and parties is of a multifaceted nature. The latest conference of secretaries of the central committees of the communist and workers parties of socialist countries for international and ideological issues was held 11-12 July in Prague. The conferees exchanged opinions on urgent problems of the current world situation and ideological work. They supported a strengthening of the solidarity and interaction of all communist and workers parties and expressed a readiness for active political dialogue and cooperation with the socialist and social democratic parties and various sociopolitical forces in the ranks of the antiwar, antimissile movement in the interests of a search for ways toward a constructive solution of the acute problems of war and peace.

As the last summer confirmed, the Chinese leadership's foreign policy course continues to be built on a basis of increasingly expanding relations with the imperialist states, in the military sphere included. At the start of the summer PRC Defense Minister (Chzhao Aypin) concluded a 12-day visit to the United States, which marks a new stage in the strengthening of Chinese-American relations. Since U.S. Defense Secretary C. Weinberger's visit to China in September 1983, this was the fifth Beijing military delegation to have visited the United States. During the visit the Chinese minister toured a number of the biggest U.S. military industry enterprises and displayed particular interest in questions of the "joint production" of certain modern arms systems.

On 12 June President R. Regan signed a decision which gives China the right to enjoy the privileges provided for countries subscribing to the American program for the sale of military equipment to foreign states. This makes the PRC a permanent client on the American arms market. According to reports of the weekly FAR EASTERN ECONOMIC REVIEW, the Pentagon has promised to make available to China electronic equipment for modernization of the F-8 interceptor, which has been designed in the PRC, and to train Chinese pilots at its bases in the United States in handling the latest electronic equipment. At the end of the visit Washington announced that "agreement in principle" had been reached on the sale to China of American antitank and air-defense systems.

In June Zhao Ziyang, premier of the PRC State Council, made an official visit to France, Belgium, Denmark, Sweden, Norway, Italy and the EEC headquarters. A number of agreements were signed during the visit designed to stimulate an influx of foreign capital into the PRC economy. An accord was arrived at in Brussels on the elaboration of a Chinese-Belgium agreement on cooperation in the sphere of nuclear power engineering, which opens the way to Belgium's participation in the construction of a nuclear power station in China.

Beijing's commodity turnover with the West European countries is growing constantly. In 1983 it had increased 21 percent compared with the preceding year and amounted to approximately \$7 billion. The West European countries now account for over 15 percent of the PRC's foreign trade turnover. During the visit Zhao Ziyang called on the EEC countries to display an even more "assertive and flexible" approach to their economic cooperation with China.

Zhao Ziyang's visit to West Europe was one of numerous steps by the Beijing leadership aimed at the further stimulation of the "open doors" policy, which, as the Chinese press claims, is a "most important strategic goal and the official policy of the Chinese economy's development in the course of realization of the 'four modernizations'." It is claimed that without implementation of this policy it will be impossible to overcome the gap between China and the developed states in the economic and technical respects. So-called "special economic zones" have been created in the country within the "open doors" policy framework in which it is mainly foreign capital which is employed, the product which is produced is intended mainly for export and the entire activity therein is organized on the principles of market regulation, and foreign businessmen enjoy tax and other privileges. This year the PRC State Council accorded 14 coastal cities spread all along the country's coastline "extended rights in

exercising foreign economic activity". Joint ventures will be set up here based on Chinese and foreign capital. The privileges which are being granted are designed to contribute to the Western powers' interest in participating in the development of relations with China.

Advertising the benefits of the "open doors" policy, the Chinese press reported that by the start of 1984 the PRC had attracted altogether \$15 billion of foreign investments. At the same time, however, it was forced to acknowledge the negative consequences of foreign capital's growing penetration of the country's economy. "Together with fresh air the open doors policy has also brought spiritual pollution, which has spread in the cultural sphere and the intellectual sphere," the newspaper (YANCHEN VAN'BAO) wrote.

In pursuing a policy of the expansion and consolidation of diverse relations with Western countries Beijing is simultaneously intensifying the hostility of its policy in respect of the USSR, Vietnam, Kampuchea and other socialist countries. The anti-Soviet thrust of publications in the Chinese press has increased markedly recently. Practically all the main aspects of the Soviet Union's international activity are subject to crude attacks. Under the cover of the so-called "theory of the struggle against the hegemonism of the superpowers" attempts are being made to drag up the proposition concerning the "predominant responsibility" of the USSR for the growth of international tension, in Asia and the Far East included, and to blame the Soviet Union for the fact that it is allegedly erecting obstacles in the way of a normalization of Sino-Soviet relations.

The situation on the Sino-Vietnamese border deteriorated sharply in the summer months. Military units and subunits of the Chinese Army repeatedly invaded Vietnamese territory, and PRC artillery inflicted concentrated strikes against centers of population of Vietnam. In the period April-July Chinese artillery unleashed more than 230,000 various-caliber shells against Vietnam. The number of casualties is calculated in the hundreds, and considerable material damage was caused. Espionage and sabotage groups are being sent into Vietnamese territory.

Beijing's interference in Afghan affairs also is broadening. It is not only supplying the Afghan rebels with weapons and ammunition but also making its territory available to them as training bases of the counterrevolution. According to press agency data, three camps of Afghan rebels have been transferred from Pakistan to the Sinkiang-Uighur Autonomous Region of the PRC, where they will be taught how to handle modern weapons obtained from the United States.

With its anti-Soviet, anti-Vietnamese and anti-Afghan activity Beijing is demonstrating to the West its loyalty and dependability as a political partner whose policy of broadening relations with imperialist countries should not be doubted in Washington, Tokyo or in the West European capitals.

2. Conscious of the Responsibility for the Fate of Mankind

True to V.I. Lenin's behests, the CPSU and the Soviet state are struggling constantly for the preservation and consolidation of peace, the curbing and turning back of the arms race and the prevention thereof in the new areas where

this is feasible. The new peace-loving proposals which our country has advanced recently and also other foreign policy actions carried out in the recent past have been an important contribution to this struggle.

"Our highest interest," K.U. Chernenko observed, "is to achieve a winding down of the arms race, primarily, of course, nuclear. We are prepared to travel our part of the way, as far as the complete liquidation of weapons of mass destruction, if the other side occupies a constructive position and accepts the principle of equality and equal security." However, the other side, primarily Washington, is not revealing such readiness.

Having in practice blocked the nuclear arms limitation and reduction process and begun the deployment of new first-strike nuclear missiles in West Europe, the United States is now endeavoring to turn space into an arena of the arms race also. The political intentions and, what is most important, the practical actions of U.S. ruling circles are aimed, as practice shows, at a further dangerous spurring of international tension.

The problem of preventing an arms race in space has occupied a special place in recent world politics. And because such a race, were it to develop, would entail an unprecedented threat to all mankind and each people and an unprecedented waste of material resources and would roll back most seriously the possibilities of reaching agreements on arms limitation and reduction. And because now, when the deployment of weapons in circumterrestrial orbit has yet to begin, there is a real prospect of this most dangerous direction in the development of military equipment not being opened and of the renunciation altogether, wholly and fully, ab initio of the creation and deployment of space arms. Finally, also because time, as they say, is "pressing": if the appropriate accords are not reached in the immediate future, the opportunities which exist currently may be lost for a long time, if not altogether.

Our country has been guided by an understanding of these realities when formulating its position on this question. The USSR's proposals were set forth fully and cogently in K.U. Chernenko's replies to questions of the American journalist G. Kingsberry-Smith, which were published on 12 June, and also in a subsequent Soviet Government statement.

The USSR deems it essential to adopt urgent measures to prevent the militarization of space and reliably seal off all channels thereof without exception. "In the practical plane this means," the statement pointed out, "that no weapons of any kind--conventional, laser, nuclear, beam or any other--on manned or unmanned systems--may be put into space and deployed there. Space weapons of any type of basing must not be created, tested or deployed either for antimissile defense or as antisatellite weapons or for use against targets on the ground or in the air. Such weapons which have already been built must be destroyed."

The Soviet Government proposed that the U.S. Administration also embark on negotiations within the framework of which the question of a reciprocal and complete renunciation of antisatellite systems should be resolved. It was proposed that the negotiations begin in Vienna this September at special delegation level.

However, in response to the clear proposal of the USSR Washington, as has been the case repeatedly prior to this, occupied a negative position, taking the path of the advancement of prior conditions. The U.S. Administration departed from such an important component of the Soviet proposal as the establishment as of the opening of negotiations of a mutual moratorium on the testing and deployment of space attack weapons. In other words, having broken off the nuclear arms negotiations, the U.S. Administration would at the same time like to bring the negotiations on preventing the militarization of space to a standstill and use them to cover the program of the militarization of space, which is proceeding apace.

We would recall that the U.S. President's directive of 4 July 1982 concerning the new policy in the study and use of space sanctioned the United States' military preparations in this sphere. It is significant that on the very day that the Soviet Government statement was issued an article appeared in the LOS ANGELES TIMES by Defense Secretary C. Weinberger which openly acknowledged that the Pentagon "budget provides for appropriations for scientific research into a study of ways of increasing restraint by means of the creation of an effective ABM system." As is known, Reagan and his political and military advisers, including retired Air Force general, D. Graham, whose research and lobby organization, High Frontier, is financed by supporters of the President, are possessed by the idea of a so-called "space ABM". According to a report of the London journal NEW STATESMAN, Graham's proposal for the creation of a network of more than 400 new American ABM satellites has become a version of a program which in the coming years will cost \$26 billion (on R&D alone--Ed.). It is proposed implementing it within the framework of the so-called "strategic defense initiative" (the name which the Pentagon has given the "star wars" concept.).

Thus the same obstructionist policy which earlier led to the breakdown of the Geneva negotiations can also be discerned perfectly clearly in Washington's position here also: an attempt primarily to change the very subject of the negotiations. Instead of agreeing to discuss the question of the banning precisely of space weapons, the United States at first insisted on examination at these negotiations of questions concerning nuclear arms in general and later consented to talk about ...the militarization of space.

The American side's approach, K.U. Chernenko was forced to observe, the problem of space and, correspondingly, to the goals of the negotiations has been directly opposite to our country's approach. Yet again, unfortunately. Even holding negotiations becomes pointless under these conditions. The Soviet Union, however, is not losing hope that an understanding of the need for the adoption of energetic and immediate joint measures to prevent the militarization of space will, nonetheless, ultimately prevail in U.S. ruling circles.

A considerable part in the solution of the problem of limiting nuclear arms and preventing nuclear war could be played by realization of the Soviet proposal that relations between the nuclear powers be made subject to certain, mutually agreed obligatory rules. There is a particular significance in this plane in meetings of leaders of the nuclear powers, at which the parties exchange opinions on the most urgent problems of nuclear security.

Talks were held in the latter half of June in Moscow between K.U. Chernenko and F. Mitterrand, president of the French Republic, who was in the Soviet Union on an official visit. Cardinal problems of the present situation in the world were at the center of the exchange of opinions. Despite differences of view concerning the causes of the deterioration in the world situation, the USSR and France feel a common concern and agree that its further exacerbation must be prevented. Both sides attach much importance to prevention of the arms race being transferred to space and advocate an immediate start on negotiations for the formulation of the appropriate accords.

The leaders of the USSR and France noted the usefulness of the mechanism of political consultations in relations between the two countries and expressed a readiness to continue them on a regular basis in accordance with the Soviet-French protocol of 1970. As K.U. Chernenko observed, "bilateral cooperation is helping both states solve many problems in the sphere of the economy, science and technology and exchange cultural achievements." Despite the complicated international situation and the considerable difficulties, trade-economic relations between the two countries in the 1980's are developing in line of ascent. In the past 3 years commodity turnover between them has amounted to almost R15.7 billion, which is 70 percent more than the bilateral trade volume in the preceding 5 years. A number of new contracts has been signed and previous agreements have been realized successfully recently.

The Moscow negotiations elicited widespread comment abroad. The mass media noted that despite certain differences on a number of important international issues, the meeting of the leaders of the two countries was useful. "The 'political will' to continue and develop relations between the two countries which was confirmed by both parties," L'HUMANITE wrote, "is a fact of considerable importance which should not be underestimated in the present tense atmosphere contributing to the nuclear arms race."

G. Howe, secretary for foreign and commonwealth affairs of Great Britain, visited the Soviet Union at the start of July. Certain urgent international problems and questions of Soviet-British relations were discussed in the course of his visit and talks in Moscow.

Speaking at a luncheon in honor of G. Howe, A.A. Gromyko, member of the CPSU Central Committee Politburo, first deputy chairman of the USSR Council of Ministers and USSR foreign minister, pointed, inter alia, to Great Britain's responsibility for the deployment of the new American nuclear missiles in West Europe, which had led to a growth of the military threat.

"The vital interests of the European--and not only European--peoples demand a solution of the problem of nuclear arms in Europe," he declared. "We call for a break in the vicious circle of the arms race. Britain could do something useful here." The membership of the USSR and Great Britain in certain groupings of states and their allied commitments, he emphasized, not only do not preclude but, on the contrary, presuppose the need for their joint or parallel efforts in preventing the danger of a nuclear war.

For his part, G. Howe reiterated NATO's position, which is well known from the decisions of the Washington session of the leaders of these countries, which does not contribute to a resumption of negotiations and an improvement in the international situation. He also justified Washington's obstructionist approach to the Soviet proposal concerning Soviet-American negotiations on preventing the militarization of space.

In the course of the negotiations both sides expressed interest in an improvement in bilateral relations and the continuation of political dialogue. The Soviet Union, K.U. Chernenko emphasized, is ready to contribute to the development of bilateral relations with Britain on the basis of mutual benefit, equality and noninterference in internal affairs in the interests of the peoples of both countries and peace in Europe and throughout the world.

The settlement of regional conflicts, which are fraught with the danger of their escalating to a global scale, is important for the removal of the threat of a new world war and the preservation of universal peace. At the end of July the Soviet Union presented an initiative for a settlement of the long-standing Near East conflict, which pursues the goal of stimulating the struggle for the removal of this dangerous center of international tension and the establishment of lasting peace in the region, which is situated at the junction of three continents: Europe, Asia and Africa.

Proceeding from the interests of the peoples of the region and the goals of ensuring the USSR's international security, the USSR proposes the following:

strict observance of the principle of the impermissibility of the seizure of others' land by way of aggression. Israel must return to the Arabs all the territory captured in 1967--the Golan Heights, the West Bank of the Jordan and the Gaza Strip--and Lebanese land. The settlements which Israel has built on the captured territory must be done away with.

A guarantee of the Palestinian people's inalienable right to self-determination and the creation of their own state on Palestinian land, which will have been liberated from Israeli occupation. The Palestinian refugees must be afforded the opportunity, provided for by UN decisions, to return to their native parts or receive the appropriate compensation for the property they left behind.

