IDENTIFYING HUMAN VALUES

IDENTIFYING HUMAN VALUES is a special feature of WORLDVIEW prepared in response to the issues raised in GREAT DECISIONS, a national study program of the Foreign Policy Association. The FPA—like WORLDVIEW's publisher, the Council on Religion and International Affairs—is a nonpartisan, nongovernmental organization working to help Americans gain a better understanding of significant issues in U.S. foreign policy.

Writing in these pages earlier, Columbia University Professor William T. R. Fox aptly identified WORLDVIEW’s central concern in examining foreign policy issues: “At the leading edge of choice, moral imperatives seem to get in the way of each other... Plural values, plural key actors, plural and overlapping interest groups, plural expectations for the future, and plural deadlines for critical decision-making combine to make great decisions as difficult as they are agonizing. The beginning of great decision-making is awareness of and sensitivity to these pluralisms...”

It is toward heightening such awareness and sensitivity that WORLDVIEW presents this fourth annual edition of IDENTIFYING HUMAN VALUES.

1 USSR UNDER ANDROPOV:
HARD CHOICES FOR MOSCOW & WASHINGTON

Thomas Magstadt

In The Hero in History Sidney Hook argues that, with one possible exception, no great leader has managed single-handedly to change the course of history. The one exception: Lenin. The Russian Revolution “was triumphant,” writes Hook, “because of the directing leadership of Lenin... without him it would have been lost.” Stalin, Lenin’s sanguine successor and founder of the “cult of personality,” did manage, however, to place his own terrible stamp upon the Soviet system. Perhaps this double legacy is what accounts for the lingering perception in the West that Soviet behavior (and with it the destiny of the world) is dictated by the man at the top.

Stalin’s heirs have done little to dispel this notion. Khrushchev was colorful and quixotic; he acted on impulse and pursued “hare-brained schemes” that ultimately led to his ouster in 1964. His successors promised to run things through a “collective leadership” of the kind Lenin had urged in his final testament. For a time it appeared that a new political tradition of power-sharing was in fact taking shape, with top billing apportioned among Brezhnev (Party chief), Kosygin (premier), and Podgorny (president). It soon became evident, however, that Brezhnev was “first among equals” within the ruling Politburo. In the mid-1970s Brezhnev’s preeminence was formalized when, along with his role as general secretary of the Party and chairman of the committee charged with formulating defense policy, he was awarded the title of president (i.e., ceremonial head of state).

Given this tradition of autocratic rule, which of course has deep roots in prerevolutionary Russia as well, it is hardly surprising that there has been keen interest in the biographical and psychological profile and—especially after his absence, unprecedented in Soviet history, from the November 7 celebration of the October Revolution—the medical condition of Brezhnev’s successor, Yuri Andropov. Yet for all the sporting attempts by Western experts to shed light on the Andropov mystery (see Ralph Buljtjen's review article in the October, 1983, issue of Worldview), precious little has been revealed. It is known that he began his ascent through the Party ranks under Stalin and that he apparently prospered when many of his comrades were being purged. He was the USSR’s plenipotentiary in Budapest at the time of the Hungarian uprising in 1956; and roughly a decade later he became chief of the KGB, the secret police—a post he held for fifteen years before his elevation to the pinnacle of power. We know almost nothing about Andropov’s background or private life. He is said to be suffering from serious kidney, heart, and possibly other diseases, one of which prevented his appearance at the celebration last November. The official explanation, that he was incapacitated by a common cold, was an uncommonly transparent lie.
In place of a clear portrait we have impressionistic images of Andropov. Perhaps the most common is that of political hatchet man, the sinister KGB chief who knows where all the bodies are buried. Andropov, in this view, is number-one jailkeeper for a regime that routinely treats its subjects more like prisoners than citizens and, as evidenced by his Stalin-like emphasis on strict discipline in the workplace, an incorrigible hard-liner.

More sympathetic observers concede that Andropov is indeed a tougher taskmaster than his predecessor; but they consider this aspect of his leadership style an indication that he is, above all, a modern manager, an organization man, the torch-bearer for a new breed of Soviet technocrat, one free of ideological prejudice and intent upon getting the sluggish Soviet economy moving again. In this guise Andropov appears the quintessential efficiency expert.

Still another view depicts Andropov as a prison warden who is, ironically, imprisoned by the very system over which he presides. As West German Chancellor Helmut Kohl observed in an interview last fall: "Andropov doesn't know anybody from amongst ourselves [in the West]. Nobody in the Soviet leadership has been in Western countries. Therefore they don't know the West." The only exception among the Soviet leadership, Kohl noted, is the aging foreign minister, Andrei Gromyko. The image conjured up here is of a hermit ruler isolated from, and largely ignorant of, an outside world.

A fourth view characterizes Andropov as the unproven successor who badly needs a foreign policy victory to boost his personal prestige, firmly establish his position as Krem- lin boss, and avoid becoming the captive of powerful institutional interests, especially the military in the aftermath of the Korean airliner incident. At the same time, Andropov's ailing and perhaps failing health has led to considerable speculation that a behind-the-scenes power struggle for his personal prestige, firmly establish

Would this historical relationship remain intact after the defeat and military emasculation of Germany and Japan? Lippmann responded: "The answer must be, whatever the future may bring, that we are at a decisive turning point in our relations with Russia."

Decisive indeed. Lippmann explained the geopolitical logic of the coming cold war as incisively as anyone has since. If a "conclusive defeat" awaits Germany and Japan, 'then Russian American relations will no longer be controlled by the historic fact that each is for the other a potential friend in the rear of its potential enemies." He continued:

Russia will, on the contrary, be the greatest power in the rear of our indispensable friends—the British, Scandinavian, Dutch, Belgian, and Latin members of the Atlantic Community. In Asia, Russia will be our nearest neighbor across the Northern Pacific and by air over the Polar regions; Russia will be the nearest neighbor of China.

Seen in this light, the cold war is not an aberration, not the result of a colossal misunderstanding. It was decreed by an earth-shaking shift in the global balance of power that was brought to full realization by world war. For reasons so clearly spelled out by Lippmann, relations between the two superpowers are normally characterized by discord, not collaboration. The unpleasant truth is that détente, not cold war, is abnormal and that the present chill is more, much more, than a mere reflection of the personality of whoever happens to be at the helm of either government at this moment in history.

If the geopolitical logic of Soviet-American relations decrees conflict rather than cooperation, is there any escape from this historically determined deathtrap—and deathtrap it surely is in the nuclear age? When Lippmann was writing his analysis, the nuclear age was at its dawning. Today, the balance of terror has replaced the balance of power as the central mechanism of international politics and the "normal" functioning of the balance of power is no longer possible. For the two superpowers, "mutual survival" is a redundancy; there is only survival.

Hence the paradox and the policy dilemma faced by Moscow and Washington. On the one hand, conflict is dictated by circumstances beyond the control of either party; on the other, cooperation is demanded in the interest of self-preservation.

The leaders on both sides of the East-West divide thus face some hard choices. Take the matter of nuclear arms control, certainly an imperative. While arms control may seem like it ought to be an end in itself, neither government sees it that way; the need for a military/strategic modus vivendi does not alter the underlying political/structural causes of mistrust and mutual hostility. So far at least the political dimension of arms control—the desire to achieve or deny the other side an advantage—has triumphed over military considerations—the need to refrain from further destabilizing nuclear deployments.

The hardest choice of all thus involves the decision whether or not to set aside the "norm" of conflict in this crucial area of Soviet-American relations. There is a paradox within this paradox: The ever-present and possibly
growing danger of nuclear war has transformed the normal into the abnormal. It is abnormal for nation-states to undertake deliberate, calculated acts that diminish rather than enhance their physical security; as new and more devastating weapons systems are deployed, the security of one side may be jeopardized more than the other, but for both sides there is a net loss.

To escape from this no-win situation, the two sides would be well advised to make concessions, even to take calculated risks. The United States, for example, might have to forgo further deployment of Pershing IIs, limit cruise missiles in Western Europe, and allow forward-based American fighter-bombers to be counted in any trade-offs. The Soviet Union, in turn, might have to dismantle many of its SS-20s, forgo deployment of new SS-21s, 22s, and 23s in Eastern Europe, and agree to count its own warplanes.

Despite new overtures by the Reagan administration in October that suggested a more flexible and conciliatory attitude—for example, the U.S. agreed to consider limiting Pershing II deployments and to count European-based medium-range bombers on both sides—the Soviets remained adamant. As the U.S. and its NATO allies moved toward December deployment, Andropov made quite explicit what the Soviet leadership had been intimating for some time: If any Pershing IIs were put into West Germany, Moscow would pull out of Geneva.

It is doubtful that strategic arms limitation talks—now dubbed START—would survive the collapse of negotiations on intermediate-range weapons. It is clear, however, that if there is to be a compromise on strategic weaponry, it will have to be one that takes into account the fears and vulnerabilities of both sides. The Soviet Union cannot be expected to agree to a formula that focuses reductions primarily on land-based missiles—an estimated 70-75 per cent of their total strategic firepower and only 20-25 per cent of America’s. By the same token, the United States cannot agree to cancel deployment of the MX or some other new-generation missile if the Soviets insist upon keeping the lion’s share of their relatively new and highly sophisticated MIRVed long-range missiles—including 308 SS-18s capable of carrying twenty warheads apiece—which U.S. defense planners claim are threatening to create a “window of vulnerability” in our nuclear-force structure.

The ultimate question comes down to this: Will the superpowers, for the sake of arms control, agree not to pursue their normal mode of interaction—the attempt to extract the maximum advantage from every diplomatic encounter—in this exceptional case? Such a decision would undoubtedly entail palpable political risks for the leaders of both countries. President Reagan runs the risk of further alienating the extreme Right, which has contributed so greatly to his electoral success in the past. Andropov risks opening himself up to an attack by hard-liners on the grounds that he has been intimidated into making a bad deal by a tough-talking U.S. president brandishing paper missiles. Both leaders must consider as well the impact of any strategic accord on their respective alliances.

In sum, the cold war as an ongoing contest between Moscow and Washington, involving the use of all available means short of war, will continue indefinitely. The contest itself transcends personalities and particularities. However, one dimension of this contest, the strategic arms race, can be decisively affected by statesmanship. Are verifiable agreements to curb the self-defeating competition in nuclear weapons to be expected? The answer depends, above all, on the practical wisdom of Yuri Andropov and Ronald Reagan. If such accords are reached, the two of them will secure a place among history’s great leaders.

