

International VIEWPOINT

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Return to the killing fields

BY JANUARY 31, the air forces of the imperialist coalition had been bombarding Iraqi and Kuwaiti territory systematically for over two weeks. There had been over 30,000 sorties, bringing in their wake massive destruction and death. The number of human losses on the Iraqi side is unknown, since both Washington and Baghdad have an interest in minimizing them.

SALAH JABER

SADDAM HUSSEIN's interest is in hiding the terrible costs he has brought on his own population, who are prevented from expressing themselves by the Ba'athist terror, and in giving credit to the legend of his army's invincibility, which will certainly win "by the grace of God". For the Pentagon the aim is to sustain the myth of the "surgical" war, supposedly clean, because civilians are spared.

When you look at the huge tonnage of bombs dropped on cities like Basra, including in raids by B-52s, which drop their deadly loads from a great height, it becomes clear that this is a gigantic mystification. If this is surgery, it is amputation not cosmetic surgery.

Given the lack of verifiable figures, widely varying estimates of the number of dead are current, ranging from a few thousand to a hundred thousand (of which 70,000 are soldiers in Kuwait and the south of Iraq), the latter figure being given by the Iraqi opposition. Whatever the truth, the concentration of half a million troops in and around Kuwait by the Iraqi army inevitably exposes them to slaughter, all the more so in that the imperialist coalition's air steamroller has been operating against them in particular.

"Cut it off and kill it"

For these Iraqi troops, the so-called "humane" war takes on tragically ubuesque dimensions in the discourse of the chair of the US Joint Chiefs of Staff, Colin Powell. On January 23 he declared on the subject of the Iraqi forces in Kuwait: "Our strategy for dealing with this army is very simple: first we are going to cut it off, then we are going to kill

it".¹ The high-minded supporters of the "democratic" crusade have so far found nothing to complain about in the Pentagon chief's cold promise to kill half a million men.

Three days previously, the French president François Mitterrand candidly stated in a televised interview, that it was necessary to "destroy the Iraqi military-industrial complex" (which France, it must be said in passing, did much to help construct) in order to "liberate Kuwait". It requires considerable reserves of hypocrisy to pretend that doing this has anything to do with applying the UN mandate.

Having said this, it seems that the US air force generals have lost their gamble. They were looking for a wholly airborne and relatively short war — perhaps of 30 days duration — which would be enough to force Iraq to capitulate.² In fact, while they have effectively gained the overwhelming air superiority that was predicted, they have not been able to profit from it to the anticipated extent. A large part of Iraqi military capacity seems to be relatively sheltered from the assaults, under concrete covers or well hidden. Above all, Saddam Hussein is still in a position to defy them

Impact of Scud missiles

The intermittent firing of Scud missiles at Saudi Arabia and Israel has practically zero military effect, on the other hand it has a definite psychological impact on the Arab mass movements, galvanized by these snipes at the US and its Zionist ally. The Iraqi air force has also been able to get some dozens of its planes out of the battle to Iran, to the great annoyance of the coalition leaders, who remain perplexed by the aim of this operation.

Finally, whatever its military significance — whether an act of desperation by an army on its last legs or an operation to provoke an offensive, as Baghdad would have it — the assault on January 30 by three battalions of elite Iraqi troops on Saudi held positions to the east of the Kuwaiti frontier, has strongly increased the prestige of the attackers.

Confronted by these embarrassing problems, the US administration is taking care to prepare public opinion for a difficult war, which may be prolonged and lead to many more US casualties than predicted. On the other hand, after at first raising the bidding, caught in the trap of the propaganda coming out of his own media,

George Bush's bellicose ardor has cooled somewhat. There is less talk of capturing Saddam Hussein on Noriega lines and Bush now swears that he is not seeking Iraq's destruction.

The Soviet-American declaration on January 29 proposing to end the fighting if Iraq undertakes to withdraw from Kuwait and accept the UN Security Council resolutions is another sign of the dilemma confronting the White House. Bush had banked on Baghdad's rapid surrender. Now that this prospect looks less and less certain he is compelled to move on in a short time to phase II of the plan to reconquer Kuwait — the land war. This involves the risk, if not the certainty, of heavy losses in the American ranks, with a disastrous effect on public opinion in the United States.

George Bush will do everything he can to achieve his stated objective of the "liberation" of Kuwait without taking this risk. Now that an essential part of Iraqi military/industrial capacity, including chemical and nuclear plants, has been destroyed, the American government could be satisfied with regaining Kuwait, even if Saddam Hussein's regime were to survive the defeat.