East Jerusalem, which was occupied by Israel in 1967, must be returned to the Arabs and become an inalienable part of the Palestinian state. Freedom of access to the places of worship of the three religions must be guaranteed throughout Jerusalem.

A real guarantee of the rights of all states of the region to secure an independent existence and development, given, of course, observance of complete reciprocity.

An end to the state of war and the establishment of peace between the Arab countries and Israel. All parties to the conflict, including Israel and a Palestinian state, must undertake to mutually respect one another's sovereignty, independence and territorial integrity and resolve disputes which have arisen between them by peaceful means.

International guarantees of a settlement should be formulated and adopted--the permanent members of the UN Security Council or the Security Council as a whole, for example, could assume the role of guarantor. The Soviet Union is ready to participate in such guarantees.

The Soviet document proposes as a mechanism for the solution of the complex problems of a Near East settlement the convening of a special international conference on the Near East. All Arab states with a common border with Israel--Syria, Jordan, Egypt and Lebanon--Israel itself and also the PLO as sole legitimate representative of the Palestinian people should participate. The USSR and the United States, as states by virtue of evolved circumstances which play an important part in Near East affairs and which are the cochairmen of the preceding Near East conference, should also be conferees. Certain other states capable of making a positive contribution to a solution of the Near East problem could take part in the conference given general consent.

The Soviet Union's proposals fully take account of the principles of a settlement of the Near East conflict formulated by the Fez meeting of heads of Arab states and governments in September 1982. They concur with the well-known UN resolutions on the Near East, which confirm the Palestinian people's right to self-determination and the creation of their own sovereign state.

The new Soviet proposals were recieved with approval by the overwhelming majority of states of the region and the world's peace-loving forces. Arab League General Secretary C. Klibi emphasized that the Soviet initiative is based on a "profound understanding of the Palestinian problem and respect for UN resolutions." However, Tel Aviv and Washington opposed the Soviet proposal concerning the convening of a Near East peace conference. "Contrary to commonsense," a Radio Damascus commentary points out, "Washington and Tel Aviv are doing everything to frustrate the efforts aimed at the achievement of a just and lasting settlement in the region and boycotting the idea of the convening of an international conference under the aegis of the United Nations."

In the Near East, as in practically all other parts of the world, on major present-day political questions on whose solution the fate of peace depends the U.S. Administration is guided merely by its own great-power ambitions, proceeds from inflated notions concerning the role and place of the United States in present-day international relations and is openly proclaiming and attempting to implement its "right" to act with the aid of crude military force. The world, however, has changed radically. The problems therein cannot be solved by force, K.U. Chernenko emphasized. And capitalism's powers are far from being what imperialist reactionaries of all stripes would like them to be.

3. In the Grip of Contradictions

Last summer brought the leading capitalist countries new economic and social upheavals, forcing their leaders to display a political activeness unprecedented for that time of year. Recent months have abounded more than ever before in top-level meetings convened if not to do away with, at least to take the edge off capitalism's growing contradictions in the face of the increasingly great public dissatisfaction and disenchantment with the existing economic and political institutions. Attempting to leave the "painful" spots in the economy

alone, the leaders of Western countries are increasingly often turning the top-level meetings into prerehearsed performances designed to demonstrate the leading capitalist powers' "solidarity".

The 10th economic summit in London held 7-9 July with the participation of the United States, Britain, France, the FRG, Italy, Canada and Japan was just such a performance. As the Paris newspaper LES ECHOS observed prior to the start of the conference, the leaders of the Seven will "of necessity be restrained in statements concerning what is troubling them most." And although formally the leaders of the leading Western countries gathered to discuss the situation in the world capitalist economy, primarily in the financial and banking system, which "risks being undermined by crisis and debt," political problems held the main attention at the meeting. Whereas the participants in the preceding meeting in Williamsburg adopted just one political declaration, in London there were four declarations: on democratic values and ideals; East-West relations; arms control; and international terrorism and also a statement on the Iran-Iraq war. As far as economic issues are concerned, the 17-point declaration adopted on the basis of the discussion thereof is of a very contradictory nature and sustained in a propaganda spirit.

The problem of the United States's colossal budget deficit, which is one of the most acute for the world capitalist economy, pushing up interest rates, was set forth in highly glib wording composed manifestly with regard for Washington's position: "To continue to pursue and, if necessary, intensify the policy of reducing inflation and lowering interest rates, controlling the money supply where this is necessary and reducing budget deficits." If it is considered that the White House is denying the obvious--the greater the federal budget deficit caused by unprecedented militarist spending, the more costly the bank loans--this passage of the economic declaration is for it essentially entirely nonbinding.

The United States' handwriting also showed through in the exposition of the problems of international debt, which hangs over capitalism's banking system like a Damocles' sword. The essence of the matter is that Western, primarily American, transnational bankers have entangled the developing countries in loans at usurious rates of interest which the latter are not in a position to pay off.

On the eve of the London meeting leaders of Latin American countries, which account for approximately \$350 billion of the developing states' more than \$800 billion debt, appealed to the leaders of the Seven to adopt measures to alleviate the debt burden and improve trade conditions. The conferees remained deaf to this appeal. They confirmed the West's previous policy in respect of debt payments. This means that, as in the past, the question of financial and other assistance to the developing states will be examined "in each individual case" and depending on whether this country or the other agrees to abide by IMF recommendations. In other words, with the help of the IMF, whose policy is determined mainly by the American monopolies, the Western powers intend to continue to twist one by one the arms of the countries which are forced to turn to it for assistance.

Judging by the Western press comments, the leaders of the Seven were also unsuccessful in getting Washington to abandon the policy of financing the American economy at the expense of its partners with the aid of artificially overstated discount rates. At the end of June Washington announced a new action, which the West European press called a "slap in the face" for the leaders of the EEC countries" a rise in the discount rate to 13 percent.

Yet another set of contradictions between the United States and its allies was engendered by Washington's endeavor to put their trade with the socialist countries under strict control. An increasingly large number of people in the West are beginning to understand what a blow Reagan struck at his partners at the "Big Seven" meeting in London in getting their consent in principle to a lengthening of the "banned commodities" list. In accordance with Washington's demand, in the wake of the Belgian (Pegar) firm the British Plessey and General Electric companies and the Swedish Eriksson concern were forced to cancel their requests to supply equipment to the socialist countries. Washington is now putting pressure on a number of French and West German firms for them to follow this example. Otherwise the United States threatens the application of strict economic sanctions.

Of course, the main purpose of the present pressure on the part of the United States is an attempt to harm the socialist states. Main, but not sole. Behind July's extension of the "banned commodities" list it is possible to trace distinctly Washington's endeavor to undermine its allies' competitiveness in the world capitalist economy and restore American companies' monopoly position. "The progressive sectors of European and also Japanese industry," LE MONDE writes, "deprived of Third World markets owing to its countries' insolvency and deprived of markets of the East European countries owing to the embargo, not to mention the demand that they open their markets to American firms, are running the risk of finding themselves in a very difficult position to the spiraling benefit of their transatlantic competitors." Voices of protest in connection with such steps by Washington are being heard in practically all capitals of the countries allied with the United States.

The United States, in turn, is disturbed by the state of its trade relations with Japan. "We are faced, as before, with a growing deficit in our trade with Japan, which amounts annually to approximately \$30 billion in favor of Japan," P. Walker, chairman of the Federal Reserve System's Council of Directors, declared. If it continues thus, he believes that Japan's surplus trade balance will grow to the "record" figure of \$40 billion annually, while the United States' trade deficit will soon be in excess of \$100 billion.

Nonetheless, of the three centers of imperialism, the EEC countries are in the most difficult position. According to data of the Italian journal L'ESPRESSO, there are currently 12.7 million unemployed in the Common Market states. The highest level of unemployment here is in the Benelux countries (14 percent), Britain (12.6 percent) and Italy (approximately 12 percent).

Leading EEC figures are reiterating continuously that "unemployment is the main problem" and that "it is necessary to employ all means to reduce it," but the prospects are far from rosy here. L'ESPRESSO believes that an increase in unemployment to 15 million by the end of 1985 is perfectly possible.

Other problems of the Community, primarily budget-finance problems, are also making themselves felt no less preemptorily. A European Communities Council session at head of state and government level was held in Fontainebleu Castle near Paris 25-26 June. The three previous such meetings--in Stuttgart, Athens and Brussels--ended without result. The problem of Britain's contributions to the Community budget proved the stumbling block. London had since 1979 been seeking from its partners a minimum two-thirds reduction in its payments into EEC coffers, that is, of roughly \$1 billion. The British Government believed that its contributions were unduly high and that it was paying the Community far more than it was getting out of it in the form of subsidies and grants. The conflict had become so acute that it had brought about a most serious political crisis of the Community, jeopardizing the further development of the integration process.

A compromise was, finally, reached at the session as a result of embittered debate which provided for the payment to London in the current year in the form of compensation of approximately \$800 million and also approximately \$600 million for last year. Commenting on the results of the meeting, the West European press observed that it is still very far from the compromise in Fontainebleu to a long-term "stable" solution of the problem. "There are no guarantees that in 3-4 years the budget war will not erupt anew," the London TIMES wrote. These forecasts proved too optimistic. Two months had not elapsed before budget battles again became intense, brought about by the European Parliament's decision to block payment to Great Britain of compensation for 1983 amounting to 457 million pounds sterling. This decision was adopted in response to the British Government's refusal to participate in emergency financing of the Common Market, which, according to the BBC, "is threatened by bankruptcy". In order to continue implementation of the various programs within the framework of capitalist integration the "Ten" are in dire need of resources. It was decided to find them by, as THE TIMES put it, "passing the hat round". However, this idea was not supported on the banks of the Thames. The Conservative government declared that it saw other methods of combating the EEC's budget deficit in the present year: first, strict economies in the sphere of development of the Community members' agriculture; second, London believes that some of the expenditure could be transferred to 1985. The British Government accused the European Parliament of violating the agreement reached in Fontainebleu. The antagonism among the EEC partners erupted with new force.

The incapacity of the Common Market's institutions for solving economic and social contradictions is causing a galvanization in the EEC of the forces which advocate a shift in the center of gravity in the integration process from the economic sphere to the political and military spheres with the prospect of the Community's transformation into some West European "support" of NATO. According to the intentions of the supporters of "European building," the elections to the European Parliament scheduled for mid-June were to have been an important step on this path. The "Europeists" hoped that the elections would lead to a strengthening of the influence of this body, which is designed to embody the "supranational" principle of the Community and plan an important part in the "politicization" of the EEC.

However, the course of the election campaign and the results of the elections failed to justify the hopes of the supporters of "European building". The extremely low level of participation in the voting primarily testifies to this. In Britain, for example, approximately 70 percent of the electorate failed to show at the polling stations, in France 43 percent, in Denmark 47 percent and in the Netherlands 49.5 percent. We have to agree with the NEW YORK TIMES, in whose opinion the elections were "sorry proof of the extent to which interest in questions of 'West European unity'" has fallen in the EEC countries. Also confirmation of this trend was the success at the elections of parties opposed to the "politicization" of the EEC--the Italian communists, the British Labor Party and the People's Movement for Denmark Out of the EEC, of which the communists are a part.

Political life in the United States in recent months has been guided by the approaching presidential election. The presidential candidates are doing everything possible to win the electorate's votes and win them over to their side. Naturally, each rival is endeavoring to persuade the public that it is he who has the prescription for a solution of the most acute problems which the country is encountering. In mid-July the Gallup Institute conducted a public opinion poll, attempting to ascertain what is currently troubling the American electorate most. Those polled cited as the main topic of concern international tension and the threat of nuclear war. Second was unemployment. Third was the high cost of living. Then followed the "record" U.S. budget deficit, which threatens the economy with dangerous consequences.

It was these problems which occupied the central place in the speeches of the delegates to the Democratic Party Convention, which was held in July in San Francisco. The convention approved the Democrats' election platform and elected the party's nominees for president and vice president. They are former Vice President W. Mondale and Congresswoman G. Ferraro--the first woman in U.S. history to seek election to the country's second most important office.

The election platform adopted by the convention sharply criticizes the domestic and foreign policies of the present administration. It notes, in particular, that the administration's economic strategy, which came to be called "Reaganomics," has led to increased unemployment and a lowering of the population's living standard (in the past 2 years more than 1.8 million persons have lost their jobs and more than 4.5 million have been added to the stratum of the population whose income is below the official minimum living wage). The federal budget deficit has reached unprecedented proportions, threatening catastrophic consequences for the economy. The surging increase in military appropriations (by a factor of two in the present administration's term in office) has been accompanied by a sharp cutback in social programs, which has exacerbated the already grim situation of the poor and aggravated the contradictions in society.

The Democrats' election platform, while specific in its criticism of the Republicans' domestic policy, becomes quite vague when it begins an exposition of what this party itself will do should it win the election. The electorate is promised merely an abstract "policy of economic growth, prosperity, jobs and fairness".

The foreign policy section of the platform sharply criticizes the policy of "chasing after the specter of military superiority" being pursued by the present U.S. Administration and disputes its assertions that "a nuclear war can be won, as long as there are enough shovels." It observes that Reagan bears personal responsibility for the fact that Soviet-American relations have reached danger point. As a whole, the Republicans' foreign policy is characterized as senseless, preferring to diplomacy an emphasis on strength and threatening military conflicts in Central America, the Near East and other parts of the world.

At the same time the platform contains propositions seemingly lifted from speeches of the occupant of the White House. Such, for example, are the assertions concerning "the Soviet Union's inexorable arms buildup" and other absurd fabrications of the worst anticommunist manner. On display here, as in much else, was the confrontation of different elements in the Democratic Party--realistic and reactionary. Endeavoring to satisfy both, the Democratic leadership declares that it supports both a "strong national defense" and vigorous efforts to control nuclear arms. Aware of Americans' mood, the Democrats promise that, if victorious at the elections, they will adopt a number of measures to improve Soviet-American relations and limit the arms race.

In turn, all the recent speeches of the occupant of the White House have been directed toward raising Americans' morale with the help of propaganda "doping" and, contrary to the realities, portraying the United States and its policy in the most striking and radiant tones. The militarist preparations are being concealed by demagogic verbiage about an "aspiration to peace" and a readiness to resume the dialogue with the USSR "whenever and wherever it likes". But if anyone had illusions on this score, the President's unpardonable escapade during the "voice test" showed what is concealed beneath the "peace-loving" mask: pathological anti-Sovietism and anticommunism, an irresponsible attitude toward the key problems of war and peace and unconcealed cynicism. It was thus how the international community and the leading mass media evaluated Reagan's "joke". As emphasized in numerous commentaries, the statement by the head of the White House, monstrous in its provocative nature, not to mention its tactlessness, entirely conforms to the way of thinking of those who determine administration policy.