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2 MEXICO AND THE U.S.: DISCORD AMONG NEIGHBORS

Denis Goulet

Mexico’s two thousand-mile border with the United States is strained, but it remains the locus of sharp conflicts. Last October, House Speaker “Tip” O’Neill, bowing to pressure from the Hispanic Caucus, withdrew the Simpson-Mazzoli bill on immigration reform over White House objections that “it is in the best interests of all Americans to have the nation regain control of its borders.” Jorge Bustamante, director of Mexico’s Center for Border Studies, argues, however, that such a bill would “leave all migrant workers, whether documented or not, in a state of virtual slavery, since they will have no access to the courts to plead for justice.” A New York Times editorial on the day following the bill’s withdrawal predicted that “America’s immigration policy will continue to be a Big Wink. Illegal aliens will keep streaming in past the pitifully overworked Immigration Service. Americans will turn even more cynical and nativist.” To most Mexicans, U.S. policy itself is the “Big Wink”: The government connives with U.S. employers to exploit Mexican workers even as it complains about illegal immigration and loss of jobs for U.S. citizens.

In the wake of U.S. actions in Central America, however, the bitter dispute over undocumented workers has receded to the back burner. President de la Madrid of Mexico warned President Reagan in mid-August that shows of force in Central America threaten to set off a conflagration and that problems between the two nations are “multiplying at a faster rate than solutions are being found.” The invasion of Grenada compounds these problems dramatically.

As the U.N. Security Council was meeting on October 25, Mexico’s permanent representative condemned the U.S.
for violating the U.N. and OAS charters and intervening in the internal affairs of another state. Later that day Mexico’s Foreign Relations Secretariat voiced its deep concern over an action that, it said, creates new dangers for the peaceful coexistence among nations of the region. It reaffirmed the basic principles that guide Mexico’s foreign policy: repudiation of force in international disputes, respect for territorial integrity and sovereignty of nations, nonintervention, and self-determination.

Mexico is important to the U.S. on many counts, and not only because of geographical proximity, large flows of citizens across both borders, strategic oil deposits, large American investments in the country, and the vulnerability of U.S. commercial banks to any oscillations in Mexico’s management of its huge foreign debt. Equally important is its political stability, which shields the U.S. from volatile neighbors farther south. The alienation of Mexico, therefore, is a luxury the U.S. cannot afford.

Accordingly, Washington’s triumphalism at “winning” in Grenada is not justified, for President Reagan’s actions have seriously damaged U.S. policy capabilities not only in the Americas but on a broader front.

The Larger Issues

The United States’ global policy has broad aims: to construct a world of law, peace, a decent respect for sovereignty, and alliances founded on trust and mutuality. The Grenada adventure, involving the violation of international law, aggression against a sovereign state, and the killing of innocent people, inflicts severe damage on those larger purposes. First, it harms U.S. relations with its European allies. At a time of extreme volatility in these relations, with vital decisions pending on missile deployment, disarmament talks, and the domestic handling of growing peace movements, the U.S. gives Europe every reason to doubt it will act responsibly as an ally. Even Margaret Thatcher of Great Britain felt compelled to condemn the U.S. at the United Nations. A second self-inflicted injury consists in delivering a monumental propaganda bonus to the Soviet Union. Gleefully did a high-ranking Eastern European official declare to me at the end of October: “Thank God Reagan invaded Grenada: He has made our task very much easier.” The Soviets no longer need apologize for their criminal behavior in Afghanistan, their manipulation of Poland, their cynical handling of the Korean airliner incident; the U.S. has just tarred itself with the brush of big power cynicism hitherto monopolized by the USSR. Third, the U.S. has created new obstacles for itself in its Latin America diplomacy. This is the most immediate, urgent, and explosive of the three damaging consequences.

In Grenada, Ronald Reagan has repeated the imperialist pattern of earlier presidents—in Haiti, the Dominican Republic, Guatemala, Panama, Nicaragua, and elsewhere. No Latin American nation now accepts Washington’s claim that it seeks “democracy” in El Salvador, pluralism in Nicaragua, and peaceful international political behavior from Cuba. The rhetoric is belied by actions that loudly proclaim “might makes right.” That fragile web of alliances and mutual responsibilities known as the “inter-American system,” already strained by U.S. support of Great Britain in the Malvinas/Falklands war, may well have suffered a mortal blow. This appears too high a price to pay for dismantling a possible Cuban base in the Caribbean. As Robert Tucker noted in the New Republic of October 24, the significance of hostile bases in the Caribbean “is not primarily military but political”—political because their continued presence undermines the belief that the U.S. will defend its allies. But over-reactions to containable threats are soon perceived as offering no solution to the larger problem of radical instability; in fact, they merely increase instability. Radical instability in Central America is precisely what Mexico fears most, and particularly the outcome of U.S. velleities to invade Nicaragua, whether directly or behind the multilateral smokescreen of the Consejo de Defensa Centroamericano (CONDECA) or even as a result of being inexorably drawn into combat in the wake of a Honduran or Salvadoran military debacle.

For the U.S. itself, its post-Grenada euphoria notwithstanding, there is nothing to be gained by an invasion of Nicaragua. In military terms, such an invasion would be a costly and deadly enterprise at a time when U.S. forces are spread thinly around the globe. Politically, it would be disastrous, relegating the U.S. to the pariah status of Germany and Italy in the 1930s. Geopolitically, it would provide untold opportunities for Soviet expansionism elsewhere in the world. For all these reasons the United States should heed Mexico’s warnings against using Grenada as a dress rehearsal for Nicaragua.

Former President Echeverría of Mexico recently likened U.S. actions to those of nineteenth-century pirates. But Mexico’s moral and ideological qualms aside, it has very practical reasons for urging a sane U.S. policy in Central America. Among other things, U.S.-sponsored “contra” groups in Honduras repeatedly threaten to sink Mexican oil tankers en route to Nicaragua. Mexico considers the threats to be irrational, since it ships oil to numerous Central American countries without regard to their political system, and states its intention of continuing to supply Managua with 7,500 barrels of oil per day.

One clear lesson emerges from all this: The U.S. must revise its basic foreign policy assumptions before it is too late.

The Zigzag Trail

President Reagan views the nations of Central America not in North-South terms but as pawns on the East-West chessboard. He fails to see indigenous populations seeking for social justice and thinks he detects Russians and Cubans sowing domestic turmoil. Such a view explains what former U.S. Ambassador to Nicaragua Lawrence Pezzulo calls Reagan’s “cynical hostility” to the Sandinistas. Pezzulo contends that after their victory in 1979, the Sandinistas could “have been handled by American diplomacy.” Revolutions, he insists, are not made by guerrilleros but by a populace that withholds legitimacy from a government that has become hopelessly corrupt and ineffectual. It is the peculiar conditions and special history of each country that ought to underlie the diagnosis of a situation, not some idea of a grand imperialistic design by America’s cold war enemies.

Some U.S. presidents did grasp the nature of many internal struggles in Latin America. John Kennedy launched the Alliance for Progress to provide socially troubled nations with a democratic alternative to oligarchic dictatorships and radical revolutions. His effort failed because it
was based on the liberal's illusion that, as political scientist Robert Packenham put it in *Liberal America and the Third World*, "all good things come together." Liberal reformists assumed that once social mobility and economic growth had been made accessible to peasants, workers, and other marginal workers aspiring to middle-class status, political stability would come to Latin America. Alas, all good things do not come together. Aspirations toward more goods and higher status are a destabilizing force in regimes based on privilege and power monopolies. It was also politically naive of Alliance champions to expect the very stewards of privilege to carry out the agrarian and tax reforms that would undermine their own special position. Not surprisingly, many of the nations for which Kennedy had the highest hopes became military dictatorships in the 1970s. Nonetheless, this president had understood that Latin America's social revolutions were caused not by Castro's export of guerrillas but by the internal dynamics of countries struggling out of quasi-feudal class structures. Jimmy Carter likewise concluded that social change in Latin America was inevitable—hence his respectful, albeit cautious, acceptance of the Sandinista victory over Somoza. Reagan has now reversed this policy, choosing to define Nicaragua not as a legitimate national society groping its way to a better future, but as a Communist base for regional subversion.

This volte-face lays bare an abiding weakness of U.S. foreign policy: the frequency and ease with which it changes. Reversals occur because U.S. foreign policy emerges from domestic political debates, not from a vision of some longer trajectory the nation seeks to travel over time. Such volatility exacts a high price: United States policy moves leave behind a zigzag trail that spells arbitrariness.

If U.S. policy lacks cohesiveness, there is an assumption that underlies it: the balance of power. This was defined in 1970 by Eugene Rostow, the Johnson administration's under-secretary of state for political affairs:

> Our safety as a nation has always depended—and this was perceived early in the history of the Republic—on there being a balance of power in Europe and a balance of power in Asia, so that no hegemonic power would acquire so much strength in either place that it would be free of all restraints from rivals at home, and thus able to become a threat to the United States.

U.S. strategic thinkers are still captive to this erroneous view. But balance of power works only when there are several powers, any of which can shift alliances to prevent one or another of the top two from dominating some policy arena. The U.S. cannot neutralize Soviet moves by a balance of power because it lacks the ability to "line up" even its allies behind its own perception of danger or urgency. This was demonstrated repeatedly in the case of Iran, Afghanistan, Poland, and pipeline sanctions. Obsolete balance of power thinking blinds American strategists to a sound diagnosis of regional problems and, in the process, limits their ability to find solutions.

There is another assumption behind Ronald Reagan's foreign policy: that underdevelopment can be overcome in the marketplace. At the October, 1981, Cancún meeting, Prime Minister Indira Gandhi of India sought to instruct Reagan that the “magic of the marketplace” cannot provide for the basic needs of the millions of poor with no buying power or build an infrastructure in countries lacking necessary resources. President Reagan never learned the lesson and remains wedded to supply-side economics in international, as in domestic, affairs. His own version of the Alliance for Progress was the Caribbean Basin Initiative, wherein Caribbean countries were urged to open their doors to U.S. investment, from which they will learn how to trade profitably with the world. Subsidies would be offered to prime the pump. Not even this palliative aid has been forthcoming, however; the Caribbean Basin Initiative, wedded to the American strategists' obsession, has now fallen victim to it. The worse tragedy is that Washington's Latin American policy has taken another of its pendulum swings.

**The Best Hope**

Neither Richard Stone alone nor Henry Kissinger's Commission can repair this nation's Central America policy. Bilateral accords are no longer possible. There is but one
solution open to the United States: to lend its full support to multilateral efforts at constructing regional peace. Notwithstanding their own nations' internal weakness and the lack of effective instruments for imposing and monitoring peace, the Contadora group, composed of Mexico, Venezuela, Colombia, and Panama, remains the best hope. Its twenty-one-point plan includes the reduction of foreign military advisors, freezes on arms imports and the size of armies, the proscription of foreign bases, controls over arms traffic across borders, prohibition of the use of any nation's territory to destabilize other Central American governments, and joint talks on economic development, human rights, and democratic elections.