Continuing embargo

Its survival would in any case be precarious, given that Iraq would be even more drained than after its eight year war against Iran. Strict control and a selective embargo would be maintained to prevent Iraq from rebuilding its shattered potential. The overthrow of Saddam Hussein remains an accessory, not a fundamental, objective for Washington, in relation to the basic aim of substantially reducing Iraqi military capacity. Bush will not take big risks to overthrow a man who, not so long ago, was still an ally of the US and its Saudi protégés. This is why an escape route is being left open, on condition that Saddam submits to withdrawing from Kuwait.

While offering these political branches to Saddam Hussein, Washington will continue to aim for the quickest possible military victory, avoiding a prolonged land battle. To put it another way, in the coming days the Pentagon will probably get the green light for a further murderous escalation.

The bombing will be less and less "surgical" and more and more devastating. It is, furthermore, not ruled out that, using the pretext of an Iraqi attack with chemical weapons, the American army will itself use chemical or nuclear weapons. This could be done by proxy — the Zionist ally could be given the job, with the blessing of Washington, which would prefer to avoid the inevitable political consequences of such an act.

In fact, US imperialism is already very

1. *International Herald Tribune*, January 24, 1991.
2. See my articles in *IV* 197 and 199.

worried by the future. The political cost of the aggression is already very high in the Arab region and considerable throughout much of the "Muslim world". The attack on Iraq has whipped up the national and anti-imperialist consciousness of the Arab masses as nothing has done for the past 23 years.

The disproportion between the means of the two sides and the resistance put up by Iraq until now contrasts with Egypt's capitulation after six days in the 1967 war; the grotesque spectacle of the one-sidedness of the West's "moral" reactions, notably with regard to Israel, presented as an innocent victim (see article on p.27);

the unbearable hypocrisy of the supposed defenders of "international law"; all have profoundly radicalized the hostility of the Arab masses to the coalition powers, including France, whose president has lamentably missed the best possible opportunity to emulate his unavowed model, Charles de Gaulle.

The radicalization of the Arab masses, in itself eminently positive, is threatened by the accompanying illusions in the Iraqi despot. There is a danger that it will go in a profoundly chauvinist direction, not only against the oppressors, but also against the Kurds, oppressed by Ba'athist nationalism. It is in fact possible that

Kurdish guerillas will resume their action in the North of Iraq. A representative of the Ba'athist regime has already threatened the Kurds with a new Halabja — the name of the Kurdish village where several thousand civilians were gassed in March 1988³.

There is also a big risk of a turn towards fundamentalism. Saddam Hussein has greatly assisted the fundamentalists, who at the start of the conflict were highly embarrassed by the confrontation between a regime hitherto considered as "atheist" and Saudi Arabia, the most fundamentalist of the Islamic regimes, which is today openly participating in what looks like a Western crusade against an Arab and Muslim country.

The fundamentalists have, to a large extent and once again, capitalized on the anti-imperialist radicalization of the Arab masses. The wanderings of the Arab left, split between the unreserved support for Baghdad of its nationalist components and the equivocations of the Stalinists in the face of the imperialist aggression, have once again left the field open to religious fanaticism.

These political dangers make it more than ever necessary for the revolutionary Marxists of the region to try to combine in their actions intervention in the movement of opposition to the imperialist aggression; political education on the real nature of the Ba'athist regime; and internationalist education on the subject of the rights of the Kurdish people and against the use of chemical weapons against civilian populations, whoever they may be.⁴

Inversely, in the imperialist countries, the revolutionaries in the antiwar movement must above all fight against the essentially racist and completely hypocritical campaign of intoxication being conducted by the governments and the bourgeois and social democratic media. The antiwar movement, which is growing again, even in the countries where it declined under the impact of the media barrage at the start of the war, is another fundamental element which can maximize the political costs of the imperialist aggression. It is an element that already weighs heavily in the behaviour of the imperialist governments.

The broader it becomes, the more the "new world order" of Bush and co. will be breached by movements of national and social emancipation. These are the stakes in the battle under way, which cannot be reduced to a military confrontation between Iraq and the coalition. ★

3. *JHT*, January 25, 1991.

4. It is depressing to hear slogans on Palestinian demonstrations calling for the use of weapons of mass extermination against Israel. These slogans are all the more stupid in that the main victims of a chemical attack would be the Palestinians themselves, who have been deprived of gas masks — see article on this subject on p. 10 of this issue of *IV*.

Walking into Bush's trap

ON September 18, 1990, the Foreign Ministry of Iraq published verbatim transcripts of meetings held between high-ranking US officials and Saddam Hussein in just days before Iraqi troops entered Kuwait on August 2.