The Republicans' election platform adopted by the party convention, which was held in August in Dallas, is graphic testimony to this. It sets forth with the utmost frankness the United States' long-term military-strategic goals. It is essentially a question of a claim to the establishment of American domination in the world and diktat in respect of other states and a claim to a right to interfere in their internal affairs. In fact the entire foreign policy section is imbued with the idea of the achievement of military superiority over the USSR, relying on which American imperialism could impose its practices with impunity everywhere. Strength is proclaimed the basis of U.S. foreign policy, and its buildup in every possible way is declared a "moral imperative" in the interests of the "free peoples". The platform contains unconcealed threats not only against states which have no desire to submit to the American diktat but also against the United Nations and other international organizations. In a word, a "crusade" against each and everyone.

Such platform goals, as distinct from Reagan's peace-loving rhetoric, are fully in accordance with practical policy. Further confirmation of this was the Senate's approval of appropriations requested by the Pentagon for military building in the 1985 fiscal year. It obtained practically in full the resources it was requesting intended for development of the latest strategic arms systems, including the building of military installations within the framework of the creation of a wide-ranging ABM system and antisatellite weapon tests.

The policy being pursued by Great Britain's Conservative government, which has led to the most acute crisis in national industry, is giving rise to growing resistance not only on the part of the opposition and the trade union movement but also of those who were until quite recently supporters of the Tories. Thus even the London weekly THE ECONOMIST, which is close to Conservative circles, was forced to acknowledge that M. Thatcher's government is to an increasingly large extent "becoming the most unsuitable and maladroit administration there has been since the war."

There are sufficient grounds for such an opinion. The policy being pursued by the Conservatives of "strict economies" at the expense of social programs and appropriations for the nationalized sectors of industry and the denationalization of many enterprises of the public sector has led to a winding down of production in the leading sectors of the economy and a rapid growth of unemployment, which, according to the Trade and Industry Ministry, this June had reached a "record" level of over 3 million.

The program of concentrated military preparations being developed by the Tories is also having extremely negative consequences for the economy. While leaving the nationalized sectors of industry on "hunger rations" the Conservative cabinet has increased the Defense Ministry budget to the astronomical amount of more than 17 billion pounds sterling.

However, the policy of an offensive against the working people's vital interests and the militarization of the country is encountering an emphatic rebuff on the part of the working class. Strikes are encompassing one sector after another and are becoming increasingly stubborn. According to official data, in the first 5 months of the present year 7.2 million work days were lost altogether as a result of the strike struggle, which was 2.1 million more than the corresponding indicator for the same period last year.

Endeavoring to suppress the strike movement, the authorities are raining down mass repression on its participants. Thus since the start of the British miners' strike, which has already lasted 6 months, the police have arrested 6,000 people altogether and injured 2,000. According to THE TIMES, the upkeep of the 10,000-strong-plus army of police which has been thrown in to break up the minehead pickets and occupy the mining communities is costing the Exchequer 50 million pounds sterling. According to estimates, if only half of this amount had been invested in the coal industry, the situation therein would have changed fundamentally.

An even higher price is being paid by the country for the policy of terror which the government is pursuing in respect of the population of Northern Ireland.

A further reminder of this were the events of 12 August, when the police fired on a peaceful demonstration in Belfast. As a result of this action a 22-year-old woman was killed, and 20 persons were seriously injured. The demonstration had been held in connection with a grim anniversary--the 15th anniversary of the commitment of British troops to Ulster. Approximately 2,400 killed and more than 20,000 with serious injuries--such is the total result of the "dirty war" which Great Britain is waging in its "internal colony". And no end to the tragedy of Northern Ireland is in sight. The Thatcher government categorically refuses to carry out socioeconomic and political transformations here, continuing to rely on power methods of a solution of the Ulster problem.

A government crisis erupted in France this summer which culminated in the resignation of the P. Mauroy cabinet and the formation of a one-party government headed by L. Fabius. As the French press observed, the economic difficulties being experienced by the country were the main cause of the government crisis. The working people's belt-tightening policy proclaimed by the previous cabinet had led to lamentable results. In the last 6 months alone unemployment had risen by 300,000, reaching a "record" level--more than 2.3 million--and is continuing to grow. Many sectors of industry are cutting back production, and the population's living standard is falling. And all this is occurring in a situation where the monopolies are obtaining superprofits and large-scale government subsidies at the taxpayer's expense. The "best days" have arrived for industrial companies, L'HUMANITE writes. In 3 years they have been granted Fr60 billion in the form of subsidies.

It is not surprising that in the last 2 years, particularly since March 1983, when the P. Mauroy government switched to implementation of the unpopular "strict economies" policy, the positions of the ruling majority have weakened constantly. The results of last year's municipal elections and subsequent public opinion polls testified to this. At the elections to the European Parliament this June, which were regarded as an important test of strength between the majority of the left and the opposition, one-third of those who took part in the elections voted for the socialists and communists.

Thus the main result of the elections was the electorate's unequivocal expression of dissatisfaction with the policy of the Mauroy government. This result was used by the rightwing opposition for the stimulation of an antigovernment campaign in the country, and there was simultaneously a deterioration in relations within the ruling coalition--between the socialists and communists, who were sharply critical of the policy of "strict economies" and concessions to the monopolies.

Under these conditions the fate of the P. Mauroy government was predetermined: it had to resign. President F. Mitterrand entrusted the formation of a new government to L. Fabius, who in the last cabinet had held the post of budget minister.

During the meeting with the new head of the government the leaders of the French Communist Party (PCF) proposed the adoption of decisive measures in the sphere of the economy aimed at reducing unemployment and increasing production. However, Fabius made it clearly understood that the government would abide by the

previous policy. This led to the communists' decision to leave the government. Explaining the PCF's position, its representative (P. Zhyuken) declared at a meeting with journalists: "We do not have the moral right to allow millions of disenchanted and disturbed women, men and young people to believe that we would be able by being a part of this government to satisfy their needs."

At the end of July Premier L. Fabius set forth in the National Assembly the new French Government's program of activity. The main area of the cabinet's activity, he declared, would be modernization of the country's economy. The premier acknowledged that the most acute social problem confronting France is mass unemployment. However, it followed from his speech that the measures outlined by the government will lead to further exacerbation in the employment sphere. Fabius announced, inter alia, the cabinet's intention to reduce business taxes and gradually lift price controls on industrial products.

Touching briefly on international problems, the premier emphasized the need to preserve peace. Speaking about the situation in the international economy, the head of the cabinet advocated a reorganization of the system of capitalist states' currency relations in order to put an end to the domination of the dollar.

At the same time it should be noted that the new premier's socioeconomic goals have been perceived by France's Western partners as a "model of realism". Praise is resounding from Washington, London, Tokyo and, particularly, from Bonn. FRG official circles are making no secret of the fact that the policy of accelerated "modernization" will facilitate further rapprochement between France and the FRG. The creation of a Bonn-Paris "axis" is proceeding apace.

In the vote of confidence in the government the deputies of the rightwing opposition voted against, while the PCF abstained. The PCF deputies' decision to abstain, A. Lajoinie, leader of the communist faction in the National Assembly, declared, does not mean that the communists have switched to the opposition. It is merely intended to give notice that continuation of the previous course will lead to the defeat of the forces of the left at the 1986 elections.

The summer months in the neighboring FRG were very tense also. It is a long time since class demonstrations of such a scale were observed. The metal workers' strike was not over before the strike movement was joined by the printing workers and auto workers. The principal demand being put forward by the working people is the preservation of employment and a reduction in unemployment, which in the middle of the year encompassed more than 2 million.

The mass unemployment, the class confrontations, the conflict with the trade unions and the attempts to govern the country while ignoring the will of the majority have caused a weakening of the positions of the CDU/CSU and FDP ruling bloc. The position is being made worse by the ongoing crisis being experienced by the CDU/CSU's "junior" partner--the Free Democrats. An FDP leader, O. Lambsdorff, minister of economy, was forced to resign in connection with accusations of bribe-taking. Not long prior to this H.-D. Genscher, deputy federal chancellor and foreign minister, had announced his intention of quitting as party chairman. At the elections to the European Parliament the

Free democrats were unable to overcome the 5-percent barrier and thus remained outside of the assembly. What are the reasons for the decline in the FDP's prestige?

Observers believe that the main reason is that the party has lost the "halo" of liberalism. Counting on the vote of the conservative part of the electorate, it began in practically everything to ape its "senior" partner--the CDU/CSU--and, consequently, lost its own "character". And, indeed, in the economy the Free Democrats are proposing a policy to the right of the CDU/CSU and in foreign policy are being obsequious to Washington, fiercely defending the deployment of American first-strike missiles in the country.

Insofar as the Christian Democrats do not have an absolute majority in the Bundestag and can hold on to power only in harness with the Liberals, who are yielding one position after another, the future of the present coalition appears to many people in the FRG and beyond highly uncertain. The more so in that the bribe-taking story is far from closed.

The fraud, which the government is attempting to hush up with a hurried cabinet reshuffle, has revealed an extremely unseemly side of the activity of influential circles in the FRG. It has transpired as a result of the investigation that the monopolies, primarily the backbone of the West German military-industrial complex--the Flick concern--have been secretly subsidizing the election campaigns of a number of leading political parties via politicians connected with them, receiving in exchange substantial tax indulgences and other benefits. In particular, over 10 years the CDU/CSU received in the form of so-called donations DM460 million, while the Free Democrats received approximately DM90 million. Never before, perhaps, have FRG citizens had a chance to see so clearly whose instrument the Bonn state is in reality. There should be no surprise that at a time when the social items of the budget are inexorably being cut, military spending is growing constantly. From 1983 through 1987 it will increase by DM7 billion. Taking refuge behind peace-making phrases, FRG ruling circles are simultaneously with the Pentagon and NATO speeding up an arms race program of unprecedented proportions. According to the data of the democratic weekly DEUTSCHE VOLKSZEITUNG-TAT, a forward plan has been developed in the FRG's military department for the reequipment and modernization of the Bundeswehr. It is based on the next 12 years and will cost the West German taxpayer the astronomical sum of over DM300 billion. In the current year the FRG Government has allocated approximately DM80 billion for military purposes, and one-fourth, moreover, will be used to acquire the latest types of weapons.

It should be considered here that recently the council of the Western European Union, which incorporates Britain, France, Italy, the FRG and the Benelux countries, adopted a decision on the latter's lifting of restrictions on the production of conventional weapons systems in the FRG. This decision means that in addition to the American first-strike nuclear missiles the FRG has acquired the right to produce its own weapons of an offensive nature: long-range guided missiles and strategic bombers. Thus an atmosphere is being created in the country which is causing a growing stimulation of revanchist forces presenting impudent demands for a revision of Europe's postwar setup.

An exacerbation of the domestic policy struggle is occurring in Italy also. In the year of its term in office the B. Craxi coalition government has not

succeeded in achieving the country's economic "recovery". The annual rate of inflation is, as before, over 10 percent, the budget deficit has risen to approximately 100 trillion lire and the army of unemployed numbers 2.3 million. The government's attempts to solve the economic problems at the expense of the working people has brought about a rebuff on the part of the working class of unprecedented strength and stubbornness.

The Portuguese Government headed by M. Soares faces complex economic and political problems on the threshold of the 1985 presidential election. According to the prevailing opinion, the prime minister will seek election as president. A number of signs testify to this, including his exceptional foreign policy assertiveness, the efforts he is making to strengthen his positions within the ruling coalition and the planned broadening of the prerogatives of the head of state.

However, the Socialist Party leader's path to the presidential palace will not be easy, considering the unpopularity of the coalition government's "strict economies" policy, which has led to economic recession, an unprecedented rise in unemployment and a sharp increase in the cost of living, which in the first half of the present year alone rose 31.3 percent. At the start of July Finance Minister E. Lopes announced planned measures to "rescue the economy." They provide for an easing of the practice of "strict economies".

The majority of observers believes that this step was dictated to a considerable extent by election considerations and is aimed at assuaging criticism of the government on the part of the forces of the left. At the same time, however, the ruling coalition does not wish to lose the support of the right. The republic assembly session which ended at the end of July, at which the government majority, with the support of the parties of the right, managed to push through an "internal security" law, testifies to this. Twentyseven July, the newspaper DIARIO writes, will do down in Portugal's history as a "black day".

The Portuguese press is alarmed at the fact that in accordance with the so-called "special security measures" agents of the special services acquire the right to carry out unsanctioned searches, monitor private correspondence and tap telephone conversations. On the pretext of combating violations of public order the security authorities have in fact been accorded the right to ban gatherings and demonstrations at their discretion. "We are convinced that with the adoption of this bill," Portuguese figures of culture and literature observe in their statement, "a serious threat hangs over the basic liberties won by our people in the course of the 1974 April revolution." It is significant that even some deputies from the Socialist Party, which is a part of the ruling coalition, voted against it.

The latest session of the Japanese Parliament ended at the start of July, which after lengthy debate approved the budget for 1985, which provides for an increase in military appropriations of the order of 6.55 percent. This means that for the third year running Japan will have increased its military potential at a rate more than two times that of the corresponding planned outlines of NATO's West European countries.

Some 250,000 men serve in Japan's so-called self-defense forces. But their numbers could easily be increased inasmuch as officers and junior officers constitute two-thirds of the personnel. To compare Japan with the United States' other allies, it is in fourth place in warship tonnage and fifth in terms of the number of submarines, tanks and artillery power.

The increase in military spending is resulting in a policy of "strict economies" in other items of expenditure. Japan is currently setting very somber "records," primarily in the growth rate of unemployment. In the first 6 months of the present year alone it increased 2.8 percent, exceeding 1.6 million persons. This is the highest level in 31 years.

4. Rebuff of the Policy of Aggression and Diktat

The situation in the Near and Middle East remained complex last summer. After almost 10 years of civil war and Israel's incessant aggression, long-suffering Lebanon has been afforded a prospect of a settlement of the internal conflict and a normalization of life in the country. Importance in this respect was attached to the formation of a government of "national unity" led by the well-known politician R. Karami. He is a leader of the National Salvation Front. The leaders of the main confrontational groupings have joined the government. "The very formation of our cabinet," R. Karami declared in a program statement, "is an indicator of the Lebanese resolve to quiet the voice of violence and guns and to resort to the language of dialogue and mutual understanding."