Has too much violence foreordained failure, or is success still possible? Hope lives because no major actor is "winning" in Central America: The U.S., Cuba, Nicaragua, and El Salvador—all still have heavy stakes in a peaceful settlement. Mexico's interest in normalization is equally high, for unless peace is restored, its own quarrels with its powerful neighbor to the north may reach the explosive stage. This would be truly catastrophic, for Mexico and the U.S. as well.


3 U.S. SECURITY AND WORLD PEACE: ALLIES, ARMS & DIPLOMACY

The last two years must surely qualify as among the most difficult in NATO history. It seems as though one can't pick up a magazine or journal these days without finding an article about the problems, if not the imminent demise, of the Western alliance. The titles alone are revealing: "What's Wrong With NATO?" "Can NATO Survive?" "Challenge to NATO's Cooperation," "Europe and America: The Politics of Resentment."

But disagreement among NATO allies is hardly novel. In its nearly thirty-five years the Alliance has seen more disputes than a Nevada divorce court. In fact, one of the first NATO books I can remember reading in graduate school was Henry Kissinger's The Troubled Partnership, a work about the intra-Alliance conflicts of the mid-1960s. Why, then, so much handwringing about the future of NATO in 1983?

The internal politics of democracies are always messy, so why should the international politics of sixteen democracies be any different? In contrast, the Warsaw Pact is a paragon of tranquility, yet no one would pretend it is paragon of tranquility, yet no one would pretend it is. The ideological contrast between NATO and the Warsaw Pact, so why should the international politics of sixteen democracies be any different? In contrast, the Warsaw Pact is a paragon of tranquility, yet no one would pretend it is paragon of tranquility, yet no one would pretend it is.

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The answer, I believe, is yes. Recent conflicts have been more serious—this despite the fact that the issues themselves have changed little. After all, the two most important sources of conflict in the last two years—nuclear weapons and East-West trade—have long histories and, in one form or another, have been controversial almost since the Alliance was created. What is new is the level of intensity, particularly the deeper significance attributed to day-to-day conflicts by allies and outsiders alike. Above all, fear seems to be widespread, fear of betrayal and fear of entrapment.

NATO Nightmares

Alliances fear betrayal almost as much as they fear the threat that brought them together in the first place. Such fears take different forms for different governments. For example, one might fear defection, that an ally will make a private deal with the opponent at its expense. Another might fear abandonment, being cut off and forced to fend for itself in a hostile and dangerous world. Given the ideological contrast between NATO and the Warsaw Pact, defection by a NATO member is unlikely. But as Glenn Synder noted recently, such fears go much further than are justified by reality. "States," he observes, "are notoriously paranoid."

Nevertheless, these fears are not easily dismissed. The history of European diplomacy during the past two hundred years is filled with examples of betrayal: the 1938 Munich pact; Italy's switch to the Allies during World War I; Russia's separate peace with the Axis powers following the Bolshevik Revolution. Even where actual defection can be precluded, there exists another possibility: neutralization. The dealignment and neutralization of a minor alliance member may matter less militarily than politically, but the neutralization of a major partner can be almost as serious as defection. This fear of neutralization was certainly a factor in the Soviet invasion of Czechoslovakia in 1968.

Particularly worrisome to small states is the fear of entrapment. Their nightmare is that they will be drawn into a conflict or confrontation not of their own making, against their will, and contrary to their interests. For them it is a question of how much alliance is enough.

NATO is clearly not immune to such anxieties. Quite the contrary, they have appeared regularly over the years, usually triggered by some concrete event or combination of events. In the late 1960s and early '70s, weary of the high cost of the war in Vietnam, some Americans, led by Senator Mike Mansfield of Montana, among others, began to question the value of U.S. foreign commitments and argued for pulling U.S. troops out of Europe, or at least sharply reducing their number. Whether such a step would have damaged deterrence and the U.S. commitment to defend Europe is arguable, but it certainly made many...
Europeans nervous and sharpened their fear of abandonment. During the same period, the Europeans distanced themselves from U.S. policy in Vietnam, leading some Americans to question the value of the Alliance.

Another form of abandonment—anxiety has troubled Europeans for years and is partly responsible for the 1979 NATO decision to deploy Pershing II and ground-launched cruise missiles on European soil. The Soviet attainment of nuclear parity with the U.S. has led an increasing number of Europeans to fear that the U.S. will not come to their defense in the event of a Soviet attack, particularly if it means risking Washington to save Bonn. It is a fear first voiced by Charles de Gaulle in the late 1950s. De Gaulle strongly doubted that nations could put much stock in the promises of others, especially in the nuclear age. France, in his view, had to have its own independent nuclear force, a view no longer limited to Gaullists. The Socialist Mitterrand government has shown no sign of abandoning the independent French force and, in fact, is strengthening it. The projected major improvements to both the French and British nuclear forces is one reason the Soviets want so much to include them in an intermediate nuclear force agreement.

Denied the nuclear option, the fundamental precept of West German security policy for more than thirty years has been to huddle under the American nuclear umbrella. German policy, and indeed NATO's, has been to rely on the threat of American nuclear weapons to maintain the peace at a cost all could bear. No one wants nuclear war, least of all the Germans. But they recognize, as perhaps no one else can, that any war on their territory, even a conventional one, would mean the end of Germany and the destruction of most of Europe. The problem for Germany always has been not how to fight such a war but how to deter it. The threat of nuclear retaliation by the U.S. has seemed too many Germans the best solution to a difficult dilemma. The more terrible the threat, the less likely the war. But what if that threat were called into question?

Changing conditions have in fact called into question the credibility of the American threat to defend Europe with nuclear weapons. If De Gaulle were alive, he certainly would understand. The steady growth of Soviet nuclear power in the mid-1970s has sharpened the question of whether the American nuclear umbrella still has any substance. For Helmut Schmidt the question was posed most clearly by the new Soviet SS-20 missiles. With a range of up to three thousand miles and equipped with three MIRV warheads, it is a formidable successor to several hundred crude, slow-reacting, older Soviet missiles that had been aimed at Europe since the mid-1950s. It demanded a response from NATO, but NATO had nothing equivalent.

The deployment of Pershing II and cruise missiles capable of striking Soviet targets from European soil would provide such a match. These would assure an unbroken chain of escalation from conventional war all the way up to strategic nuclear war, and with it an unflagging U.S. commitment to defend Europe. Thus, the missiles would strengthen deterrence and put to rest, at least for the moment, the fear that the U.S. might separate or "decouple" its own defense from the defense of Europe. In short, fear of abandonment would be quieted.

But the missile decision, designed to aly one set of fears, has unleashed others: fear of nuclear war and fear of defection and of entrapment. The Soviets, of course, have done their best to exploit both. Their two-year campaign to divide the Alliance over the issue of missile deployment has not succeeded in splitting NATO or breaking the will of NATO governments, but substantial minorities in West Germany, Britain, and elsewhere have been questioning the value of the Alliance, especially if "defense" might mean nuclear destruction. Thus, fear of being entrapped in a nuclear war has fed the fear of defection. Will those most worried about nuclear war seek to opt out of the Alliance? Many in the European antinuclear movement have already reached this point psychologically.

Fear of defection is not often voiced in public. To do so would be to accuse allies of cowardice. Nevertheless, there are such fears just below the surface on both sides of the Atlantic. For example, Raymond Aron, the French political philosopher and analyst, voiced such concerns in an interview shortly before his death in mid-October, 1983.

"West Germany, Aron said, "no longer frightens me with its power but because of the possibility of its capitulation to Soviet Russia." West Germany's prime interest, Aron continued, is no longer its alliance with the U.S. but its "psychological half-reunification" with East Germany, which makes Bonn think "as much about how not to indispurge the Russians as not to upset the Americans."

Aron is not alone in holding such views. They are shared by many French Socialists as well. Jacques Huntzinger, a Socialist party official responsible for international relations, has gone so far as to speak of the danger of "Finlandization." He and other French politicians see the opposition of the German Left to missile deployment and the strong German antinuclear movement as evidence of a growing neutralist tendency in Germany. More and more they have come to fear that the Germans will abandon their ties to the West.

There are even some Germans who express similar concerns. One political scientist with ties to the Christian Democrats cheered the March, 1983, election victory of the CDU/CSU coalition by stating that it "changed German foreign policy from dreams of a security partnership with the United States." But that election has not put the issue to rest. German Socialist Democratic party member Erhard Eppler noted that "the trend toward neutralism grows with the mistrust of the American administration." The SDP's break with the foreign policy consensus of the last thirty years has, in turn, stirred fear and anxiety elsewhere in NATO.

Trade and Technology

Nuclear weapons are not the only source of anxiety within NATO. East-West trade has been a source of tension and fear dividing the U.S. and some of its allies for several years. The events surrounding the Soviet Siberian gas pipeline are well known. To the Reagan administration the Europeans appeared soft on covert Soviet aggression and unwilling to make sacrifices to support a tough but necessary policy. The Europeans feared being trapped in renewed cold war and economic warfare. Less well known but equally important has been the related issue of multilateral export controls and the operation of the Coordinating Committee for Multilateral Export Controls (CoCom), the unofficial organization that coordinates co-
controls over exports to the Soviet bloc and China by NATO members (excluding Iceland and Spain) and Japan.

The Reagan administration has many times expressed its concern thatadvanced Western military technology of considerable military value has been finding its way to Eastern Europe and the Soviet Union, ultimately turning up in Soviet weapons. Evidence that the Soviets have acquired Western technology and used it to improve their military capabilities is substantial. For example, Soviet sonobuoys—floating cylinders used to track submarines—recovered in the Atlantic have been found to contain Soviet copies of U.S. microprocessors. Soviet Ryad computers are copies of illegally acquired IBM models and use repair manuals and software virtually identical to those produced by IBM. Some Western technology slips through the system of national and multilateral controls illegally; in other instances it is obtained legally or via third countries. More stringent national guidelines and tighter enforcement by CoCom would likely make it harder for the Soviets to get their hands on valuable Western know-how.

The Reagan administration has taken steps to stop the flow of such militarily useful technology, but it cannot do it alone, since much of the technology coveted by the USSR is available from sources in Western Europe and Japan. Some Europeans, more heavily dependent than the U.S. on trade with Eastern Europe and the Soviet Union, are reluctant to limit themselves, except where clear and unambiguous evidence of military benefit to the Soviets can be shown. West Germany, for example, is the USSR's largest trading partner in the West, with total trade between the two at about $20 billion a year. Some Europeans also fear that the U.S. is using such controls as a cover to gain commercial advantage.

U.S. officials worry that subsidized trade and technology transfers with the Soviet bloc will further strengthen Soviet military capabilities and become a source of Soviet political influence. In the July, 1983, talks between German Chancellor Helmut Kohl and Soviet leader Yuri Andropov, for example, Andropov sought to use the natural resources of Siberia as a political inducement, dangling the carrot of economic cooperation on a grand scale—but only under the right political conditions. Subtle warnings about coming political difficulties if West Germany accepted U.S. intermediate-range missiles were the stick. Kohl was not interested, but American officials worry about Soviet use of such leverage in the future.