James McCartney, columnist for Knight-Ridder newspapers' Washington bureau, acknowledges that these transcripts are "not disputed by the State Department." On July 25, US Ambassador April Glaspie, informed Saddam Hussein in her official capacity, "We have no opinion on...conflicts like your border dispute with Kuwait."

Glaspie repeated this several times. To make sure the point was taken, she added, "Secretary of State James Baker has directed our official spokesman to emphasize this *instruction*.."

Indeed, Baker's official spokesperson, Margaret Tutweiler, and Assistant Secretary of State John Kelly, "both did exactly that. A week before the invasion, both repeated publicly that the United States was not obligated to come to Kuwait's aid if it were attacked." (*Santa Barbara News-Press*, September 24, 1990.)

McCartney is incredulous in reviewing the heavy-handedness with which the message was conveyed to Saddam Hussein. "At one point in the conversation, Glaspie said: "I have direct instruction from the President..."

Two days before Iraqi troops entered Kuwait, Assistant Secretary of State John Kelly appeared before the House Foreign Affairs Sub-Committee, where Rep. Lee Hamilton (D-Ind) asked him if the United States was committed to come to Kuwait's defence.

Later, Hamilton recalled Kelly before the Sub-Committee to remind him of their colloquy:

"I asked you if there was a US commitment to come to Kuwait's defence. Your response over and over again was: 'We have no defence treaty with any Gulf country.'"

...A similar conclusion was reached by the *New York Daily News*, but with a most revealing twist. In its lead editorial on September 29, the editorial states:

"State Department officials... led Saddam Hussein to think he could get away with grabbing Kuwait." Reciting the uncontested facts, the editorial continues: "Small wonder Saddam concluded he could overrun Kuwait. Bush and co. gave him no reason to think otherwise."

The newspaper concludes cold-bloodedly, that, embarrassing though this revelation may be, the crisis was going to get "tighter and tougher" and "when the smoke clears in Baghdad, there will be plenty of time to examine Bush's Iraq policy, preferably with tweezers and a microscope."

That's for after the war. For now, "George Bush deserves plenty of credit for his impeccable handling of the Persian Gulf crisis. He may also deserve credit for allowing the crisis to happen in the first place."

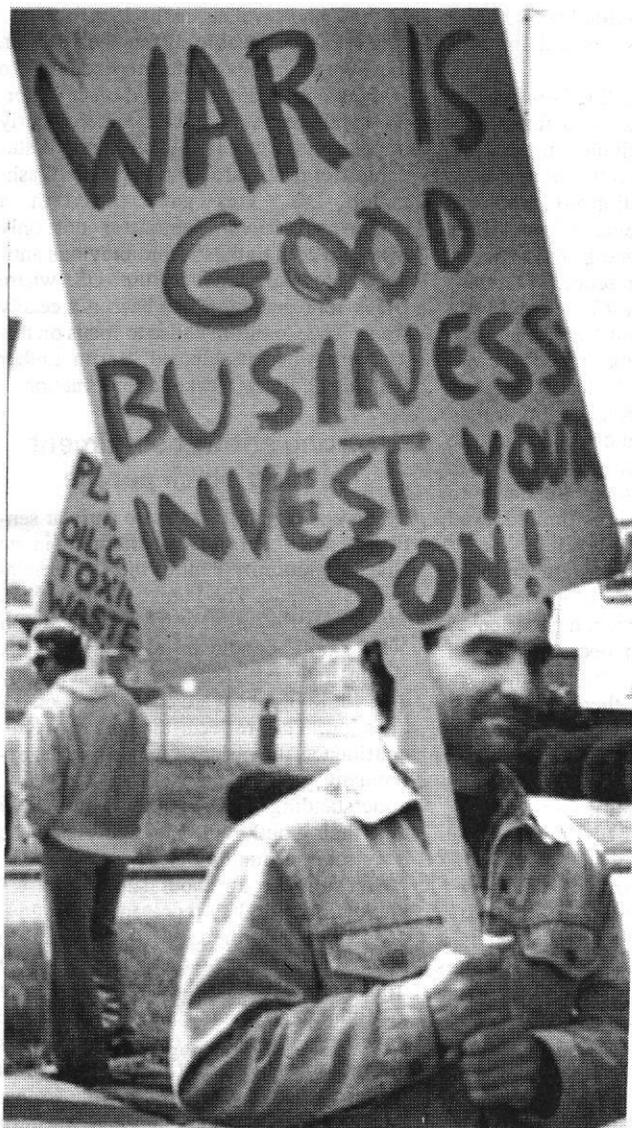
...Professor Michael Clare of Hampshire College also makes reference to a National Security Council White Paper, prepared in May 1990, in which "Iraq and Saddam Hussein were set forth as 'the optimum contenders to replace the Warsaw Pact' as the rationale for major military expenditure." (quoted by Daniel Sheehan at September 14 Berkeley antiwar teach-in).