The measures adopted by the new government to normalize the situation are beginning to bear the first fruit. Regular units of the national army have established government control along the entire 6.5-kilometer Green Line which has for many years divided the city into two parts and served as a symbol of the division of Lebanese society. An accord on the demilitarization of the city is being implemented. Heavy weapons have been partially withdrawn, although the belligerents still have their own arms caches. Beirut International Airport has been opened.

However, the separatist and reactionary forces are making incessant attempts to frustrate the normalization process. They enjoy here the support of both Washington and Tel Aviv, which are counting on the continuation of internecine strife in the country, endeavoring to use it as a springboard for aggression and adventures against the Arab people.

Under the conditions of the continuing repression and terror perpetrated by the Israeli occupiers the struggle of the population of the south of the country is becoming increasingly widespread. In June alone the UN forces in Lebanon recorded 186 attacks by patriots against Israeli troops (in May there were 60, in April 20). "The Israeli Army, which is engendering universal dislike or hatred and is being attacked daily, has nothing to win in South Lebanon. It has lost the war," the London TIMES wrote, analyzing the situation in the country.

Not one of the three main goals of the Israeli invasion of Lebanon has been achieved. The aggressor has not managed to smash the Palestinian resistance movement and eliminate the PLO. The attempt to inflict a military defeat on

Syria and push it from its scrupulous anti-imperialist, anti-Zionist position has also failed, as have the plans to impose on Lebanon a separate agreement with Israel and create an American Israeli protectorate.

The failure of the adventure in Lebanon was the main reason for the early parliamentary elections in Israel. Over 20 political parties fought for 120 parliamentary seats. The basic confrontation developed between the two main groupings--the ruling Likud bloc of rightwing Zionist parties headed by I. Shamir and the bloc of parties headed by the "Labor Party," whose leader is S. Peres. The differences between the blocs concern mainly tactical questions.

As at the previous elections, no party gained an absolute majority in the Knesset, that is, won 61 seats (the I. Shamir bloc won 41, the S. Peres bloc 44 seats). The remaining 35 seats to 13 small political parties and groupings.

The inconclusive election result complicated the task of the formation of a new government. AL-BA'TH rightly wrote that, regardless of who assumes office--I. Shamir or S. Peres--Israel has been and will remain a conduit of the United States' Near East policy, which is aimed at interference in the affairs of the peoples of the region and the foisting of capitalist agreements on them.

Commenting on the results of the election, many of the West's mass media noted the growth of extreme right and chauvinist sentiments in the country. Thus the incorrigible racist Rabbi M. Kahane, ringleader of the fascist KAKH grouping, who is disgracefully well known as the founder of the Jewish Defense League, the history of which both in the United States and Israel is marked by numerous acts of terrorism, became a member of parliament. Kahane openly declared that he would seek the expulsion of all Arabs from "Biblical land". The votes cast for Kahane at the elections are testimony that a certain part of the country's population, which has for decades been indoctrinated with Zionist propaganda, is in the grip of religious-fanatic and chauvinist ideas and is prepared to seek a way out of the crisis blind alley in the deranged idea of the creation of a nationally "pure" Israel. This is also indicated by the dangerous growth in the number of terrorist acts aimed against the Arab population of the country and the occupied territories.

The bloody fighting between Iran and Iraq continued all summer. The senseless 4-year war has caused the peoples of both states incalculable suffering. Some 500,000 dead--this is how the London weekly THE ECONOMIST assesses the sides' total losses in the conflict. The devastation and damage caused by the war do not lend themselves to a precise computation. According to the estimates of Western specialists, the war is costing each of the parties to the conflict \$8-10 billion annually. The production of oil has declined, and exports thereof have fallen. Both countries' losses of currency resources are enormous.

Hopes of a limitation of military operations seemingly appeared at the start of June: Iran and Iraq responded positively to the appeal of UN Secretary General J. Perez de Cuellar for an end to the bombing and shelling of centers of population. However, the fighting on land, water and in the air continued on the former and, at times, on an even larger scale.

In connection with the Iran-Iraq conflict the U.S. Administration is not abandoning plans for direct military intervention in the Persian Gulf on the pretext of "securing freedom of navigation". The U.S. naval grouping in this region consists of the aircraft carrier "America," 11 cruisers and destroyers and also 7 support ships. Washington has emphasized repeatedly that the areas of the Persian Gulf which are rich in oil are a sphere of its "vital interests" and that the United States is prepared to take there such steps as it deems necessary. "An analysis of events shows," the Kuwaiti newspaper AL-ANBA' wrote, "that an escalation of the Iran-Iraq conflict has been planned by Washington and Tel Aviv such as to ensure the establishment of their hegemony over the countries of this region and to use them in their anti-Soviet plans."

Tension in the Red Sea region intensified sharply in August. Approximately 20 ships of various countries were damaged as a result of the mining of the Gulf of Suez and the Red Sea. Washington and its allies hastened to take advantage of the "mine crisis" to expand their military presence. A broad-scale mine-sweeping operation began on 16 August. A large group of warships of the United States, Great Britain and France took part. They were joined somewhat later by Italy. "Having concentrated ships and naval support facilities in the Red Sea area," the Aden newspaper 14 Uktubar wrote, "Washington is attempting to portray its actions as a good will gesture aimed at ensuring safety for international shipping. However, the mine explosions in the Red Sea are very reminiscent in nature of those which occurred earlier in Nicaragua's territorial waters and which were carried out, as is known, by the American CIA." At the end of August the Reagan administration dispatched the carrier "America" to the Red Sea area to supplement the warships already there. This decision was interpreted by political observers as a new step on the path of the escalation of tension in the area.

The intrigues of the forces of international imperialism and reaction in respect of peace-loving India are incessant. Washington is continuing to increase supplies of modern offensive arms to Pakistan, which has repeatedly employed American weapons for aggression against the neighboring country. Reports appear periodically in the world press about the efforts being made by Islamabad to create a nuclear potential. All this combined with the expanding American presence in the Indian Ocean is giving rise to the Indian people's legitimate concern.

Among the means and methods which reaction is employing against India is the kindling of religious hatred and the cultivation of ideas of separatism among the national and religious minorities. For a long time the attention of the mass media has been attracted to the events in Punjab, where separatist elements, inciting hostility between Sikhs and Hindus, provoked armed clashes with the forces of order. They turned the Sikh religious temples into their arsenals and strong points and carried out murderous raids from their almost with impunity. In the course of fighting at the start of June more than 300 persons were killed and approximately 450 injured on both sides in just 24 hours.

Supporting the creation of a so-called state of Khalistan, the separatists are receiving extensive support from abroad. Subversive Sikh emigre organizations operate in the United States, Great Britain, the FRG and Canada. In May 1983

the self-styled "president" of the nonexistent Khalistan, Chaukhan, plainly stated that the United States supports the movement for the creation of this state. As a white paper specially released by the Indian Government observes, "the recent events in Punjab cannot be viewed outside of a broader international context.... Influential forces are operating with the purpose of undermining India's political and economic might."

By decisive actions the Indian Government put an end to the campaign of terror and violence unleashed by the separatists in Punjab and liquidated the attempt at a conspiracy aimed at splitting the country. However, the splitters and their overseas masters are not desisting. In July they convened in New York a so-called congress of the "World Sikh Organization," which Delhi rightly evaluated as the latest flagrant interference of the United States in the internal affairs of a sovereign state and an attempt to put pressure on India, whose peace-loving foreign policy runs counter to Washington's requirements.

Extensive mutually profitable Soviet-Indian cooperation is contributing to the strengthening and development of the country's economy and the consolidation of its political and economic independence. The start of August was the 13th anniversary of the signing of the Soviet-Indian Peace, Friendship and Cooperation Treaty. The bilateral relations based on this treaty extend to practically all spheres of life. It would be no exaggeration to say that India has achieved self-sufficiency in a number of key sectors of industry thanks to the USSR's assistance.

"Soviet people," a telegram of the USSR Supreme Soviet Presidium and USSR Council of Ministers to Indian President Z. Singh and Prime Minister I. Gandhi says, "regard the strengthening friendship and progressive development of multifaceted Soviet-Indian relations as the valuable property of the peoples of our countries. They are confident that relations between the USSR and India, which are firmly based on the time-tested Peace, Friendship and Cooperation Treaty, will continue to develop unswervingly in the interests of our peoples in the name of peace in the world."

An absence of peace and stability characterizes the political atmosphere on the Indochina peninsula. Armed provocations against the People's Republic of Kampuchea from Thai territory have continued in recent months. Armed ships of Thailand entered Kampuchea's territorial waters in the region of the Kokh Kong, Kokh Tang and Pulo Vai islands over 100 times in 1 week alone--from 2 through 9 August. Thai aircraft have repeatedly violated Kampuchean airspace. The border areas of the Kampuchean provinces of Preah Vihear, Siemreap, Pouthisat, and Kaoh Kong have been shelled by artillery from the Thai side. Under the cover of the artillery shelling armed Pol Pot bands have attempted to penetrate Kampuchean territory.

In June a number of border areas of Laos were also subjected to provocations from the Thai side. Certain centers of population of the Lao province of Sayaburi were seized. A statement of the Lao Foreign Ministry in connection with the border incidents drew attention to the fact that a sharp activation of the provocations occurred after visits by high-ranking Thai emissaries to Beijing and Washington.

The 17th conference of foreign ministers of ASEAN, which incorporates Brunei, Indonesia, Malaysia, Singapore, Thailand and the Philippines, was held in mid-July in Djakarta. At an enlarged meeting (with the participation of the heads of the diplomatic departments of the United States, Japan, Canada, Australia and New Zealand and a Common Market representative) Japan proposed a plan for a "settlement" of the so-called "Kampuchean problem". It provides for the withdrawal from Kampuchea of the Vietnamese volunteers without any guarantees of an end to hostile operations in respect of the Kampuchean people and is aimed at opening the way to power to criminals and traitors of the Pol Pot and Son Sann type.

The plan, which plays into the hands of groupings of Khmer reaction, has been put forward at a time when the process of stabilization of the internal situation in Kampuchea is strengthening, its international authority has grown and a trend toward dialogue in the region has been discerned. The ninth conference of foreign ministers of Vietnam, Laos and Kampuchea, which was held in the summer in Vietnam, called for a settlement of the differences between the Indochina countries and Thailand by way of negotiation. Under these conditions the Japanese plan was designed to turn back the development of events and once again impose a hated regime on the Kampuchean people.

In their struggle against the intrigues of local and international reaction the Indochina peoples rely on the invariable assistance and support of the socialist countries, primarily the Soviet Union. On 26 June K.U. Chernenko met with K. Phomvihane, general secretary of the Lao People's Revolutionary Party Central Committee and chairman of the Lao People's Democratic Republic Council of Ministers. Complete unity of views on the problems discussed was noted in the course of the meeting. On behalf of the Lao People's Revolutionary Party and the people K. Phomvihane expressed sincere gratitude for the disinterested assistance to Laos. The sides emphatically condemned the Chinese authorities' hostile actions against Vietnam, Laos and Kampuchea and also the the armed provocations of Thai reactionary circles against Laos. K.U. Chernenko declared that the CPSU and the Soviet Union would continue to aid and assist the Lao People's Revolutionary Party and the Laotian people in building a new life.

Chan Si, member of the Kampuchean People's Revolutionary Party Central Committee Politburo and chairman of the Kampuchean Council of Ministers, paid an official visit to the Soviet Union from 17 through 23 July. The Soviet side again confirmed the invariability of the USSR's scrupulous policy of rendering fraternal Kampuchea all-around assistance and support in the building of a new life and the defense of revolutionary gains. As N.A. Tikhonov, member of the CPSU Central Committee Politburo and chairman of the USSR Council of Ministers, emphasized, "we fully support the constructive position and peace-loving initiatives of the Indochina countries, which are courageously repelling the attacks of imperialism and hegemonism. The USSR will continue to resolutely oppose interference in Kampuchea's internal affairs and support it being afforded an opportunity to take its lawful place in the United Nations and other international organizations." The sides declared their mutual resolve to continue to strengthen and develop relations between the two states in the spirit of the Soviet-Kampuchean statement of 5 February 1980. They advocated

a further broadening of the ties between the CPSU and the Kampuchean People's Revolutionary Party, which are important for the entire complex of Soviet-Kampuchean relations. The complete unity of view of the USSR and Kampuchea on the current situation in the world and, in particular, in Southeast Asia was noted during the discussion of international problems.

Under the complex conditions of the international situation, overcoming step by step the age-old backwardness and grim legacy of the colonial past and combating the intrigues of imperialism and reaction, the peoples of a number of African states are embarking on the path of socialist building. The constituent congress of the Ethiopian Workers Party (EWP) was held at the start of February. The 1,742 delegates to the congress--politicians, servicemen, workers and peasants--unanimously adopted the statutes and program of the EWP, which are based on a Marxist-Leninist analysis of the economic and political situation in the country. A Politburo consisting of 11 members and 6 candidates was elected at the First EWP Plenum. Mengistu Haile Mariam, chairman of the Provisional Military Administrative Council of Socialist Ethiopia, became general secretary of the EWP Central Committee.

On 12 September the Ethiopian people ceremonially commemorated the 10th anniversary of the revolution. "Socialist Ethiopia," the greetings of the CPSU Central Committee, USSR Supreme Soviet Presidium and USSR Council of Ministers on the national holiday says, "has arrived at its glorious anniversary with important achievements in the building of the new life of which the Ethiopian people and their friends throughout the world may be rightly proud. For 10 years now Ethiopia, overcoming numerous difficulties, has been proceeding confidently along the path of freedom and progress, resolutely defending the revolutionary gains against the encroachments of the forces of imperialism and internal and foreign reaction."

Following the elimination of the feudal-monarchical regime, the country has scored considerable successes in the development of the national economy and, primarily, implementation of the industrialization program.

In the last 5 years the numbers of those employed in industry have risen by 26,000. The commissioning of a number of large-scale plants and factories timed to coincide with the anniversary of the national-democratic revolution ensured the creation of 7,000 new jobs. The powerful cement plant in Mugere, with whose commissioning the production of this valuable construction material in the country will triple, was opened in August. A tractor-assembly plant built with the technical assistance of the Soviet Union was commissioned in the same month. The 1,000 tractors which the plant will produce annually will be put at the disposal of the peasant cooperatives and state farms, which will make it possible to begin the plan-oriented mechanization of the country's agriculture. The plant will also be a forge of skilled worker personnel.