CoCom operates under an informal agreement without legal obligation or benefit of treaty—an arrangement that most of the European members prefer. Despite their participation over the years, the Europeans have never shared the enthusiasm of the U.S. for CoCom's activities. In the early postwar period, the U.S. could use the lever of economic aid to encourage active participation, but the lever is no longer available. What is more, many European states now depend on the economic and trade ties they have developed with the Soviet Union and Eastern Europe, and that dependence is a source of anxiety to the U.S. The United States has sought to appeal to common security interests, but Alliance members worry about being entrapped by the policies of the Reagan administration into an economic confrontation with the Soviets they regard as contrary to their interests.

Underlying all these fears and anxieties are genuine conflicts of interest, conflicts that challenge the very fabric of the Alliance. Only by recognizing the legitimacy of these differences and finding ways to accommodate the most important of them can the fears that strain the Alliance be eased. It is a challenge to diplomacy on both sides of the Atlantic.


4 SOUTH AFRICA: CAN U.S. POLICIES INFLUENCE CHANGE?

Robert Conway

U.S. policies can play a major part in influencing change in South Africa, but before this can occur there is much faulty thinking to correct. Traditional academic commentary on the matter prescribes for the U.S. the role of honest broker; indeed, the State Department often categorizes its own role in such terms. This is a myth that must be exploded immediately. The United States has too much at stake in the area; it can't pretend to be neutral or play the role of a third party mediator. It is a major partner.

America's interests are several. South Africa is a major producer of chromium, manganese, vanadium, platinum, and gold. With the Soviet Union it has most of the world's reserves of these metals. The U.S. naturally wants an uninterrupted supply of these commodities and would not wish control of them to fall into hostile hands. The Cape sea route has some importance for the West and the U.S. has a stake in its being controlled by a friendly power.

Finally, Southern Africa can easily become part of the East-West conflict and the U.S. wants to avoid Soviet influence or interference in the area.

The United States has been trying for many years now to find the correct moral stance regarding South Africa. Much of its searching and questioning has been prompted by conscience, a reaction to its own history of race relations. What ought to be the proper posture?

First, it is imperative for the U.S. not to disassociate itself from the South African problem. Those who suggest the U.S. walk away from it do not further American interests or help change the very unacceptable conditions in the country. To disengage completely is simply to increase the risk that future policy-makers will lose interest in South Africa, considering the atrocities in the Soviet Union or the injustices of Central America more worthy of their time and interest.
Real involvement in the country's future requires a policy of active and concerned engagement with South Africa. Mere constructive engagement is perceived by the rest of the world as acquiescence—too many carrots and not enough sticks. And, in any event, the concept of carrots and sticks is ridiculous. All it means in South Africa is that the country is back to square one. Active and concerned engagement requires that the U.S. state clearly and unequivocally what it believes South Africa ought to do. It must be fair and realistic in its expectations and certain in formulating them. It must then help the process along by its own example and leadership.

At present there is much confusion in South Africa about American policy and perceptions of the country. South Africa does not enjoy being considered a pariah nation, believing that its own internal situation is unique and not understood by many in the U.S. It regards itself as a bulwark against Soviet influence in the area and wonders whether Americans, faced with the same situation, would react any differently. It asks whether the U.S. is actually a reliable ally, having observed little consistency in U.S. foreign policy in general and much inconsistency in its policy statements regarding South Africa. What future governing arrangement does the U.S. regard as acceptable? Will this change as the occupant of the White House changes?

A good example of the current confusion is provided by the U.S. response to South Africa's New Constitution, which includes "Coloreds" and Indians in a limited form of power-sharing. Passed by a larger-than-expected majority of white voters on November 2, 1983, it was hailed by the South African government as a major victory. The U.S. State Department welcomed the result too, and this fact has been used by the prime minister as an endorsement of his policies. South Africans now believe that the United States has endorsed the New Constitution. Despite the American government's belief that the South African prime minister has a hidden agenda and his next step will be to include black people—something the South African government denies—blacks are further alienated and the task of the white opposition party is made even more difficult.

Questions for the Future
The formulation of a policy of active and concerned engagement must take account of the needs and interests of all South Africans.

The Afrikaner people are some 60 per cent of the total white population of 4.5 million. Theirs has been a history of trying to preserve their own identity, culture, and language in what they perceive to be a hostile world. The English-speaking section, supposedly more liberal, and other white people in South Africa share another of the Afrikaner's fears: that the turmoil that has come to characterize the rest of Africa may extend to the South. Fearing the many millions of nonwhites who might well wish to make up for the effects of past discrimination and injustice, South Africa's white population is united in its insensitivity. Would white Americans react any differently? Of course, the longer real change is delayed, the more likely becomes the very turmoil the whites fear.

What of the black people, numbering some 23 million? With their history, particularly of the past thirty-five years, how can they not be disillusioned? Black youths in particular are disillusioned—and not only with whites but with their own parents for accepting the present system. Increasingly they look to violence as the only alternative. Is it correct, or moral, or even feasible, to support such forms of change? Surely U.S. policy must not lead to further polarization of the South African populace. Is there not a better plan to deal with black aspirations?

The "Colored" population, numbering about 2.5 million, live mainly in the Cape Province. They face perhaps the most complex situation, being "whites by day and blacks by night." With whom do they identify? This is, in fact, the dilemma that confronts them with the New Constitution. Having some influence in the new legislature, will they concentrate on improving their own economic situation or will they also speak for black people?

South Africa's Indian population of 800,000 mainly resides in Natal and enjoys a higher standard of living than the blacks and "Coloreds." Because of other Indians' "African experience," many Indians in the Republic fear black majority rule. Now, with a limited say in the tricameral parliament, how will they handle their new power base? Would it not be easiest for the white government to declare that the Indian population has the status of whites? The Japanese in South Africa are classified in this way; why not the Indians? The United States might do well to consider the status of the Indian population as a key to bringing about changes in race relations in South Africa.

Does the New Constitution contain any lessons for U.S. foreign policy toward South Africa? If nothing else, it has raised a number of expectations: (a) among South African government supporters, as a better way of ensuring their existence and safety; (b) among those who do not support the government but voted for the New Constitution because they consider it the start of a process toward real reform; (c) among members of the opposition party, who hope this new structure will force the government to undertake real change; (d) among the "Colored" and Indian people because it gives them a power base, however limited, to exert their influence; (e) among black people because it raises further fears that they will continue to have no real say in their own future. Would a fourth chamber in Parliament satisfy them on this score? Is violence the only real and acceptable alternative?

U.S. Initiatives
How does the United States influence this situation? Because the matter is complex, no quick or easy solutions should be accepted, promised, or promoted. The U.S. should state as quickly as possible that it stands for peaceful evolutionary change in South Africa. It cannot make this happen, but by stating firmly and repeatedly that it supports neither oppression within the country nor violence as a means of changing the system, it can help along a process already occurring within the country.

The key to evolutionary change is a strong economy. An accelerating growth rate breaks down apartheid and discrimination. As the economy grows, so do job opportunities and the promotion of blacks into skilled labor positions. Social discrimination is alleviated through contact at the workplace; the incentive for working together is the promise of economic prosperity. The growth of the trade union movement in South Africa offers the best example of the process of evolutionary change. In spite of
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INTERNATIONAL DEBT CRISIS: BORROWERS, BANKS & THE IMF

Stephen Rousseas

The current international debt crisis is a relatively new phenomenon and one that, imposed on a malfunctioning international monetary system, threatens a catastrophe far worse than that of the 1930s. Already several Third World countries are facing total economic collapse and political anarchy. How this came about, how the problem is being diagnosed, and what is being proposed to meet the crisis makes a sorry story indeed.

The tale begins in the 1970s, when a small group of oil-producing countries brought about a violent and wrenching change in the distribution of the world’s wealth. The 1973-74 OPEC crisis and the 1979 Iranian revolution drove oil prices to unprecedented heights, triggering a world-wide depression and, at the same time, high rates of inflation. The advanced industrialized countries were able to keep the real rise in oil prices within reasonable limits by charging higher prices for their products. It was the non-OPEC Third World countries, their balance of payments deficits virtually out of control, that were savaged in the process. Western governments walked away from the problem and, to make matters worse, sought to deal with inflation by a monetarist constraint of their money supplies. Interest rates soared skyward and further depressed an already depressed world economy. The raw materials exports of non-OPEC Third World countries declined sharply as a result, and so did their prices.

With virtually no aid forthcoming from the advanced economies or the OPEC countries, the non-OPEC Third World countries were forced to borrow from consortia of large multinational banks. The banks had the money to lend and, with about $100 billion in petrodollars pouring in from the OPEC countries each year, were under great pressure to do so. The banks, moreover, were aggressive in seeking borrowers at the prevailing high interest rates. They found a ready market especially among the underdeveloped countries, where borrowing seemed preferable to the collapse of the economy and ensuing political turmoil. And borrow they did, despite an increasing inability to pay even the debt service on their mounting loans.

Shortly before the 1973 OPEC crisis, the external debt of non-OPEC Third World countries stood at $97 billion. By 1983 it had exceeded $600 billion and by the end of 1984 is expected to rise to $750 billion. The total indebtedness of Latin American, Third World, and Eastern European countries to U.S. banks is approximately $150 billion. The table below indicates the loan exposure of the ten largest banks in the United States.

Take the case of Citicorp. The $4.4 billion for Brazil and $3.3 billion for Mexico account for 78 per cent of its loans to Third World countries. Citicorp’s $9.8 billion loan total represents 204 per cent of its entire equity. Were Brazil and Mexico alone to default on their loans and...
Citicorp forced to write them off as losses, Citicorp's capital would be totally wiped out—and then some. In fact, Citicorp technically would be bankrupt, its assets no longer able to cover its liabilities. Other banks are in a similar situation. As the table makes clear, default by Brazil and Mexico would wipe out 119 per cent of the capital of the ten largest U.S. banks, and it has been estimated that 74 per cent of the capital of the next fifteen would be similarly affected.

Concern over this situation has led to several proposals to force banks to set aside special loan-loss reserves. One such proposal would require banks to set aside at least 50 per cent of their pretax earnings over the next five years and write down questionable loans to 50 per cent of their face value. (Given the magnitude of total Third World and Eastern European bank loans, even a 20 per cent write-down would eliminate, by one estimate, 60 per cent of the capital of the nine largest U.S. banks.) The proposed Heinz-Proxmire bill goes further: It directs the Federal Reserve to set country-by-country limits on bank loans and also requires special bank reserves against delinquent foreign loans. Needless to say, banks are violently opposed to all suggestions for write-offs or increased loan-loss reserves, both of which would severely compromise their "paper" profitability.

The Rescheduling Process
An economist at Washington University in St. Louis has limned a series of loan classifications that may be usefully applied to the current international debt situation. Hyman Minsky dubs speculative financing the case of the borrower (read country) whose expected gross profit (read exports) is less than the repayment commitment of loans for some periods of time. Refinancing will meet the shortfall of these deficit periods, and the expected cash flows of later periods will repay not only the original short-term loan but the refinancing loans as well. Ponzi financing, on the other hand, is speculative financing caught in the bind of rising short-term interest rates. Here the borrower is forced to take out additional loans to meet the interest payments that exceed gross profits. Without an increase in gross profits or a fall in the interest rate on loans, bankruptcy is not very far down the road, and the lending banks are left holding the bag.

What the banks are currently involved in is Ponzi financing at an international level. The foreign debt of Brazil, Mexico, and Argentina is a case in point. Technically, all three countries are in default: Not only can they not meet their payments on loan principle, they cannot even meet their scheduled interest payments; and, given the exposure of U.S. banks to those three countries, the bankruptcy of these banks is a real possibility. With the cooperation of the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (FDIC), the banks are not being forced—as would normally be the case—to write off their loans as losses. The reason is obvious: Were the banks to do so, their very existence would be at stake. Instead, banks have been allowed to keep the loans actively on their books by making further loans to the debtor countries to meet scheduled interest payments to the bank and by rescheduling existing loans.

Even with the cooperation of the regulatory authorities, there is a limit to how far and how long this scheme can be carried by the banking system alone. Ultimately, the central bank will have to provide the needed liquidity for Ponzi financing, or else governments and such multinational agencies as the International Monetary Fund (IMF), the World Bank, and the Bank for International Settlements (BIS) will have to enter the picture as underwriters. But before addressing that aspect of the problem, the rescheduling process should be looked at closely.

When a country is technically in default, the banks reschedule the loans for repayment over a longer period of time and at a higher rate of interest. The new interest rate is an increased markup of 1½ percentage points over the London Interbank Offered Rate (LIBOR) or 1½ percentage points over the U.S. prime rate. In addition to the higher interest rates, banks charge a fee of 1½ percentage points for the rescheduling itself. These fees are payable in cash at the time of the negotiated agreement and far exceed the actual costs of rescheduling. The banks immediately list these fees as income—something that does wonders for their profitability statements. For Mexico, Brazil, and Argentina, the rescheduling fees will come to over $375 million in cash on the barrelhead, leading one exasperated Mexican official to exclaim, off the record: "Those bastards got us into this hole. Now they're trying to bleed us for everything we've got." A prominent American banker expressed the opposite emotion. "That country is a cash cow for us," he was overheard to say. "We hope they never repay."

Rescheduling and Ponzi financing, however, are merely buying time; they do not remove the threat of default. Nor is the imminent collapse of the international financial system any less a factor than before. Ponzi financing is actually increasing the probability of such an occurrence while, at the same time, decreasing the time for its prevention.

Liquidity and Solvency
Two major factions have emerged, each with its own plan for dealing with the international debt crisis. The liquidity faction—consisting of Jacques de Larosiere, managing director of IMF, Paul Volcker, chairman of the Federal Reserve Board, Donald T. Regan, secretary of the Treasury, and, of course, the bankers themselves—consider the debt problem a purely short-run liquidity problem brought on by the world depression, one that will end when the U.S. recovery gets under way and spreads to the other major industrialized countries. Over the next few years, they...
assert, the banks should convert existing loans into slightly longer-term loans, at higher interest rates, with maturities of less than ten years—thereby avoiding the writing-down of bank loans. At the same time, and as a condition for rescheduling the old loans and granting new ones, the debtor countries should adopt austerity programs that include such measures as devaluing their currencies in order to stimulate exports, reducing local subsidies for foodstuffs and other consumer products, reining in their nationalized sectors, and drastically cutting back on social welfare expenditures and pensions. In a few years time, the economic recovery of the advanced industrialized countries will be such that Third World nations will have expanded markets for their exports—an increase that should be sufficient to bring their debts back into line with their rate of economic growth, if not retire their debts completely. As for the already overexposed banks themselves, the liquidity faction supports a $16.5 billion expansion of the lending ability of the IMF, to be achieved by a 50 per cent increase in membership quotas, with the additional $8.4 billion to be put up by the United States. Increases in the Enlarged Access Policy of the IMF and the General Agreements to Borrow would add another $23.5 billion.

This is a belated and extremely limited attempt to expand the lending ability of the IMF. There has always been reluctance to allow the IMF to operate as an effective international central bank out of fear that it would be pressured into increasing international liquidity to such an extent as to cause worldwide inflation. This monetarist application of the quantity theory of money on the international level makes as little sense as it does on the domestic level. The liquidity faction’s proposed increase in the IMF lending ability is not only inadequate, it is also proscribed and conditional upon the imposition by its Third World borrowers of severe austerity measures. In effect, the IMF’s ability to act as an international lender of last resort is to be restricted to bailing out the multinational banks of the advanced industrialized countries, not the underdeveloped countries. The solvency faction is led by Peter Kenen of Princeton University and Felix Rohatyn of the investment banking house of Lazard Frères. Both are pessimistic about prospects for a worldwide recovery, Rohatyn even more so, and rightly see the solution of the international debt problem as a precondition for world recovery. Yet Kenen’s proposal amounts to a blatant bail-out of the banks at the expense of the taxpayers—and the Third World. He favors establishment of an International Debt Deposit Corporation (IDDC) that would issue ten-to-twenty-year long-term bonds (at slightly lower interest rates than Third World countries are charged) in exchange for the debts of the developing countries, discounting them at 90 cents to the dollar. The IDDC would then reschedule the debts “on a one-time, long-term basis using 5¢ of the 10¢ extracted from the banks for modest debt relief, charging lower interest rates or granting grace periods.” In short, the rescheduled loans would guarantee for the immediate short run the flow of interest payments to the banks. However, the IDDC would agree to reschedule only those loans coming due that have an IMF “seal of approval”—those of debtor countries that will undertake severe internal austerity measures and only those loans made to sovereign governments. The banks themselves would not be allowed to pick and choose the debts to be discounted by the IDDC. What Kenen is seeking is the “socialization of losses”—but it is a euphemism for getting the banks off the hook. It offers moderate penalties for the banks, major penalties for the debtor countries.

...Rohatyn, on the other hand, opposes the imposition of austerity programs, which he considers counterproductive and potentially explosive. He is quite explicit about the current state of affairs and where it seems to be heading:

It is...an illusion to think that no sovereign country would default on its external debt because it would be a pariah in the international financial community. Default or repudiation of debt could occur as a result of radical political changes (as is possible in literally any Latin American country) or geopolitical decisions (as might be the case in Eastern Europe).

He also takes exception to major banks “making higher operational profits by ‘rolling over,’ or extending highly questionable debts...thereby avoiding writing them off as a loss.” Rohatyn’s plan is to establish an investor of last resort—akin to a central bank’s function as lender of last resort—in the form of a modernized version of the 1930s Reconstruction and Finance Corporation (RFC). This new RFC would “acquire preferred stock of banks with capital problems...and [thus] permit an orderly settlement of the bank’s obligations.” An alternative solution would be to pass enabling legislation that would permit the Federal Reserve to accept defaulted bank loans without full collateral. The Federal Reserve would pay 50 cents on the dollar for the discounted debt; the cost of such use of the discount window would be assumed by the taxpayer and bank stockholders, with the relative proportions to be determined by the political process. (In the end, of course, the taxpayer will assume the greater share of the bank bail-out.)

In the short run, the primary purpose of the RFC and the Federal Reserve discount window is to prevent the collapse of the banking system. For the longer run, Rohatyn sees a need for greater cooperation and coordination of United States, European, and Japanese economic policies and a concerted effort by the major central banks to limit the range of exchange rate fluctuations. A pious hope at best! So Rohatyn too is proposing to bail out the banks—although at a higher cost to them than in the Kenen plan and without requiring austerity programs for Third World debtor countries. It is contingency planning for the financial crisis he expects to come.

How this story about the abdication of responsibility by governments and the stupidity, greed, and shortsightedness of powerful banks will end is anybody’s guess. But clearly a bail-out of the banks is in the offing, and pretty much on their own terms.

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Monarchies would appear to be a dying breed of political system, and those in which royal heads of state rule as well as reign are rarer still. As to the Middle East, the fall of the Shah of Iran in 1979 was widely regarded as becalming the imminent demise of other dynastic regimes in that part of the world. Yet a closer look at Jordan and Saudi Arabia—both critically important to U.S. interests in the area—indicates that their governments seem to enjoy a considerable degree of legitimacy and, despite major problems, are likely to survive for some time to come. They do, however, face significant challenges in a period of rapid and unrelenting change.

Jordan: King and Country

During earlier periods of the rule of Jordan's King Hussein and that of his grandfather, King Abdullah, many outside observers belittled the chances of Jordan or its monarchy surviving. Time and the astute leadership of these two men have proved these skeptics wrong. The king and his Hashemite family have strong Arab and Islamic credentials. Because they led the Arab revolt against the Ottoman Empire, the Hashemites claim to be the originators and effectuators of Arab nationalism. But the king does not seek the ever-ephemeral Arab political unity. Rather, he sees Arab nationalism as a mutually beneficial cultural, social, and economic relationship among the Arab states and people that will make the whole greater than the sum of its parts. The Jordanian monarch is a direct descendant of the Prophet Muhammad. During a time of growing Islamic fervor, this is especially important to his more conservative citizens, and it is also a factor that strengthens his legitimacy.

A third attribute that helps to build the king's legitimacy is the great interest he and his brother, Crown Prince Hassan, take in economic and social development. This aspect of the king's rule, apparent in the 1950s and '60s, was clearest in the mid-'70s. Fourth, the king maintains an atmosphere of relative personal and economic freedom in Jordan, so that Jordanians judge that they have greater opportunity for personal advancement and feel more secure personally than their Arab neighbors. Fifth, the king's longevity, especially in the face of earlier challenges, adds to the perception of his personal strength and wisdom and thus of his legitimacy. Finally, for most Jordanians, King Hussein is personally attractive. He speaks Arabic eloquently, is known to be courageous and daring, and relates to other heads of state as an equal.

Building on these important aspects of his legitimacy, King Hussein seeks to maintain his regime through both institutional and noninstitutional means. The most important institution is not an elected parliament but a strong military. Hashemite rulers have always enjoyed considerable loyalty from the army, and this pattern continues. With about a hundred thousand men from a total population of a little over two million, the army represents a significant proportion of the labor force as well as of the citizenry of the country. King Hussein pays close attention to its needs. Not only does he have close contact with the officers, but from time to time he visits every base and shakes the hand of each soldier. Military service is popular because it is a route of upward mobility. And because the soldiers' families may avail themselves of certain army-provided services, such as health care, the military provides a certain welfare network.