A national centralized planning committee has been set up which is elaborating short-term and forward programs for the country's seven industrial zones within the framework of the 10-year plan of Ethiopia's economic and social development (1984-1983) approved by the congress. Its goal is the creation of a strong economic base for building the socialist society. It attaches paramount

significance to the development of the main sectors of the economy--agriculture, industry, power engineering, construction and transport. The long-term program of economic cooperation between the Soviet Union and Socialist Ethiopia which was signed in September will contribute to realization of the scheduled tasks.

The people of Zimbabwe have also made a socialist choice. The Second Zimbabwe African National Union-Patriotic Front (ZANU-PF) Congress was held in the country's capital--Harare--in August. The congress adopted new party statutes confirming the choice of the path of socialist building. A principal goal of the party, the statutes say, is the creation of a state based on the principles of Marxism-Leninism and closely connected with the historical, cultural and social experience of the Zimbabwean people; a state in which the political system is based on universal suffrage exercised under the vanguard leadership of the workers, peasants and intelligentsia. The statutes provide for the establishment of a one-party system, wherein the leading political force in the country will be the ZANU-PF.

The government of Zimbabwe intends to adopt measures to speed up the establishment of state ownership of the means of production, the creation of cooperative enterprises in industry and trade and the imposition of control over the banks and insurance companies. A resolution on agriculture notes the need for the immediate implementation of land reform, which would be a principal element in the creation of a fair system of land tenure and land use.

The final session of the congress elected the party's leading bodies--the Central Committee consisting of 90 persons and the Politburo of 15. It was headed by R. Mugabe. "Soviet people," the greetings telegram from the CPSU Central Committee to the congress says, "value the contribution of the people of Zimbabwe to struggle imperialism, colonialism and racism and for peace in the world. They welcome their socialist choice and the efforts aimed at consolidating the national independence and economic self-sufficiency of their country."

The situation in Central America became dangerously tense last summer. Flagrantly flouting the rules of international law and with outright cynicism casting aside the mask of propriety, Washington is stepping up the implementation of the plan for dealing stage by stage with Nicaragua drawn up by American political strategists. As Nicaragua's northern neighbor, Honduras has been turned into a military springboard for aggression against the revolutionary republic and also insurgent El Salvador and all those who are unwilling to submit to the American diktat. U.S. troops' military maneuvers on Honduran territory follow one after the other, and their scale is growing continuously. Washington is openly inciting Honduras to war against Nicaragua.

Attempts to stifle the republic economically are an integral part of the "undeclared war" against Nicaragua. The mining of its harbors with the direct participation of the United States was designed, per Washington's intention, to isolate the republic from the outside world and disrupt its foreign economic relations.

In this situation the Nicaraguan people commemorated the fifth anniversary of their revolution on 19 July. Despite the fact that the actual war which the United States has been waging against Nicaragua all these years is forcing it

to spend colossal resources on defense and divert tens of thousands of citizens from peaceful building (in 1983 alone the damage to the economy caused by the war amounted to \$128 million--almost one-third of export proceeds), the country has scored significant successes in the years of revolutionary power. A most important achievement was the creation in industry and agriculture of a state sector, whose relative significance in the economy constitutes 40 percent. Whereas prior to the revolution 80 percent of the population could neither read nor write, more than 1 million persons now sit at their desks annually. The elimination of illiteracy is a national exploit, which has been commemorated by the conferment on Nicaragua of UNESCO's "Nadezhda Krupskaya" Prize. Nine large hospitals and 348 clinics and medical stations have been built in the 5 years, and doctors have been to places where previously the peasants never saw a medical worker in their lives. Life expectancy has increased from 45 to 58 years.

The Nicaraguans' peaceful plans are being undermined by the aggressive aspirations of American imperialism. Some 7,500 of the country's citizens have fallen victim to the undeclared war. Hypocritical appeals can be heard in Washington to the Nicaraguan Government for it to lift the state of emergency. But is it not the United States itself, which is pursuing a policy of terror in respect of the small country, which has forced its government to adopt the necessary self-defense measures? The Junta of the Government of National Reconstruction of Nicaragua has extended the state of emergency through 20 October. For the first time in the country's history genuinely free and democratic elections will be held on 4 November.

On 18 June K.U. Chernenko met in Moscow with D. Ortega, member of the Sandinist National Liberation Front National Leadership and coordinator of the Junta of the Government of National Reconstruction of Nicaragua. In the course of the conversation both sides noted with satisfaction the successful development of Soviet-Nicaraguan relations in various spheres. K.U. Chernenko expressed support for the efforts of the Nicaraguan leadership aimed at the country's recovery and declared the Soviet Union's solidarity with the heroic Nicaraguan people, who are defending their freedom and independence against the aggressive actions of imperialist forces. Both sides also declared that the U.S. Administration's policy of escalating tension, arms buildup and attempts, relying on military force, to dictate its will to other peoples are a serious threat to mankind. On behalf of the leadership of the Sandinist Front and the Nicaraguan Government D. Ortega expressed sincere gratitude to the Soviet Union for the political and economic support for the country.

On 1 September the peoples of various countries and the democratic community commemorated World Peace Day. In the complex and tense atmosphere which has characterized recent international relations this holiday was of special significance. It reminded people once again of the paramount universal interest--the will of millions of people to peace, a curbing of the arms race and the prevention of nuclear war--which is currently an increasingly powerful imperative of world politics. World Peace Day made a pronounced contribution to the mobilization of the masses in various countries and democratic organizations and movements for struggle against the threat of war.

In the vanguard of this struggle and invariably the Soviet people, the peoples of the other socialist community states and the communists. They know full well that it is necessary to struggle against war until it has begun, and the cohesive, concerted and vigorous actions of all peace-loving forces against the aggressive, adventurist policy of imperialism are needed for this. This is the main guarantee of the futility of militarism and bellicose, primitive anticommunism. K.U. Chernenko emphasized: "However the military muscles are flexed in the United States, it will not change the world, which will not start living by American standards.

"Transition to a policy of realism, commonsense and practical interaction in tackling the tasks confronting mankind is essential." There are more than enough questions in international affairs in need of discussion and solution. And they will have to be solved.

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CONTRADICTIONS IN FRANCE'S POLICY TOWARD EUROPEAN COMMUNITY

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(signed to press 14 Sep 84) pp 121-128

[Article by A. Kudryavtsev: "France and 'European Building'"]

[Text] The strengthening of the West European power center and an endeavor to secure leading positions therein is a stable priority of the Fifth Republic's foreign policy. Paris has invariably regarded the EEC as an instrument with which it is possible to facilitate the solution of domestic economic problems and secure French interests in the international arena. Yet the growth of the relative economic power and political influence of West Europe in the world has slowed somewhat in the 1980's. The crisis of West European integration, the evolved forms of which have come into conflict with the changed conditions of economic development, has been imprinted on the said processes.

In this sphere Paris has repeatedly presented initiatives aimed, at a minimum, at freeing the Common Market from the heavy burden of unsolved problems and, at a maximum, of imparting to "European building" new progressive impetus. France has displayed particular assertiveness in the West European direction since the start of 1984, when its representative held for 6 months the position of chairman of the EEC Council of Ministers.

The Price of Compromise

A search for a long-term compromise which would make it possible to extricate the Community from the financial deadlock immediately proved to be at the center of the concerns of French diplomacy. Tension has increased constantly throughout recent years owing to the preferential rate of increase of expenditure over income in the EEC budget. At the end of 1983 it was manifested in a lack of resources for financing integration measures and in 1984 threatens to result in a large-scale deficit. Until now all attempts to avert a crisis have foundered on the conflict in the Paris--Bonn--London triangle. They have concerned primarily the uniform agrarian policy (which swallows up two-thirds of the budget) and the principles of the formation of the income of the common budget. France's initial positions, reflecting the specific features of the structure of the national economy and its relations with the world economy, were largely opposed to the approach of Britain and the FRG, between which an increasingly large number of points of contact had been revealed.

The disagreements were manifested particularly graphically on the question of the future of the uniform agrarian policy, which is based on three principles: concerted agricultural prices, preferences for domestic producers and financing from common funds. From the viewpoint of Britain and the FRG the Community's agrarian policy has accomplished its set task, that is, contributed to the achievement of self-sufficiency in certain basic products. The further stimulation of supply via high guaranteed prices at a time when demand remains extremely slack is leading to an unchecked growth in agrarian surpluses. The swelling of expenditure on their storage and marketing, on the other hand, lies as a heavy burden on the budget. For this reason for London and Bonn reform of the methods of regulating agriculture was essentially identified with a reduction in production and the corresponding expenditure of the EEC.

France agreed with the need to adjust the mechanism of the uniform agrarian policy in the direction of a more flexible balance of supply and demand. But for the leading agricultural power of the Community any reform in this sphere has to meet at least one condition--it must not harm the production and export potential of "green Europe". Paris emphasized unswerving observance of the fundamental principles of the agrarian common market, in a departure from which it saw virtually the main cause of the present disorders.

The following action program corresponded to this. Primarily a strengthening of a joint import policy which would reliably protect agriculture. In time gaps formed in the system of preferences created by the EEC (with the aid of compensation imposts on imports from third countries it oriented people toward preferential purchases of agrarian products from local farmers). Export flows from the United States and a number of developing states were directed toward these gaps. While reaching the position of the world's second exporter, "green Europe" nonetheless remained the first importer of agricultural products.

In many cases it was a question of the unimpeded imports of products directly competing with domestic production, as a result of which the agrarian potential of the EEC members was used irrationally. Thus 60 percent of the consumed livestock feed (the equivalent of the plant-growing product taken from half of France's cultivated area) is imported.* At the same time, however, substantial sums were released from the Community budget to sell "surplus" grain. In the opinion of the French side, a return in the fullest volume possible to the principle of preferences and a curbing of imports of the agricultural commodities whose domestic production could be expanded would correspond to the interests of "agro-Europe" as a whole.

Another point of the action program was restoration of the mechanism of uniform prices for agricultural products, which had been shaken by the currency disorders. When, at the end of the 1960's, parities came to be subjected to frequent and substantial revision, many governments of Common Market countries stumbled against the impossibility of adjusting domestic agrarian prices automatically, strictly in accordance with the change in exchange rates. There thus emerged on the one hand "green rates" used to transfer uniform purchase

* Ph. Moreau Defarges, "L'Europe et son identite dans le monde," Paris, "Les Editions S.T.H.," 1983, pp 196-197, 199.

prices established in units of account to prices of the domestic market of each state. On the other, cash compensation amounts representing subsidies or imposts on agricultural exports and imports depending on whether the "green rate" of this country or the other deviated up or down from the official currency exchange rate. This entire cumbersome system engendered by the currency crisis made it possible to artificially maintain the unity of agrarian prices in foreign trade transactions within the Community.

However, it simultaneously led national price-forming beyond the framework of the uniform agrarian policy, putting in a more favorable position countries with a "strong" currency. Its prolonged application spurred agricultural production in the FRG, for example, to the detriment of France.* Back at the end of the 1970's specialists had observed: "France's hope of finding in the agrarian sphere compensation for the risk to which it has subjected itself in the industrial sphere by opening up its customs limits has receded in time and, perhaps, has disappeared forever since the FRG has approached self-sufficiency in a number of agricultural sectors.** It is perfectly understandable that Paris insisted on the abolition of cash compensation amounts and the equalization of the terms of competition in its favor.

Finally, the third point was the stimulation of the EEC's export policy, which should be given a foundation of long-term agreements. France regarded the rapprochement of high regional agrarian prices with world prices as an inevitable, but gradual process. Meanwhile, however, it was proposed that food exports be speeded up with the aid of subsidies. In order not to overburden the EEC budget it was intended supplementing the uniform agrarian policy with the "joint responsibility" principle, in accordance with which the producers should take part in financing storage and export expenditure.

Another sphere of disagreements among the partners is the practice of the formation of the Community's budget resources. They consist of deductions from value-added tax (within limits not exceeding for each state 1 percent of the amounts raised), compensation imposts and customs dues, which are levied on imports from third countries. Great Britain has long been working persistently to break up the current financial mechanism. In connection with the structural singularities of the British economy, particularly the low relative significance of agriculture, its payments into the budget are steadily in excess of the payments from the common funds. Considering ideal a setup whereby for the country the contributions would be balanced by reciprocal receipts, London sought a reduction in its own payments deficit with the EEC thanks to compensation. It also impeded an expansion of resources of the uniform budget capable of financing expenditure which is "unprofitable" to it. Recently Britain began to take Bonn's part, demonstrating discontent with its position as the Common Market's biggest net creditor.

* Refusing to revalue the "green" Mark in the same proportions as its official parity had increased, the West German authorities overstated domestic agricultural prices by approximately 10 percent compared with their uniform level. Besides, owing to the unduly low exchange rate of the "green" Mark, agrarian exports from the FRG were subsidized by the Community through the system of cash compensation amounts, while taxes were imposed on imports, French included.

** See POLITIQUE ETRANGERE No 1, 1979, pp 85-86.

From France's viewpoint the integration community of the partners is realized via the expenditure part of the joint budget. If problems of "fairer" distribution of the financial burden pertaining to participation in the EEC do arise, they should be solved by way of the extension of joint measures to new fields and an increase in the EEC's budget revenue.

In assuming the office of president in the Community France caught the "Ten" at a critical stage. Following a series of unsuccessful attempts to unite the knot of agrobudget problems, an understanding matured among the partners that continuation in this situation ran the risk of the Community edifice being shaken to the foundations and consequences which are hard to predict. At the Brussels session of the European Council in March 1984 the positions on many contentious issues had become clearer. Final compromise took shape at the following meeting of leaders of the EEC countries held in the French town of Fontainebleau at the end of June.

The local press hastened to declare that it was a question of a brilliantly conducted operation to rescue the Community and that the agreements which were reached were a balanced compromise in which there were "neither winners nor losers."* However, as soon as the euphoria had died down, all the reverse sides of the settlement showed through.

In order to prevent a financial crisis the EEC participants agreed on an increase as of January 1986 in the share of value-added tax contributed by each country to the common budget of 1 to 1.4 percent. At the insistence of London and Bonn the Community will in the future adhere strictly to the rules of "financial discipline" and plan expenditure depending on the availability of resources. In the course of 3 years expenditure on the uniform agrarian policy is to grow at a rate not in excess of 4 percent annually. Britain's demand concerning a reduction in its contribution to the EEC budget was met. As of 1985 it will receive an amount equal to two-thirds of the extent to which its deductions from value-added tax exceed the payments from the common funds. This is only very slightly reminiscent of the "short-term and degressive" compensation to which Paris had consented originally. Furthermore, the FRG's share of the financing of the privileges extended to Britain was reduced, while that of France was increased.