Much has been written about heavy military recruiting from the country's Bedouin and tribal population, but a significant portion of the army comes from the Palestinian population. During the 1970-71 civil strife in the country, even as Palestinians were fighting the regime, the bulk of the Palestinians in the army remained loyal.

Other groups relate to the regime via a noninstitutionalized decision-making process that may be characterized as politics by consensus. Informal groups of senior military officers sit down with the king from time to time to discuss policies relating to the army and national security. Other groups may consist of merchants, manufacturers, upper-level bureaucrats, professionals, farmers, tribal leaders, and the like. Through such royal-commoner discourse, consensus emerges, which, in turn, influences decisions taken by the palace or government.

Economic and social development has been notably successful in the country, due, it seems, to four related general factors: a vibrant free enterprise system strongly encouraged by the government; the government's active promotion of development projects and its ability to attract capital from neighboring states; the 300,000 Jordanians working in the Arabian Peninsula and sending home money that fuels development; and (somewhat ironically) the flight of Palestinian refugees to Jordan. This latter group currently constitutes a little over half the population and, to the benefit of the development process, has often brought valuable capital and expertise.

The success of these efforts in the 1970s has made the development process a quasi-ideology. People talk about it frequently and take pride in it; its success reflects back favorably on King Hussein and Crown Prince Hassan.

The picture presented above is a relatively positive one, but the country is not without problems. Even though the people definitely have informal access to the ruling family, there are no formal elected representative bodies on the national level. Traditionally, the Hashemites have not had an easy relationship with democratic institutions. No parliamentary elections have been held for the past sixteen years, ostensibly because a quarter of the Jordanian voters are under Israeli military occupation. In 1978 the king appointed a National Consultative Council, with sixty members drawn from the East and West banks. Even though this council does not have constitutional and legislative functions, there exists a gentleman's agreement that the king and the cabinet will not promulgate new laws without its approval. This, however, is not an adequate substitute for an elected parliament. With political development thus
retarded and socioeconomic development precarious, there may be future problems.

A number of Jordanians interested in opening up the process of decision-making and implementation have raised the idea anew, on more than one occasion, with members of the royal family. Part of their argument is that, despite the generally negative history of democratically elected national institutions in the Arab world, the Jordanian citizenry is now mature enough to make a success of the effort. The Jordanians’ record with locally elected municipal councils, cooperative councils, and professional associations offers a positive example. The advocates of democratization also argue that Jordan, if successful in this effort, would be in a position to help its moderate Arab brothers to develop similar national institutions. King Hussein has just stated in an interview in the Kuwaiti newspaper Al-Siyassah that in Jordan “an elected parliament will return and probably very soon.”

**Differing Visions**

Articles on Jordan almost invariably describe the Palestinian presence as potentially destabilizing. In 1984, however, the Palestinians do not represent a force that threatens regime or nation. The conflict of 1970-71 largely eliminated the armed threat and proved the loyalty of crucial elements. In addition, the Palestinian Jordanians enjoy the economic and personal freedoms of the country. For this reason alone, as a group they would be unwilling to undermine the system in a serious way. Here too, however, all is not in perfect harmony. Some Palestinian Jordanians have a fundamentally different vision of Jordan from their East Bank Jordanian brothers. The primary national aim of many Palestinians, especially those who came to the East Bank as a result of the 1967 Arab-Israeli war, is to regain all or part of Palestine. These Palestinians may well view their Jordanian citizenship as a mere convenience.

As is apparent from this analysis, Jordan and its monarchy appear relatively stable and secure from internal threats. The threats to the regime that are most pressing and most worry the people arise from outside Jordan’s borders.

Recent discussions with Jordanians of both East Jordanian and Palestinian origin revealed a number of fears and potential problems (it is worth noting that only one of them concerned internal matters, and it was a minor one): (1) The Arab-Israeli conflict, especially in its Palestinian version, could explode once again. This would result in hundreds of thousands of Palestinian refugees flooding into the East Bank for a third time, bringing with them great potential for instability. Some worried that a new war might bring physical destruction to Amman and perhaps Israeli military occupation of parts of the East Bank. (2) An Iranian victory in the Iran-Iraq war, probably leading to a rapid spread of Khomeini-style radical religious rule. The fear of this was as strong as the fear of a renewed Arab-Israeli conflict. (3) A deep concern about Jordan’s rough and tumultuous neighbors, specifically Syria and Lebanon. (4) The slowing of the cash flow from its rich neighbors for Jordan’s continued and ambitious development program. There is local grumbling, but the growth of GNP in Jordan remains at an impressive 6 per cent annually.

A word should be said about Jordan’s Rapid Deployment Force (RDF), recently publicized in the U.S. as a virtual extension of America’s own. For Jordanians, both in and out of government, the reality is quite different. First, when the Americans approached the Jordanians about developing well-equipped elite units, the only conditions attached were that the units not be deployed against Israel and that they be used, at Jordan’s discretion, to support moderate Arab regimes. These conditions perfectly matched Jordan’s policy. Jordan has absolutely no intention of attacking Israel, and King Hussein has a longstanding policy of assisting beleaguered moderate Arab states. Jordan’s military seized on the RDF concept as a method of updating its antiquated equipment. To be sure, this too is desired by the Reagan administration, but at the time of writing, the U.S. Congress had not allowed this aspect of the joint program to go forward. Finally, it is appropriate to conclude that such Jordanian-U.S. cooperation demonstrates the king’s faith in the loyalty of his army and the stability of his own throne. To take the risk of a potentially unpopular coordination with the United States indicates clearly King Hussein’s confidence that the Jordanians accept his judgment.

**Saudi Arabia: King and Country**

In contrast with Jordan, born in the aftermath of World War I, the Kingdom of Saudi Arabia dates back to the 1740s, when an ancestor of the present king formed an alliance with a fundamentalist Islamic reformer in Najd, the central heartland of Arabia. Religious zeal and tribal energies, well directed, produced a rapid expansion of the initial Saudi state; by the early nineteenth century and for the first time since the early days of Islam, most of the Arabian Peninsula was united. After a number of ups and downs and a brief eclipse of Saudi rule, King Abdul Aziz ibn Sa‘ud, father of today’s King Fahd, restored the kingdom of his forebears in the first three decades of this century, giving it the family name.

The rapidly expanding oil production of the 1940s and ’50s generated wealth, a burgeoning infrastructure, and a modern bureaucracy. However, by the early ’60s, the profligate, ineffectual King Sa‘ud, successor to Abdul Aziz, had brought the kingdom to the verge of bankruptcy and exposed it to the threat of hostile, Arab radicalism. His brother Faisal, called upon to replace him in 1964, restored the integrity of Saudi Arabia’s finances and of Saudi rule itself, strengthening as well its regional and international position. Faisal, though wedded to conservative Islamic values, was committed to modernization. In his nine-year reign there was a great expansion of government and its services, including public education for both sexes. The enormous growth of revenues after the 1973-74 oil price rise led to a dramatic surge in economic expansion and ambitious plans for the kingdom’s industrialization.

There is little evidence that an important number of Saudis have been attracted to the possibility of installing a radical regime. The “free princes” of the early 1960s soon repented and were welcomed back into the family fold; a half-baked conspiracy by civilians and Saudi Air Force officers in 1969 was promptly quashed; and the radical opposition to the government expressed in leaflets by some Saudi students overseas does not appear to survive the return home. The Saud family, with a long tradition of effective rule and deep roots in central Arabia, is closely tied to its subjects and territory. With few important qualifications the population is homogeneous, sharing the rul-
The royal family, numbering perhaps 3-4,000 princes, has acted effectively to ensure continuation of its political dominance. All key ministries are in the hands of princes, as are important governorships, and most of these royal officials have filled their positions energetically and ably. Similarly, many members of the Saud family are placed strategically in the military establishment—including several of the most capable and ambitious younger princes—to help ensure its loyalty. Qualified commoners have been brought into the government and bright university graduates have returned—principally from American campuses—to assume middle and senior-level positions in the bureaucracy.

The majlis, the customary meeting held by the king or other important princes and governors with their subjects, has continued to provide a mechanism whereby any male Saudi citizen can communicate concerns and grievances. This has served reasonably well to keep the monarchy in touch with the people and responsive to their needs. Within the governing elite, the practice of shura (consultation) may prolong the process of decision-making, but it leads to ijma (consensus) on all important issues.

Most important to its legitimacy is the Saudi Government's close identification with Islam. Indeed, the members of the Al-Al-Sheikh, descendants of the eighteenth-century reformer Muhammad ibn Abdul Wahhab, who joined forces with the Saudis, continue to hold important government positions and to intermarry with the royal family. They have a preeminent position among the senior religious leaders, whose close connection with the ruling elite gives them great political power. At the same time, appointed and paid by the state, religious leaders are, in effect, servants of the government.

Perhaps equally significant is the capacity of Wahhabi Islam to accommodate to rapid change. This conservative and austere strain of Islam with its "strict constructionist" approach to Islamic law that leaves open a large area of independent jurisprudential judgment, affords wider scope for modernization than do other more "liberal" interpretations. Thus it has been possible to bring about important innovations with comparative ease.

While radical ideologies should not be discounted, it is from Islamic militants that the principal threat to the Saudi monarchy's legitimacy is likely to arise. Ayatollah Khomenei calls into question the Saudi monarchy's claim to be identified with Islam—even its right to protect the holy cities of Mecca and Medina. While Khomenei's Shi'ism is heterodox for all devout Sunnis, his dramatic overthrow of a "corrupt" monarchy has a suggestive appeal to any Saudi who believes his rulers have betrayed Islam.

Shaken by the seizure of the Great Mosque in 1979, the government has given increased support to various Islamic institutions such as the Islamic Bank and the Organization of the Islamic Conference. Royal directives have reinforced strict Islamic norms of social conduct, and faculties of Islamic studies are being gradually expanded. Although these policies may have helped to reduce the immediate threat from the Right, they do not banish the danger it represents. Young militant Muslims will continue to regard official promotion of Islam as a device of political control and to believe that only by overthrowing the government can they establish a just Islamic society. Whether the size and danger, small at present, increase significantly will depend mainly upon how successfully the government can manage the political and economic problems it confronts and the sociocultural dislocations they are likely to bring about.

The kingdom's vast wealth—far greater than that of the shah's Iran, with a fraction the number of people—has been shared effectively with all segments of the indigenous population. (The expatriate worker population—at 2.5 million, half the size of the native population—does not of course, enjoy the same benefits.) The government has not only provided free cradle-to-grave health and welfare services and education through the university level but has, through provision of easy credit, helped great numbers of Saudis to become homeowners and businessmen. It has brought development to such geographically remote areas as Asir in the southwest and, in the wake of the Iranian revolution, has upgraded services and benefits to the Eastern Province Shia community, which previously had been largely neglected.