Some observers termed "historic" the modifications made to the uniform agrarian policy. The obligation to curb budget expenditure has forced the Common Market leadership for the first time in its existence to lower purchase prices for agricultural products expressed in ECU's and to limit milk production for the next 5 years to the 1981 level, having established quotas for each country of the "Ten". Such a painful version of the surmounting of the difficulties of "green Europe," which is attended by a sharp fall in real income and the ruin of numerous peasant farms, gave rise to mass protests in France. Paris consented to this version only after long hesitation and in exchange for reciprocal gestures by the partners: consent to the stage-by-stage abolition of the cash compensation amounts and limitation of grain- and fats-substitute imports from third countries.

* LE NOUVEL OBSERVATEUR, 29 June 1984, p 41

At the same time these gestures did not mean satisfaction of the French side's old demands for an equalization of the conditions of competition in the agrarian common market and a restoration of the principle of preferences. In Fontainebleu the FRG reserved the right to grant its farmers large-scale tax privileges, which in fact signified continuation of the advantages of West German exports by means other than subsidies through the system of cash compensation sums. As far as agricultural import limitations are concerned, things boiled down to vague promises to conduct negotiations.

Attention is attracted primarily by the temporary and shaky nature of the compromise, which has not radically solved a single problem and has not even in any way reliably insured the "Ten" against the risk of bankruptcy. The reserve of strength which emerges as a result of the increase in budget resources is negligible and, according to existing estimates, could exhaust itself quite rapidly. In any event, the adopted decisions are extremely far from the plans to create a solid financial base essential for strengthening the Community.

Leaving unresolved the question of covering expenditure in the coming 18 months, they are reminiscent more of a truce before more clashes than a lasting peace. In the same way it is hardly possible to speak of the start of a profound reform of the uniform agrarian policy. The changes hastily made to it under the threat of financial crisis fail completely to touch on such aspects of regulating the sector as long-term structural reference points and the impact on import-export flows. Yet it is their underdevelopment which to a considerable extent explains the paradox whereby "green Europe" is constantly reproducing surpluses of some products in combination with a shortage of others.

Nor can we fail to see that the agreement in Fontainebleu was possible only after France had retreated from many of its initial positions. An approach which was in principle opposite to the French approach prevailed in the agrarian sphere. It was not possible, as Paris had wished, to prompt the partners to return to the principles contained in the Treaty of Rome of preferences and financial solidarity, the legitimacy of a departure from which the agreement merely enshrined. The weekly LE NOUVEL ECONOMISTE has sufficient grounds for providing its commentary with the laconic heading "London and Bonn Were the Winners".*

In a broader plane it is a question of a further erosion of the foundations of the Franco-West German compromise concluded when the Common Market was founded. In accordance with this, the FRG's industrial superiority was balanced by its large-scale financial support for the uniform agricultural policy, which was profitable primarily to France. A relatively broad coalition of countries has now emerged within the "Ten" which, having availed themselves of the fruit of agrarian integration, are not disposed to invest substantial resources in this sector. The interests of the industrial expansion of the monopolies of this group of states operating actively beyond the confines of West Europe are coming ever increasingly into conflict with the "costly content" of the agrarian common market.

* LE NOUVEL ECONOMISTE, 2 July 1984, p 30.

In the Search for New Bearings

The budget truce was, in the intentions of the French leadership, to have served as the start for a new phase of "Eurobuilding". The Community indeed acutely needed, as LE MONDE put it, to tear itself away from the books of account and look to the future. Whatever indicator one takes, it becomes obvious that the West European states are experiencing the structural crisis of the capitalist economy more painfully than the two other centers of imperialist rivalry.* Whereas it has not been possible to raise the economic growth rate, according to certain forecasts, the level of unemployment in the main West European countries will have risen to 15-20 percent by the end of the present decade compared with approximately 10 percent currently.**

Certain experts are frankly expressing fears that under such conditions it might be necessary to abridge democratic liberties and "introduce order" by authoritarian methods. "The threat to the security of West Europe," the authors of a study on the future of the EEC prepared to an order of the European Communities Commission acknowledge, "emanates... primarily from the incapacity for solving urgent social and economic problems, as a result of which potential instability arises."***

Paris has proceeded from the fact that owing to the close economic interdependence of the EEC countries the key to the effective solution of these problems lies in a rise in the level and a broadening of the spheres of concerted action. For this reason France has since the start of the 1980's presented a whole number of initiatives geared to at least in some way making good the absence of a mechanism of purposeful regulation at EEC level and limiting the spontaneity of economic development.

The first in the long list of French proposals was the idea of a "social European dimension," meaning a rapprochement of the economic policies of the countries of the "Ten," primarily in the sphere of combating unemployment. An important ingredient of this idea was the stimulation of business activity, on which France embarked in the hope that the partners would follow its example. This initiative did not, however, encounter support, and following a serious disruption of the foreign trade balance, Paris was forced to return to the strict control of demand. Economic policies were equalized on the basis of concepts which made the struggle against inflation the cornerstone.

Despite the failure, the authors of a recently prepared report on France's West European strategy in the 1980's oppose "concerted deflation," which is highly dangerous in its social consequences. Rejecting the bankrupt "locomotives" idea, they advocate a cautious version of the stimulation of economic activity coordinated on a Community scale, whereby economic growth would accelerate gradually and be based predominantly on a broadening of investment demand.****

* Compared with 1975 industrial production had by May 1983 increased 12.6 percent in the EEC, 22.5 percent in the United States and 41.1 percent in Japan, while the volume of investments by 1980 had increased by 14, 24.5 and 26 percent respectively (LE MONDE DIPLOMATIQUE, December 1983, p 6).

** LA LETTRE DE C.E.P.I.I., No 38, 1984, p 4.

*** "La Communauté européenne: déclin ou renouveau?" Paris, IFRI, 1983, p 61.

**** See "Quelle stratégie européenne pour la France dans les années 80?" Paris, "La Documentation française," 1983, pp 125-126.

Another element of the "social dimension" is the implementation of special measures to increase the number of jobs. Specialists believe that economic growth of 6-7 percent is necessary for a 1-percent increase in employment in West Europe,* that is, a rate which is entirely unrealistic for this situation. Therefore, as France believes, the curbing of unemployment, besides "treatment by growth," incorporates a multiplication of efforts in the sphere of the education, tuition and retraining of labor resources and also a reduction in work time. The said measures should be coordinated within an EEC framework for otherwise they run the risk of increasing the expenditure and costs of an individual national economy.

Together with the first steps to shorten the work week Paris submitted at the end of 1981 a memorandum recommending that the Community countries adopt a similar model of combat unemployment. The memorandum was greeted skeptically and is still encountering sharp opposition, while attempts to discuss the question at EEC labor minister level are being blocked by Britain's Conservative government. However, the French side believes that the unprecedented unemployment will sooner or later force the partners to return to the "social European dimension" idea.

France also attempted to advance the integration processes along the lines of consolidation of the European Currency System (ECS). It was proposed in the domestic plane strengthening the mechanism of central bank interaction to impart greater stability to the currency grouping. In the 5 years of the ECS's existence the average monthly fluctuations of the currency units incorporated therein of eight countries has been kept within the limits of 0.8 percent, that is, three times less than the dollar, yen and pound sterling, which "float freely" (2.7 percent). On the other hand, in this same period currency parities within the ECS have been revised six times.

In the external plane the set task is that of expanding the role of the ECU's and thereby protecting the grouping from the negative consequences of the disorderly movement of currencies of third countries, primarily the dollar. Currently approximately 200 commercial banks have a broad set of instruments for mobilizing savings and effecting loan transactions in ECU's. As of June 1984 the ECU's have been quoted on the Paris currency market. At the same time the further use of ECU's for economic settlements requires support on the part of the authorities: a stimulation of their application at the time of interventions by the West European issuing institutions on the money markets (these interventions are effected in dollars, as a rule); a lifting of the ban on private transactions therein which is maintained in the FRG, for example; and so forth. The lack of support is impeding progress toward the ultimate goal of currency unification--the conversion of the ECS into a pole of the West's international finance system and the ECU's into reserve assets capable of competing with the dollar.

However, the further development of the ECS has been blocked on the initiative of West Germany, which gave a hostile reception to the French proposals concerning an extension of cooperation in the monetary sphere set forth in the

* See M. Albert, "Un pari pour l'Europe," Paris, Le Seuil, 1983, pp 154-155.

same 1981 memorandum. Endeavoring to avoid additional costs in stabilizing exchange rate fluctuations, Bonn claimed that recognition by all of the uniform priorities of economic policy and the preservation of economic equilibrium in each EEC country are a prior condition of the progress of currency integration. The incompleteness of "Eurobuilding" in this sphere has struck at the plans championed by Paris for a concerted lowering of interest rates in the Community and a limitation of the outflow of sums of capital across the ocean and deprived West Europe of the chance to pursue an economic policy independent of the United States.

Recently Paris has been actively advocating a common industrial strategy of the "Ten". The proportion of "ailing" sectors experiencing structural crises in West Europe's industry is great. To the chronic difficulties of the old sectors has been added a trend toward a lagging behind and dependence on the United States and Japan in the technically progressive sectors, particularly microelectronics. In 1983, according to data of the Ministry of External Relations, 97 percent of the patents, three-fourths of the machinery for the production of electronic components and two-thirds of the integrated circuits used in the EEC countries' information science were of American and Japanese origin.* France has endeavored in every way possible to prompt the partners to coordinate actions in order to halt the trend toward the growth of the "Ten's" technology lag.

Three memoranda submitted by Paris in 1982-1983 drew attention to the need to furnish the Community's foreign economic policy with instruments for protecting domestic production against the devastating competition of stronger non-European firms.** Furthermore, it was proposed that the partners formulate a uniform approach to foreign investments. While contributing in a number of cases to technology transfers and the creation of jobs, they could also have a disastrous impact on West European industry inasmuch as the main task of the penetration of foreign capital is to blast off in the "Ten" from the inside.

The unequal agreements of certain Japanese and West European companies, which have entailed an increase in imports of parts made in Japan for auto assembly in Britain and Italy, are an example of this. The preservation of freedom of movement within the Common Market only for "European" products, that is, in whose price the cost of the components made in EEC countries is above an established minimum, would contribute, the French side believes, to putting a stop to this practice. France also believes that by way of a unitization of national technical norms and standards and increased mutual access to government orders (they account for approximately 20 percent of the gross domestic product of the Community countries) West European enterprises will be able to rely on a capacious home market.

A French memorandum (November 1983) stressed the formation of competitive industrial poles on an EEC-wide scale.*** The fragmented nature of the efforts of individual countries of the region in the sphere of scientific research and

* LE MONDE, 10 July 1984.

** LE MONDE DIPLOMATIQUE, December 1983, p 5.

*** LE NOUVEL OBSERVATEUR, 16 December 1983, p 23.

the introduction of its results is a reason for the weakening of West Europe's positions compared with its main rivals. It is sufficient to say that in the past 5 years the West European countries have separately spent twice as much in the way of resources on the development of microprocessor technology as Japan, whereas the results which have been achieved are four times inferior (the share of the world market in these products which they control is 10 percent, that of Japan 40 percent).

The memorandum pointed out that a rapprochement of the firms of the region, coordination of their development strategy and an increase in the number of joint research and production programs in the basic sectors of industry could contribute to the surmounting of technological dependence and to expanded employment in the EEC states. Thus the measures proposed by Paris oriented the EEC toward an enhancement of the structural competitiveness of industry as the main condition of preservation of the grouping's autonomy in relation to the two other centers of imperialist rivalry. As is known, the exacerbation of the competitive struggle between the monopoly capital of the three imperialist power centers has spurred industrial integration in West Europe.

Particular fears are being aroused in the EEC by the American-Japanese rapprochement brought about by the endeavor of U.S. ruling circles to make more extensive use of the economic dynamism of the Pacific ally for curing its own economic ailments. In recent years Japanese and American corporations have concluded over 2,000 various agreements on technical and production cooperation in many sectors--from the ferrous metallurgy and auto assembly through the aviation and space sectors.

The rapprochement of the United States and Japan is of a distinctly anti-European thrust and threatens to push the Community countries, as is feared here, into secondary positions in the international capitalist division of labor. Whence the inclination of the EEC partners displayed at the private monopoly and, particularly, state level to forget in a number of strategic sectors about the intrinsic contradictions and to unite for joint opposition to the expansion from across the oceans.*

A graphic example of this is the ESPRIT program, which was approved in February 1984 and which commentators have called the most significant event in the life of the Community since the formation of the West European currency system. It is a question of the financing from EEC funds of up to 50 percent of the expenditure on R&D of leading West European firms in the sphere of information science (on condition that the projects are undertaken jointly by, at a minimum, two companies). It is proposed to spend for this purpose in 5 years 1.5 billion ECU's.**

* We would note in this connection the introduction of uniform standards for the connection of computers different from the standards adopted by American companies, the standardization of specifications and the reciprocal (up to 10 percent on each side) opening of the state orders market for telecommunications facilities between France and the FRG; the agreement of a number of Common Market countries concerning cooperation in the production of nuclear power engineering equipment for the plutonium cycle; and the decision on the creation of a second-generation West European carrier for the launch of an artificial Earth satellite.

** G.-F. Caty, "Le programme ESPRIT" (FUTURIBLES, June 1983, pp 26, 29).

This program, in which, specialists believe, it has been possible to reconcile France's traditional dirigisme with the precepts of the FRG, could serve as a prototype for similar actions in the sphere of telecommunications and biotechnology.

However, the representatives of finance capitals, which has emerged in the world arena, actively oppose such a unification and the pursuit of a coordinated industrial strategy. They are counting on integration not so much within the confines of the continent as on a broader Atlantic scale. For the sake of deriving profits certain strata of the West European bourgeoisie which the newspaper LE MONDE DIPLOMATIQUE calls neocomprador are consenting to play in the international monopolies the subordinate part of junior partners of American corporations.*

To a certain extent their interests were reflected by the official position of the FRG, Britain and Holland, which were originally very indifferent to the French initiatives. Taking refuge behind the principles of free trade, they left unanswered the memoranda concerning a strengthening of common trade policy, which did not contradict, incidentally, the agreements within the GATT framework. The sole such decision adopted by the EEC authorities--an increase in the dues on imports of compact discs, whose production had been started by the Dutch Philips firm--albeit portrayed as "historic," remains an exception to the rule.** Of the 47 production engineering agreements concluded in the past 5 years by leading West European companies, only two were intraregional. The remainder represent alliances with transatlantic monopolies, which are continuing to turn the Common Market into an arena of their competitive struggle.

The failed attempt by the French nationalized Thomson Company to acquire a controlling share of the stock of the West German Grundig was indicative. The failure to create in home electronics a world-class European association prompted Thomson to enter into technological relations with a Japanese firm. A severe blow was struck the EEC's electronics industry by the agreement between AT&T (United States) on the one hand and Philips (Holland) and Olivetti (Italy) on the other.

Political Superstructure

In the absence of progress on the economic front Paris began to support programs for the further politicization of the Community. At the European Council session in Stuttgart (June 1983) France's signature was appended to a declaration calling for the creation of a political union of the "Ten". In May 1984 President F. Mitterrand declared that he shared the basic thrusts of the "Spinelli Plan" concerning political integration, which had been approved by the European Parliament.***

* LE MONDE DIPLOMATIQUE, December 1983, p 5.

** H. Laforet, "Le Liberalisme en echec" ("L'economie en question," 1984-1985, p 98).

*** See LE POINT, 28 May 1984, p 78.

Paris advocated the extension of the integration processes to such spheres not embraced by the Common Market Treaty as education, culture, health care and justice. France proposed a streamlining of the role of EEC institutions in the formulation and implementation of uniform policy and, in particular, the creation under the auspices of the European Council of a permanent secretariat. Finally, the French proposition concerning the "more normal practice"* of decision-making in the Community's institutions was interpreted by observers as consent to narrow the sphere in which the partners' unanimity is necessary and a slide toward the supranationality principle.

In Fontainebleau France intended presenting its own initiative, which was to have become a landmark on the way to political union. However, ultimately the plan, pretentiously called "Europe of Citizens," amounted to a list of the most diverse, basically purely symbolic proposals of the abolition of border formalities type or the introduction of a common holiday, flag and anthem. All this testifies that the present policy of erecting a political superstructure over the EEC is encountering, like the previous ones, the contradictions within the grouping and, as LE MONDE observes, may perfectly well prove to be "a most notable adornment in the pantheon of still-born Eurobuilding plans."**

Since the start of the 1980's Paris has actively advocated the establishment of closer coordination in the military-political sphere. The ultimate goal is the creation of a West European defense system. Forced to take account of the failure of the "European Defense Community" plan (1952-1954) and subsequently the "Fouche Plan" (1961-1962), French ruling circles are displaying a certain circumspection. "European defense will come into being not from an integral plan elaborated in advance but will be the result of individual actions..., whose intrinsic unity will appear only gradually," an official report emphasizes.***

In the channel of such pragmatic indications Paris is groping for the most suitable institutional framework for military cooperation, counting on a revival of the mechanisms of the Franco-West German Elysee Treaty and the Western European Union. It also aspires to transfer to a broader and more systematic basis the coordination of arms production programs. Furthermore, Paris is participating in consultations and an exchange of information for a rapprochement of the EEC partners' strategic concepts.

The increase in France's military-political assertiveness in a West European direction is explained not only by a desire to compensate for the breakdowns in economic integration. It is inscribed in broad designs whose goal is to consolidate the positions of the West European power center in the world and to maintain its capacity for realizing its own specific interests, which coincide in far from everything with the aspirations of the powerful transatlantic ally.

Hopes for an opportunity to establish more balanced relations between the two shores of the Atlantic are connected with the strengthening of NATO's "European flank," which accounts for over 40 percent of the bloc's military spending. At the same time it should be said that French "Europeism" has undergone

* LE FIGARO, 25 May 1984.

** LE MONDE, 26 May 1984.

*** "Quelle Strategie Europeenne pour la France dans les annees 80?" p 226.

a certain evolution and has departed from de Gaulle's "European Europe" concepts, which had an anti-American thrust. The position of the authors of the above-mentioned report on the EEC's prospects is indicative. While urging that West Europe find its own political character, they emphasize the community of vital (read: class) interests with the United States and the permanency of the Atlantic framework. While accepting the idea of West European defense, they by no means connect with its reliance exclusively on their own forces without the participation of the United States.*

The tilt toward politicization of the Community has also occurred under the impact of intraregional considerations, namely, ensuring guarantees against an undesirable change in the FRG's foreign policy. The solution of this perennial problem for Paris has been complicated both by the shakiness of the country's economic position and West Germany's increased role in the detente years. Whence the shifting of accents to interaction in the military-political sphere, with the FRG included. It was candidly stated at a certain stage here that it was necessary first of all to bind Bonn more firmly with Western alliance commitments and prevent it improving relations with the socialist countries.

We cannot fail to see the profound contradictoriness and inconsistency of France's present "European" orientations. Support for NATO's missile rearmament plans, whose realization would contribute to a reduction in its own political authority in world politics, in no way gell with the declared principles of consolidation of the independence of the West European pole. In fact, of what "autonomous" line of West Europe in this part of the world or the other can it be a question if it has already become an important military springboard of U.S. imperialism. American military doctrines plainly provide for close interaction between various potential military theaters outside of the United States.

Progressive circles are expressing fears in connection with the growth of "Euro-Atlantic" elements in French strategic doctrine, the removal of restrictions on the production of heavy offensive arms in the FRG, the transfer of military technology to West German monopolies and other of Paris' "conciliatory gestures" toward Bonn.** Threatening to deprive France of the advantages which it has derived from following an independent course, such steps could result, contrary to calculations, in the FRG's increased political and military influence in the Western alliance.

Such prospects are entirely to the liking of Washington, which supports the plans for the cobbling together of a military-political alliance in West Europe under its aegis. As a component of the Atlantic dimension, such a "European subsystem" would relieve the United States of some costs without shaking the foundations of American leadership in the West. However, within the framework of the said outline there would be no room for what politicians call "West European independence".*** It is not fortuitous that informed observers are asking whether there has not been prepared for France, which aspires to the main roles, the place of ordinary participant in the political game being started around "NATO's European strongpoint," control over which could slip away from it.

* La Communauté Européenne: déclin ou renouveau?" pp 71, 73, 78.

** See L'HUMANITE, 6 June, 4 July 1984.

*** See LE MONDE, 30 May 1984.

The more than modest results of France's West European policy are the result not only of the contradictions among the EEC partners but also the U.S. Administration's endeavor to achieve unconditional leadership in the West. The Old World has been pulled into a "Marshall Plan in reverse"--an outflow of capital to the other side of the Atlantic. The deterioration in the situation in Europe in connection with the deployment of the new American medium-range missiles is being used by Washington for pressure on its allies. It is becoming increasingly obvious that in assigning the West European pole the auxiliary role of instrument of the realization of its global hegemonist plans the United States is preventing the solution of its internal problems.

Historical experience shows that the opportunities of West Europe (and France as a participant in this power center) for exerting a positive influence on world politics are more extensive, the less is the tension in East-West relations.

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REVIEW OF IMEMO SERIES ON CAPITALIST STATES: VOLUME ON FRG

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, Oct 84
(signed to press 14 Sep 84) pp 144-146

[A. Demin review: "Present-Day Monopoly Capitalism"]

[Text] Leningrad--The book in question* is a joint work of scholars of the USSR Academy of Sciences Institute of World Economy and International Relations and the GDR Institute of World Politics and Economics. It represents a comprehensive study of the economic, political and social problems of the present-day FRG. The main emphasis is put on an analysis of the new phenomena which arose here on the eve and at the outset of the 1980's.

A book about West German monopoly capitalism attracts higher-than-usual attention today; through the endeavors of the Reagan administration and the efforts of the H. Kohl government the FRG, despite mass public protests, has been turned into a launch pad for the American Pershings and cruise missiles targeted at the USSR and other socialist countries. More, Bonn is planning its own production of heavy offensive arms. For this reason the authors were right to include in the book a chapter devoted to the militarization of the economy and the reactionary role of the military-industrial complex. It helps in a better understanding of the socioeconomic and political situation which has taken shape in the country.

The structure of the monograph is logical. Following a general description of the place and role of the FRG in world economics and politics (Chapter I and, partially, Chapters VII and XI), there is an analysis of the country's production forces and the structural changes in its economy (Chapter II); the block of subsequent chapters examines the system of state-monopoly production relations and the specific features of the economic basis (the monopoly structure of the economy, finance capital, state-monopoly regulation, reproduction and cycles, particularly of inflation, the militarization of the economy, foreign economic relations); the concluding chapters investigate socioeconomic problems, the class structure, the struggle of the working class,

* "Federativnaya respublika Germanii" [The German Federal Republic]. Executive editors: Doctor of Economic Sciences V.N. Shenayev, Dr M. Schmidt (GDR) and Doctor of Historical Sciences D.Ye. Mel'nikov, Moscow, Izdatel'stvo "Mysl'," 1983, p 431.

the party-political system and foreign policy.

However, the book in question (like other such publications) lacks one chapter of importance, we believe, for the current period--on economic problems of reproduction of the environment. The time has come to make a serious study of these problems, which are exerting a big influence on the reproduction of capital, structural shifts in the economy and the situation and health of the working people.

The monograph correctly emphasizes that "concerns are the basis of the monopoly structure of the economy" at the present time. "The merger of the dominant monopolies in different sectors is occurring on the basis of the concerns, and finance groups as distinctive specific centers of finance capital are emerging on the basis of the former" (p 7).

Chapter. III opens with the section "Concerns--Nucleus of the Monopoly Structure of the FRG Economy," which observes that the concern "is a monopoly alliance of capitalists" and has long been "the predominant form of the monopolies" (pp 66-67), which, however odd this may seem, is not noticed by the authors of a number of textbooks and teaching aids in the political economy of capitalism, who pay the main attention to cartels and syndicates. The work provides a capacious and precise definition of the modern concern and contains fundamental propositions and observations which should serve as an essential addition to the characterization thereof in various publications and VUZ lectures. It is shown convincingly throughout the study that the dominant role in the economy and policy of the FRG is performed precisely by the concerns, and this imparts to the book a profound political economy character.

Relying on an analysis of new data, the authors make an in-depth and thorough study of West German imperialism and its main finance-monopoly groups, characterizing which they write: "The decisive role within a finance group is performed by a monopoly bank; it is the center thereof and acts (being in the FRG a general-purpose bank) as the head bank with respect to all the industrial concerns, trading enterprises and so forth incorporated in a given finance group" (p 80). It may be concluded from this that the bank is always the leader and head of the finance group and that it alone "carries the flag". This proposition is at least debatable. The place and role of the monopoly bank in a finance-monopoly group may also be evaluated differently: under the conditions of present-day capitalism it is the integrator and leader of a group in 50 percent of cases on "average," in the other 50 percent this part is played by the industrial concern.

Examining the specific features of the state-monopoly regulation of the FRG economy, the experts are entirely correct in proceeding primarily from the development of regulation at the level of the concerns (pp 99-100). The monograph analyzes the attempts of the latter to compensate for the fall in the profits norm by the introduction of more efficient capacity, which is characteristic of scientific-technical progress under capitalism. Its use, the authors observe, is only within the capabilities of the strong concerns. The monopolization process increases their scientific potential, facilitating the conquest of new commodity markets. At the end of the 1970's enterprises with an annual turnover of more than DM1 billion accounted for 70 percent of spending on R&D (pp 103-104).

The merger of the forces of the monopolies and the state does not preclude, as the work correctly emphasizes, the preservation of their relative independence. "The monopoly alliances, despite all their influence and inculcation in the state organs of power, cannot replace the latter, however much they are called a 'state within a state'" (p 124). An analysis testifies that a trend toward a weakening of legislative and a strengthening of executive state power is being manifested distinctly in the FRG. The Bundestag takes virtually no part in the formulation of economic policy. The latter is not only implemented but also shaped largely by the executive power organs.

There is a trend in the FRG toward the centralization of both political and economic state power. Currently approximately half of all state resources are concentrated in the hands of the federal government. This means that more than half are in the hands of the Laender and the communities. The direction and nature of the use of huge economic resources will depend on how the process of the further centralization of state power proceeds. The centralization of state power affects the interests of broad strata of the population. Here, as the monograph emphasizes, it conforms entirely with the interests of monopoly capital. The authors examine in detail the goals and methods of the state's economic, financial, monetary-credit, structural and regional policy.

The book studies all problems with regard for state-monopoly capitalism, the scientific-technical revolution and the deepening and exacerbation of the general crisis of capitalism. The analysis of each specific problem is preceded by a brief, but highly cogent methodological and theoretical introduction. Thus preceding the analysis of the reproduction process, cycles, crises and inflation (Chapter V), the experts write "Bourgeois economists attempt to prove that the cyclical recurrence of capitalist reproduction such as is explained in Marxist-Leninist theory no longer exists. It is for this reason that they themselves are now not averse to speaking and writing about cyclical recurrence, but in a different sense, reducing this cyclical recurrence to growth rate fluctuations. However, a decline in the growth rate cannot be identified with an absolute decline in production. In the first case, despite uneven growth, the circulation of capital is realized in all forms. In the second case there is movement in the circulation of capital in time and space. Some of its metamorphoses are disrupted and, partially, are not realized at all, and in a period of cyclical crisis, furthermore, reproduction occurs essentially on a constricted basis. This is that very qualitative feature distinguishing a decline in the growth rate within the framework of continuous expanded reproduction from an absolute decline in production, when even simple reproduction is temporarily not ensured" (p 150). On this basis the monograph makes a thorough political economy analysis of the three postwar economic cycles in the FRG, which, we believe, it would be expedient to use extensively in scientific work and the practice of teaching this subject in the VUZ's.

One further more urgent problem of present-day capitalism--inflation--which, the authors believe, is a multifactor process, "which means a multitude of causes of the depreciation of monetary units," is examined specifically and convincingly. In the FRG, as in the majority of other developed capitalist countries, such causes are: "deficit financing, particularly as a result of the state's unproductive military spending; monopoly price spiraling; foreign expansion, a

consequence of which is influence on the distribution of effective demand within the country (so-called 'imported inflation'); and credit expansion, that is, the deposit-check expansion of monetary circulation on the part of the commercial banks" (p 171).

The work pays great attention to the changes in the FRG's social structure in the 1970's-start of the 1980's. Under the conditions of state-monopoly capitalism, the scientific-technical revolution and the exacerbation of the general crisis of capitalism the main social contradiction, between labor and capital, the authors rightly observe, has not only deepened but also expanded, having become a contradiction between the domination of finance capital and the majority of the people. Capitalist relations as relations of exploitation encompass all of society. A continuous proletarianization of part of the bourgeoisie and middle strata is occurring; the relative significance of the working class in 1961 constituted 70.8 percent, in 1980 some 75.5 percent; simultaneously the proportion of the bourgeoisie is declining: from 2.6 to 2.1 percent respectively. The peasants, craftsmen and retail traders are being proletarianized (p 250).

Encompassing the main spheres of the life of the FRG, the monograph gives us a broad and authentic idea of the complex of contradictory economic, social and political problems of this country. Lenin's theory of imperialism served for the authors as the key to analysis thereof, of which they made creative use.