Successful passage through diverse major challenges would seem to demonstrate the essential soundness of the Saudi economy. It proved capable of absorbing the avalanche of revenues that have resulted from the OPEC price rises and production boosts of the '70s. Despite some misgivings about the social ramifications of such rapid-paced development, the strains it produced were accommodated. Similarly, despite alarming prognoses of the dislocations and dangers that would attend a major revenue shortfall, the oil glut seems not to have caused unusual stress. Finally, Saudi Arabia seems successfully embarked on its massive industrialization program, carrying forward its economic development by utilizing vast, hitherto largely wasted gas reserves. All of this suggests that for the present and the near future the kingdom can continue to maintain its strength and stability.

Visions of the Future

Some of the dangers that may lurk are largely beyond Saudi Arabia's control. The Saudis regard the Arab-Israeli conflict as the main source of instability in the Arab world. A measure of their concern is their uncharacteristic assumption of the lead in trying to promote movement toward a peace settlement. This, however, has left them uncomfortably out in front and with nothing positive to show. The government is much concerned about its 100-150,000 Palestinian residents, who further expose the Saudis to the propaganda attacks of Iranians and others because of Riyadh's close ties with the United States, Israel's chief supporter.

Indeed, the perceived unwillingness or inability of the U.S. to check what Saudis see as increasingly aggressive Israeli behavior—especially the invasion of Lebanon, the attack on the Iraqi nuclear reactor, and frequent provocative overflights of Saudi territory—has led the Saudis to distance themselves somewhat from Washington. Under Fahd's successor, Crown Prince Abdulllah, who is a more emotional Saudi and Arab nationalist, that process is almost certain to be carried further. While the relationship with the U.S. is strategically, politically, and economically vital
to Saudi Arabia, it is likely to be more troubled over the next few years. Most significant, however, are the internal challenges. One of these is the issue of royal succession, which since 1953 has been by seniority among the sons of Abdul Aziz. The family has shown its capacity to meet succession crises, as with the removal of Saud in 1964, and has provided for future succession through Crown Prince Abdullah, then Prince Sultan (second deputy premier and defense minister). However, long before eligible candidates among the sons are exhausted, ambitious grandsons, already in positions of authority, undoubtedly will lay claim to the throne. Whether traditional consultation leading to a selection confirmed by the religious leaders will be sufficient to resolve the dilemma of generational conflict is uncertain.

More broadly, the machinery of government must be made more efficient and responsive to future problems. The king, expected upon his accession to move quickly in this direction, has not done so. The hesitation and uncertainty with which the government first faced the revenue shortfall from the oil glut reinforces the impression that the decision-making process must be made more effective. For many years a consultative council (majlis al-shura) has been discussed, and indeed promised, to provide a modest step toward greater representation. Both the establishment of the council and the implementation of a codified basic law for the kingdom appear to have been indefinitely delayed, perhaps reflecting opposition from the religious establishment. While deferral risks no current popular outcry, it reduces the perhaps brief period that lies ahead for the monarchy and Saudi Arabia generally. Whether traditional consultation leading to a selection confirmed by the religious leaders will be sufficient to resolve the dilemma of generational conflict is uncertain.

There seems to be some ambivalence in the Saudi vision of the future, suggesting that a fundamental crossroad may lie ahead for the monarchy and Saudi Arabia generally. Saudis have been willing to accept the daunting changes in their land largely by persuading themselves that the disruption is temporary, that the foreigners will eventually be dispensed with, and that Saudis can then revert to their cherished isolation with their traditional values and way of life still intact. While to an outsider this is illusion, it is difficult to know whether many Saudis are yet prepared to face the consequences of permanent intrusion by the outside world and its continuing impact on established beliefs and behavior. If there is to be a chance for an orderly evolution to some new, modified institutional framework for preserving the essence of enduring values, the process must begin very soon.

Although they are neighboring Arab states, Saudi Arabia and Jordan have considerably different traditions, attributes, and problems. In Saudi Arabia modernization is both a positive force and a challenge, while in Jordan it has become a virtual ideology that helps to affirm the legitimacy of the royal family. Both states rely on their Arab and Islamic credentials to ground their legitimacy and sustain support for their respective regimes. But both Saudi Arabia and Jordan need national representative bodies. Both are highly concerned with the Arab-Israeli conflict and the threat of Khomeini-style radical religious upheaval.

We find that on the basis of internal factors, both kingdoms should continue for some time. If both countries surmount the acute external challenges that appear most threatening, they must then deal with fundamental internal problems that will determine their long-term prospects. The challenge will be to evolve new institutions to accommodate rapid modernization and the profound sociocultural changes it has already set in motion.

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American visitors was returning with reports of friendly receptions and of a hard-working, orderly society striving for development on its own political terms. The PRC, for its part, began a cautious reassessment of the United States, influenced to a great extent by its perception of a Soviet threat, and decided to edge closer to Washington in both public pronouncements and private diplomacy.

The relaxed relations between the U.S. and China continued during the '70s, although hope for an early removal of the remaining roadblocks to formal recognition quickly dissipated. Both countries also were forced by events to turn inward, giving less consideration to questions of foreign policy; the United States spent almost two years resolving the crisis of presidential authority created by the Watergate affair, and China had to deal with questions of succession following the deaths in 1976 of Zhou Enlai and Mao Zedong. Finally, with Deng and Carter established in office, an agreement to normalize relations was concluded in December, 1978. It was hailed as one of the major diplomatic achievements of the Carter administration. Deng Xiaoping hoped to capitalize on this affirmation of his open-China policy by expanding academic and cultural ties, trade relations, and perhaps even military ones.

During the normalization process, the two sides agreed to continue to disagree about Taiwan's status, but all other aspects of the relationship were expected to benefit from the Sino-American amity that would follow the formalities. The growth of contact since normalization has been remarkable, especially in light of the relative isolation that preceded it. On the academic and cultural front, exchanges have proliferated. Over ten thousand Chinese students and scholars are now attending American universities; several hundred Americans take part in both unofficial and officially sponsored programs at Chinese educational institutions each year. A large number of performing artists have been exchanged, and the two countries have encouraged traveling exhibits. A joint committee with high-level representatives from both sides has been established to increase scientific cooperation and the development of technology. Two-way trade has more than doubled since 1979; the U.S. is now China's third largest trading partner after Japan and Hong Kong. American companies have begun to share in China's economic development, while China has become an important market for agricultural products from the United States. The military relationship, however, has failed to develop apace. The U.S. and the PRC are uncertain whether they really want a strategic partnership, China doubting America's reliability in a crisis and the United States questioning China's defensive capability in the face of superior Soviet arms. Continued American arms sales to Taiwan stiffened Peking's resolve to forgo purchases from the U.S. to modernize its forces; and until Defense Secretary Weinberger's recent conciliatory visit to the People's Republic, it was unlikely the Pentagon would have approved such sales, even had China wanted them.

Problems have also begun to surface in the area of academic and cultural exchanges and in the Sino-American trade relationship. The vast discrepancy between the number of Chinese coming to the U.S. for study and research and the number of Americans going to China is a problem, but more threatening to long-term exchange relations is China's refusal to grant its visiting scholars access to large areas of research. In the past year, Washington's imposition of quotas on Chinese textiles and its withholding of advanced technology that has possible military applications led the Chinese to ban purchases of agricultural products from the U.S., chiefly cotton and soybeans. This impasse was resolved recently after numerous rounds of negotiation, but it points up the potential for friction.

Pacific Relations
Apart from the difficulties that have arisen from the contacts between the United States and the People's Republic, a host of problems confront both governments as they attempt to build a firm relationship. The most troublesome issue clearly is Taiwan, but questions of Pacific Basin security relations and of Chinese domestic politics are
looming larger than they did five years ago. It is also becoming increasingly apparent that fundamental differences in ideology and political style may create an impediment to bilateral relations.

Serious disagreements about U.S. contacts with Taiwan were set aside both in Nixon's opening to China in 1972 and in the full normalization of 1978 so that relations might move forward. But the PRC has remained adamant that U.S. recognition of its government and of a single Chinese nation that includes Taiwan is belied by continuing arms sales to the island. With the advent of the Reagan administration, Chinese concern over this issue heightened. Peking was slightly mollified by an understanding worked out with Washington, on the tenth anniversary of the Shanghai Communiqué, to place a ceiling on the level of weapons sold to Taiwan. Peking has also taken every opportunity to claim that the Taiwan Relations Act treats Taiwan as a sovereign state and that this is an affront to Chinese sovereignty, a violation of international law, and an attempt to renege on a basic principle underlying the establishment of diplomatic relations between the U.S. and the People's Republic. On the other hand, President Reagan opposes any reduction in U.S. support of Taiwan, and the American public in general seems unwilling to abandon our commitment to Taiwan's defense.

Asian supporters of the United States have mixed views about the course of its relations with the PRC. Some, like Japan, applaud the relationship as a contribution to regional stability. Others, notably the ASEAN countries, are wary of China and prefer that the U.S. not align itself too closely with a country whose size, recent history, and support of insurgent forces within their borders have raised suspicions about its desire for a peaceful international environment. The United States, desirous of remaining an important force in Asia, will have to balance its interest in improving ties with the People's Republic against its longstanding commitments to China's Asian neighbors. Peking's eagerness to "teach Vietnam a lesson" by sending troops over the border and its continuing support of the Pol Pot regime in Kampuchea do little to increase Asian confidence that a stronger China will be in their interest.

What may have the greatest impact on U.S.-PRC relations are the ongoing negotiations between China and the Soviet Union to normalize relations. Indeed, it was the U.S. perception of Sino-Soviet tension in the late 1960s that contributed in large part to the Nixon administration's decision to pursue a relationship with Peking. There was much talk then of "playing the China card"—that is, by moving closer to the Chinese, the Americans could put a great deal of pressure on the USSR, creating an impression of unity among anti-Soviet powers. There was even talk of a military aid program sizable enough to modernize Chinese forces so that they might provide a credible deterrent to the Soviet Union. The transition from the Carter to the Reagan administration more or less ended such pipe dreams, yet the Reagan policy-makers themselves have been reluctant to drive Peking into Moscow's embrace and have sought to mollify Chinese irritation over arms sales to Taiwan and trade issues.

The course of Sino-Soviet normalization will not be smooth. Peking has insisted that several conditions be met before any serious discussions can take place, conditions that the Kremlin will find difficult, if not impossible, to accept: withdrawal from Afghanistan, an end to support for Vietnam and for Hanoi's puppet regime in Kampuchea, and removal of troops from the border area. Although the Chinese would probably be willing to negotiate the terms of these demands, they cannot afford to surrender completely any one of them.