We would note in conclusion that while being a fundamental scientific study, the book in question is also of great applied significance. It will be used in the educational process in the VUZ's. Attention will be paid to it in propaganda work also.

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REVIEW OF BOOK ON U.S. ECONOMIC INTERESTS IN ASIA-PACIFIC REGION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, Oct 84
(signed to press 14 Sep 84) pp 150-151

[Yu. Stolyarov review: "Important Direction of Washington's Expansion"]

[Text] The main subject of the book in question* is the expansion of American imperialism in the Asia-Pacific region. It analyzes the dynamics, scale and structure of the U.S. monopolies' direct capital investments and the singularities of trade and commercial scientific-technical exchange. It simultaneously reveals the long-term processes of the development of the economy of the countries of the region determining the growth of its significance in world economics and politics.

The author convincingly substantiates the proposition concerning the increase for Washington in the role of the Pacific direction of expansion. His calculations show that, as distinct from the 1960's, when the United States was oriented basically toward West Europe, in the 1970's-start of the 1980's its foreign economic relations with states of the Asia-Pacific region have been expanding more rapidly than with the world as a whole. This applies to all forms thereof. Thus American corporations' direct investments in the region in question increased fivefold in the period 1967-1980. At the same time the total value of their direct overseas investments increased by a factor of 3.6 (p 54). The accelerated development of trade with the countries of the region led to their increased share of the United States' foreign commodity turnover from 21.9 percent in 1970 to 23.2 percent in 1980 (p 81). In the period 1965-1980 net proceeds from the sale of American technology to the developed capitalist countries of the region increased almost sixfold, and their share of the United States' total "technology" proceeds increased from 7 to 21.2 percent (p 113).

The picture would have been manifestly incomplete if the author had confined himself to an analysis of the significance of the Asia-Pacific region merely for the United States, without regard for the activity of other capitalist powers, primarily Japan, here, and the development of interimperialist contradictions

* A.B. Parkanskiy, "Ekonomicheskiye interesy SShA v aziatsko-tikhookeanskom regione" [U.S. Economic Interests in the Asia-Pacific Region], Moscow, Izdatel'stvo "Nauka," 1983, p 208.

contradictions on this basis. A merit of the monograph is precisely to a considerable extent the fact that U.S. expansion in the region is viewed against the background of the processes occurring here. Such an approach enabled A. Parkanskiy to draw an important conclusion concerning the relative deterioration in American positions in the region, despite the stimulation of Washington's efforts in the Pacific area.

Thus the United States' share of foreign direct investments both in the developed capitalist and the developing states and territories of this region--New Zealand, Indonesia, South Korea, Thailand, Hong Kong and the Philippines--is declining constantly (p 157). The United States' role as trading partner is gradually declining: its share of the imports of Japan declined in the period 1970-1980 from 30 to 17 percent, the Philippines from 29 to 26 percent and South Korea from 30 to 22 percent. The same process also characterizes the exports of a number of Pacific states (p 159).

Adducing a multitude of facts and statistical data, the author shows that the relative weakening of the American positions in the economy of the countries of the region is a result primarily of the pressure of Japanese monopoly capital, which is ousting the United States on world markets. Their struggle for domination in the region in question is a most important factor determining the development of the international situation here.

The book deservedly pays great attention to revealing the imperialist, hegemonist content of a variety of bourgeois concepts of the approach of the "Pacific age," the shift to the region of the "world's economic epicenter" and so forth. The authors of such doctrines attempt primarily, as A. Parkanskiy emphasizes to justify the hopes of their class for a favorable future for capitalism, regarding the nonsocialist Pacific states and territories as the main region in the modern world of the extensive development of the capitalist mode of production. The monograph rightly observes that bourgeois theorists' calculations are based to a certain extent on the optimistic assessments of the actual long-term processes in the economy of the countries and territories of the Pacific region, whose relative significance in the economy of capitalism is increasing.

The main content of these processes is the intensive internationalization of economic relations in the region. Plans for the creation of a "Pacific community" have appeared on the basis thereof in the United States, Japan, Australia and other countries. In fact it is a question of the knocking together of a new economic and military-political bloc controlled by Washington and its imperialist allies for the purpose of stabilizing the nonsocialist zone of the region in the interests of monopoly capital. The thorough analysis of the various "Pacific concepts" has enabled the author to conclude that the United States, Japan and other industrially developed capitalist states would like to solve the problems connected with securing their economic interests in this region in their "own circle". No less important is the conclusion that under the conditions of the current international situation, which is characterized by a spurring of tension as a result of the actions of the R. Reagan administration, a trend toward a compact of imperialist countries in the region, despite the existence of serious conflicts among them, is strengthening.

A most important feature of the American, Japanese and other plans for the creation of a Pacific grouping is their obvious anti-Soviet, anticommunist thrust. The purpose of the proposed organization is to step up the opposition to the growing influence of the USSR and other socialist countries in the Pacific and an endeavor to undermine their impact on the objective processes occurring here. In respect of the emergent states of the region the set task is that of isolating them from the general anti-imperialist struggle for a just system of international economic mutual relations and to assign them the role of a kind of proving ground for implantation of the latest forms and methods of capitalist production relations.

As the author observes, the imperialist Pacific plans are doomed to fail for a number of reasons. Primarily together with the centripetal trends centrifugal trends are operating in the region whose main spokesmen are the developing countries, which are increasingly less disposed to play the part of passive observers in respect of the policy of the capitalist powers. The intensification of the anti-imperialist struggle of the young sovereign states, the increased class self-awareness of the working people of the industrially developed and developing capitalist countries and also the increased influence here of the forces of socialism will ultimately determine the political and economic situation in this part of the world.

The comprehensive nature of the study and the novelty of the material that has been adduced will undoubtedly make the monograph in question useful for international affairs specialists.

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REVIEW OF BOOK ON U.S. OPPOSITION TO NATIONAL LIBERATION MOVEMENT

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, Oct 84
(signed to press 14 Sep 84) pp 152-154

[V. Lukov review: "American Neocolonialism"]

[Text] A distinguishing feature of international relations of the 1980's is the increased confrontation of American imperialism with an increasingly large number of emergent states. The categorical refusal of any concessions to the developing countries in the sphere of economic relations, which is vitally important for them, the escalation of direct and indirect military pressure on a number of progressive regimes, the expansion of subversive operations in Asia, Africa and Latin America--all this testifies to Washington's attempts to organize a broad counteroffensive against the positions of the national liberation movement, which strengthened in the 1970's. The shift of accents in actual policy is being accompanied by an evolution of the foreign policy thinking of the U.S. ruling class. Bourgeois ideologists are now endeavoring, first, to elaborate the "theoretical basis" of the new interventionism and, second, to "rewrite" on the latest occasion the history of the United States' relations with the young states in order to foist on the peoples the notion of the "peacemaking" role of the United States, the need for "defense against Soviet expansionism" and so forth.

The unfolding of the new stage of the United States' political and ideological confrontation with the peoples of the developing countries confronts Marxist researchers with a number of problems which are important not only from the scientific but also the practical-policy viewpoint. They include, inter alia, determination of the prospects of the evolution of the strategic goals of American neocolonialism in the economic, sociopolitical and military spheres; an evaluation of the strength of internal political "rear" of the concentrated onslaught against the forces of the national liberation movement; and cogent criticism of the latest ideological concepts of the United States' relations with Asian, African and Latin American countries.

The said problems are at the center of the monograph in question.* Its author set as his main task a theoretical interpretation of the basic stages through

* V.A. Kremenyuk, "SSHA: bor'ba protiv natsional'no-osvoboditel'nogo dvizheniya. Istoriya i sovremennost" [The United States: Struggle Against the National Liberation Movement. History and the Present Day], Moscow, Izdatel'stvo "Mysl'," 1983, p 302.

which Washington's policy has passed in its development in respect of the developing states.

Whereas during World War II and immediately after a pragmatic approach was predominant in U.S. ruling circles, in accordance with which the national liberation movement was regarded merely as a factor of "local significance" breaking up colonial barriers and thereby contributing to the expansion of American capital, by the end of the 1940's a profound transformation had occurred in the thinking of the U.S. ruling class. The major successes of the national liberation movement, primarily the victory of the people's revolution in China, graphically demonstrated the existence of a close connection between different contemporary revolutionary streams. Perceiving this connection as a serious "threat to U.S. national security," America's ruling circles, V. Kremenjuk observes, set as their strategic goals, "first, heading imperialism's struggle against the national liberation movement and, second, seeking the disunity of the national liberation movement and sowing discord between the forces of national liberation and the communist and workers parties" (p 28).

Perhaps the strongest aspect of the study is the analysis of the social-class content of American neocolonialism. The work examines in detail the directions in which the U.S. ruling class has endeavored since the war to encourage the formation in the young states of a coalition of social-class forces which, while dependent on imperialism in the economic, political and ideological respects, would nonetheless be in a position to ensure the sociopolitical stability of society necessary for the continued exploitation by the monopolies of people and natural resources. Whereas in the 1950's and 1960's here the center of the theoretical debate and political struggle was the question of the ways by which this stability should be secured, the defeats of the United States' neocolonial policy in the 1970's made adjustments to the formulation of the subject of discussion. Not only the military but also the social-class failures of Washington's Vietnam and Iran "experiments" moved to the forefront questions of what precisely should be understood by the notorious "stability" of developing countries. And of what the correlation should be between the efforts of the United States itself and its class allies in the young states to ensure on the one hand the accomplishment of the main tasks of neocolonialism and, on the other, to prevent the "overstraining" of American society which was manifested so acutely at the time of the war in Indochina.

An important stage of this ideological-political struggle was the debate within the ruling class environment surrounding the "lessons of Vietnam". Examining the latter in a historical perspective, V. Kremenjuk rightly emphasizes the evolution which their interpretation by U.S. ruling circles underwent in the process of preparation of the political and social-psychological conditions for a new round of interventionism in the 1980's. Attention is drawn here to the author's thoughts concerning the practical significance of the differing understanding of "national security interests" by circles of the financial oligarchy and the middle strata of American society. Whereas the first advocate a "global" definition of these interests essentially encompassing all continents, the second are inclined to confine the "security sphere" to the United States' geographical "environs". The complex balance of the expansionist aspirations of state-monopoly capitalism and the administration's domestic policy considerations,

including consideration of the mood of the "middle strata," a substantial group of voters, predetermines the scale, intensity and geographical thrust of Washington's policy in respect of the developing countries. It would evidently have been worthwhile the book showing in greater relief the active, dominating role of groupings of state-monopoly capitalism in the struggle surrounding the definition of "national security interests". Inflaming sentiments of anticommunism and chauvinism and "accustoming" ordinary Americans anew to interventionist actions like the American military's crimes in Lebanon, the occupation of Grenada and the escalation of interference in the affairs of Central American countries, the ruling circles are endeavoring to overcome the social-psychological consequences of the "Vietnam trauma" and again impose interventionism stereotypes on the masses.

The work pays the main attention to an examination of the directions and results of the implementation of the United States' neocolonialist policy in the 1970's and 1980's. From "disregard for the periphery" characteristic of the Republicans' policy in the first half of the 1970's Washington switched in the latter half of the decade to the hasty organization of a system of "interdependent" relations with the developing countries. The class essence of this policy consisted, as the book emphasizes, of attempts at the integration in the cosmopolitan structure of state-monopoly capitalism of the leading financial-industrial groupings of a number of emergent (primarily oil-producing) states. "It was a question," the author observes, "of the expansion... of the upper stratum of the capitalist world composed of the representatives of the ruling circles of the United States and other developed capitalist countries thanks to the incorporation therein of the bourgeois elite of the young states which had grown strong in economic and class respects" (p 96). Offering the forces of bourgeois nationalism and religious movements a platform of "ideological consensus" on an anticommunist basis and encouraging the geopolitical ambitions of growing "regional power centers," the American leadership in the 1970's endeavored to make active use of certain ruling regimes as a "reserve of the 'rejuvenation' and expansion of capitalism, an offensive against the positions of socialism and struggle against the progressive forces in the ranks of the national liberation movement" (ibid.).

The book also shows discursively another, broader aspect of the change in U.S. policy which occurred in the 1970's in respect of the young states. Having actively supported the "rich North and poor South" concept, U.S. ruling circles outwardly dissociated themselves from the previous division of the young states into "America's friends and enemies" in order to thereby extend the limits of Washington's ideological maneuvering and "weaken the manifest dependence between the choice of orientation of the young states and a gain or loss for capitalism in the competition with socialism" (p 120).

Summing up the results of American neocolonialism's attempts to create "interdependence" relations in the 1970's, V. Kremenyuk rightly concludes that the "United States failed to create in the emergent states a firm social support for its 'world order' which would have been on the one hand sufficiently strong to cope with the dissatisfaction of the masses and, on the other, sufficiently weak to submit to Washington's diktat" (p 97). The U.S. ruling class itself was primarily unreceptive to the ideas of "partnership". The theoretical

constructions of liberal ideologists of "interdependence" are cast aside by American monopoly capital as soon as it becomes a question of a redistribution of the income of the transnational corporations in favor of the national bourgeoisie of the young states. The constant acute dissatisfaction of the broad people's masses, the persistent attempts of the national bourgeoisie to strengthen its positions in the face of foreign capital and the sometimes acute criticism of the United States' international actions--these and other phenomena indicate that the emergent countries developing along a capitalist path remain unstable and often "disloyal" partners of the West.

Disappointment with the results of the experiment concerning the creation of an "interdependent" system of neocolonial relations led in the 1980's to a considerable evolution of the U.S. ruling class' conceptual views and became a factor of the change in the alignment and correlation of forces in the interfactional struggle. The country's policy is currently determined by a grouping of the ruling class which adheres to positions of avowed conservatism. The book currently distinguishes two general principles determining this grouping's approach to relations with the young states: first, perception of the national liberation movement not as an objective process but as a kind of "global crisis" which can and must be answered with military means; second, a categorical rejection of the very possibility of any "equating of the rights" of the imperialist powers and the developing countries--an idea formulated, albeit in extraordinarily abridged form, in the 1970's by liberal ideologists (pp 31, 89). The division of the young states into "America's firm friends and enemies" is again being advanced to the forefront in Washington's political lexicon and thinking. The primitive propositions concerning the "communist conspiracy" and "violence and terror" as the first causes of the "crisis of stability" in the developing countries have gained official recognition. On the basis of the vast amount of factual material of the 1980's the author shows to what dangerous consequences for world peace the increased U.S. interference in the conflicts in the Near East, southern Africa and Central America is leading.

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