The strategic implications of any Sino-Soviet rapprochement are staggering for the United States; commitments to Japan, to allies in the rest of Asia and in Western Europe would all have to be altered. Thus the relationship between the United States and the People's Republic of China remains haunted by the prospect that Peking will play its "Soviet card," leaving the U.S. the odd man out in a triangular big power relationship.

Observation of a Second Kind
Added to the uncertainties about China's geopolitical strategy are the imponderables of its internal political environment, which has failed to stabilize since the death of Mao. In the late '70s the Peking government first moved toward a more open political system and toward a reform of the economy. Maoist ideology, which had led the People's Republic to rely on independent development isolated from the world economic system and to insist upon adherence to theoretical orthodoxy, was discredited. But the
post-Mao powerholders, under the sway of Deng Xiaoping, were surprised by the depth of dissatisfaction with the situation in China. Deng and his followers quickly reined in all above-ground protest and, with the support of a conservative faction within the Communist party, began to build a political and economic system resembling that of the Soviet Union after Stalin.

This factionalism and shifting of positions in Chinese politics has had certain effects on relations with the United States. Deng and the reformers supported increasing ties with the U.S., foreign participation in China's modernization drive, and selective adaptation of non-Marxist ideas and economic growth mechanisms. The more conservative politicians now in the fore have drawn back from this opening to the outside world and seem determined to create a more rigid, centralized, Soviet-style state structure. The Dengist modernizers had seemed eager to improve relations with the United States; the conservatives are closer in spirit—and would like to move closer on other fronts—to the Soviet Union. Many of the middle-aged cadres just beginning to hold significant positions in Peking were trained during the period of Sino-Soviet amity in the mid-'50s. They speak and read Russian, not English, and many studied in the Soviet Union. Even those who do not have a close relationship with the USSR have a longstanding antipathy to the U.S., finding its system ideologically and culturally incompatible with their values.

Similarly, the Americans have revised their view of the People's Republic, which seems, on closer inspection, a less attractive partner to a close relationship. One result of normalization has been a keener and more prolonged observation of life in the PRC. Recent accounts have depicted a repressive government that perpetuates numerous cruelties, has little concern for its citizenry, and bears responsibility for the leaden, joyless tone of life in contemporary China.

Given the disparities between the two countries, can the United States and the People's Republic develop a relationship that will survive the vicissitudes of international politics? I believe they can; but both must begin by realizing that they will never agree about certain questions and that they must work to minimize differences in other areas. Americans should accept the fact that a China that is not our enemy will not necessarily become our friend—and that a China aligned against the Soviet Union is not necessarily a better friend. The Chinese must recognize that the U.S. has to balance both its Asian regional role and a number of important bilateral relationships against the demands the PRC makes in its relations with the United States. Our agreement on some issues will not resolve fundamental differences over Taiwan or over the best forms of political and economic organization; but our common interest in peace and stability in East Asia, in a global balance of power, and in economic development should enable us to put our differences in perspective. A broad relationship that encompasses both differences and agreements may not have the same attraction as the virtual alliance envisioned just after normalization, but it is likely to last far longer. The United States may learn to live with a China that it loves not as well but more wisely.

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8 INTERNATIONAL DRUG TRAFFIC: CAN IT BE STOPPED?

Daniel Patrick Moynihan

According to a 1982 report prepared for the governor of New York by Joseph A. Califano, Jr., former secretary of health, education, and welfare, the number of heroin addicts in New York City had increased by 50 per cent since 1978. A Rand Corporation study quoted in the Califano report indicated that heroin addicts averaged 167 crimes a year. And the trends in both were upward.

I believe that stemming these twin problems of drug addiction and the crime that inevitably flows from it should be among the highest priorities in American foreign policymaking. And Pakistan should be at the center of such deliberations.

My own involvement in this aspect of foreign policy goes back to the time of my service in the White House as a domestic policy advisor. In 1969, President Nixon asked me to be assistant for urban affairs, and I agreed. I proposed to Mr. Nixon that among the first things to be done about American cities was to place the international drug traffic on the agenda of American foreign policy. He in turn agreed, and in the course of 1969 this was done. In August of that year I flew eastward to Calcutta, Istanbul, and lastly Paris. At each stop I talked with American and local officials, stating that the United States could no longer tolerate the extraordinary commerce in smuggled heroin.

During the course of the 1960s, for reasons I don't think anyone fully understands, heroin addiction had become epidemic in our larger cities. Inevitably, crime and the fear of crime became epidemic as well. This profoundly transformed American urban life. The fear was genuine. The most elemental of civil rights—the right to move about safely in one's own society—was being denied as effectively as if a law had been passed to abolish it.

I reached Istanbul on September 2, 1969, and met with the Turkish foreign minister the next day. I explained that the heroin flowing into the U.S. began as opium grown in Turkey, then processed in Marseilles, France. Most of it was grown in the province of Afyon, which in Turkish means "opium." It had been a traditional crop, grown for poppy seeds—seeds that we associated with bread and life but were coming to associate with slow death in our cities. The foreign minister perhaps knew more about the drug traffic than he let on at the time, but he listened courteously to the proposition I made: that the U.S. Government be allowed, in effect, to buy out the opium farmers by pro-
viding the money to substitute new crops and markets.

I flew next to Paris, where my reception was more
distant. For one thing, the U.S. embassy had never heard
of a heroin problem, much less the "French connection."
Nor, at first, were the French authorities much interested
in the fact that we seemed unable to enforce our own laws.
Slowly, however, after several more trips and much more
discussion, the French became convinced that they were
part of our problem. In 1969 there was one death on the
Riviera from a heroin overdose. It apparently occurred to
the French that heroin could also become their problem;
but, in the main, they responded out of a civilized sense
of responsibility—though with a touch of contempt, or at
least of wonder. That winter I finally met the head of the
French "Securite;," a man whose name is known, but whose
picture is rarely seen. Over lunch at the American embassy
I described the extent of the heroin problem in the United
States, stated that it was coming from heroin factories in
Marseilles, and asked if it could not be stopped. He lis-
tened. As he left he asked: "What kind of people are you?"
Why, he wondered, were we only now coming to them
about a matter which, had the roles been reversed, would
have prohibited trade—except for food and medicine—
connection had been broken too.
The National Narcotics Intelligence Consumers
organization was covered with poppies but now
mind the limits of their authority—he is working with
brought them storming at us decades earlier.
No matter. We were able to work together. The French
connection was broken and the Turkish opium fields closed
down.
Whereupon heroin production moved to Mexico. Now,
in the 1970s, the United States Government was much
better organized, and the issue was on the American foreign
policy agenda. By the end of that decade the Mexican
connection had been broken too.
Whereupon heroin production moved to Pakistan, where
it remains today. The speed of the transfer is astonishing.
The National Narcotics Intelligence Consumers Committee
produces an annual Narcotics Intelligence Estimate. The
most recent NIE reports that in 1976 "negligible" amounts of
heroin came into the United States from Southwest Asia.
Proportion: close to zero. By 1980 the proportion had risen
to 60 per cent. It is now probably 75. Moreover, though
"Southwest Asia" is a term that normally refers to Pakistan,
Afghanistan, and Iran, last year's NIE explains that the
chaos in Iran and the war in Afghanistan have all but
eliminated these two countries as suppliers of heroin to
the world market. We are talking about Pakistan alone.

Where the Poppies Grow
In the last Congress, I introduced legislation—S. 2670—
that would have forbade economic or military aid to any
foreign country that was the source of illegal drugs entering
the U.S. and that, at the same time, was not cooperating
with us in trying to stamp it out. My proposal would also
have prohibited trade—except for food and medicine—
with such a country. Pakistan is a major recipient of U.S.
aid: We are in the midst of a five-year program that will
provide $3.2 billion's worth. Is Pakistan cooperating in
halting the heroin traffic?

On Sunday, February 6, 1983, I met with President
General Mohammad Zia-ul-Haq and raised the issue, much
as I had done in other places at other times. This time the
response was more forthcoming. Specifically, General Zia
declared his government's determination to get hold of the
opium-heroine problem "for our own sake, more than for
anyone else's." He said that legislation would soon be
promulgated providing penalties of up to life imprisonment
for narcotics offenses.

There is a hitch. There always is. The opium fields and
the morphine and heroin laboratories are mostly located
in the Northwest Frontier Province. This is the land of the
Pathans, a warrior race, whose first recorded battles were
with Alexander the Great (remembered still as "Iksander")
and who have battled on, more or less continuously, through
history. When Pakistan became an independent state in
1948, it retained the nominal suzerainty over the area which
the British had exercised and, indeed, kept the name of
Northwest Frontier Province for the region. The laws of
Pakistan in some ways do and in some ways do not extend
to the region, which is simply referred to as being "tribal."

How seriously, then, should we take General Zia's as-
surances on opium and heroin if he does not actually control
the area? My own visit to the poppy-growing heart of the
Northwest Province the following day was not altogether
heartening. I traveled with Stan Samuelson, an embassy
officer with long experience in agricultural matters. With
what appears to be the complete cooperation of the central
government authorities of Pakistan—always keeping in
mind the limits of their authority—he is working with
opium farmers, trying to persuade them to grow other crops
and helping them to do so.

We went through valley after valley that last year, Mr.
Samuelson reported, were covered with poppies but now
are "clean." Then we drove through the valleys that were
clean." Not one bit. The land was covered with opium
plants, about four inches high, still in the leaf stage. They
would produce opium in May. By September, they could
produce death in New York.

So there is good news and bad news, but surely only
one conclusion: If Pakistan desires economic and military
aid—four F-16 fighter-bombers were delivered just before
I arrived, but many more are scheduled—it must wipe out
heroin production at every stage in what is its national
territory, no matter what the British dubbed it. And our
government must be implacable on this point. Else the
question arises again: What kind of people are we?

My own suggestion, which I urged the members of the
Foreign Relations Committee to consider, is that the Con-
gress enact legislation along the lines I proposed in 1982
in S. 2670. That is, we should simply require that gov-
ernments such as Pakistan's eliminate the heroin-produc-
tion facilities and the poppy crops in their country before
we give them money or equipment or subsidized loans for
buying American military equipment. We should further
require, in the case of countries that have been identified
by the National Narcotics Intelligence Consumers Com-
mittee as countries of origin of illicit narcotics, that the
president certify to Congress that such a country's gov-
ernment has actually made progress—not just announced
its intention to make progress—in the eradication of poppy
crops, opium refineries, and heroin factories.

It seems to me quite reasonable that we should insist
that the countries we sustain be required in return to help
us stop the deadly international narcotics traffic.

Daniel Patrick Moynihan, the Senior Senator from New
York, is Vice Chairman of the Senate Select Committee on
Intelligence. This article is taken from his testimony before
the Senate Foreign Relations Committee.