Extracts from an article by Ralph Schoenman in the December 1990 issue of the US revolutionary Marxist monthly, Socialist Action. ★

Biggest antiwar actions since Vietnam

IN RESPONSE to the beginning of George Bush's shooting war against Iraq, hundreds of thousands of US citizens took to the streets in protest on two consecutive Saturdays — January 19 and 26. By all accounts, these demonstrations constitute the largest outpouring of antiwar sentiment in this country since Vietnam.

STEVE BLOOM



THE numbers are indeed impressive. In Washington DC there were 50,000 on the 19th and 250,000 one week later. In San Francisco the figures were 75,000 and 200,000. In addition the citywide antiwar coalition in Los Angeles organized its own protest of 25,000 people on January 26. Smaller actions were held in other towns where people could not travel to one of the major national demonstrations.

What is particularly noteworthy is that these massive mobilizations have taken place at the very beginning of the war, at a time when the American people are hearing over and over again how successful the bombing raids against Iraq have been and about the continuing atrocities of Saddam Hussein. Despite the opinion polls, in which George Bush's approval rating is running at a record 70-80%, those who oppose his attack on Iraq have not been intimidated. January 19 and 26 demonstrate conclusively that Washington has failed to overcome the legacy of mistrust that still exists among the people of this country as a result of Vietnam.

It is not of course surprising that Bush

should be able to rally a large majority in the opinion polls at the start of his shooting war. The real contest for US public opinion lies ahead. As the war continues, and the casualties on both sides mount, more and more people will begin asking: What is the killing really for? Is it worth it? Why are we spending a billion dollars per day on war when state and local governments say that they are unable to continue paying teachers or to provide other basic public services? What will be the further financial drain on a country already in a deep recession?

Today, Bush can get away with his lies about a fight for "freedom" and the "liberation of Kuwait". But once people take the time to think things over it will not be hard for them to see what this war is really all about — oil and the continued US military domination of the world.

Fragility of national consensus

The marches on the 19th and 26th show that a well-organized opposition is already in place that can help explain this truth. Bush's "national consensus" could well prove extremely fragile — even if his military experts are right and they can bring the war to a victorious conclusion within a few months. If they are wrong, and things drag on much longer, the potential exists for a real social explosion

in the US.

However, the US movement is not without its problems. Because there is an organizational split between two coalitions, two national demonstrations were called one week apart with virtually identical political programs. The 19th was called around three slogans: "Stop Bush's war now!" "Fight racism and poverty at home!" "Bring the troops home!". For the 26th the demands were: "No war in the Middle East!" "Bring the troops home now!" "Money for human needs, not war!".

The January 19 wing of the movement is represented by the National Coalition to Stop US Intervention in the Middle East. This group was formed shortly after Bush deployed troops to Saudi Arabia and was responsible for the first round of nationally coordinated actions last October 20, when tens of thousands mobilized in cities across the US.

Martin Luther King celebrations

In late November, the leadership of this coalition issued the call for January 19 marches in Washington and San Francisco. They chose that date to tie in with the celebration of Martin Luther King's birthday (January 15, official holiday on January 21) and thereby link opposition to the war with the needs and demands of the Black community.

The other grouping, the National Campaign for Peace and Democracy in the Middle East, was formed at a September meeting of activists from across the country. Its second national meeting on December 1 was attended by hundreds of

representatives from national and local antiwar groups, as well as local coalitions. This was by far the broadest and most representative planning meeting of the movement up to that point, and it issued the call for January 26 — motivated largely on the basis that students needed extra time to mobilize, since campuses would be closed in early January.

Those attending the December 1 meeting appealed to the National Coalition to join them and unify around the January 26 date. The Coalition, however, stated that it had already done substantial publicity for its January 19 action, and insisted that the link with Martin Luther King's birthday was one it did not want to give up. Each group tried to achieve hegemony for its date. Either could have deferred to the other on the question, but neither one did. The result was two separate mobilizations built by two separate national coalitions.

Differences on condemnation of Invasion of Kuwait

There are political differences between the Campaign and the Coalition. One of the most important represents a general dividing line among antiwar activists in the US: should the movement here join in the international condemnation of Saddam Hussein for his invasion and annexation of Kuwait? The Coalition, from the beginning, rejected any statement along these lines as part of its political platform. This was one of the main reasons why some of the more conservative elements in the movement decided to work for the formation of the Campaign for Peace, and insisted at its founding meeting that an explicit condemnation of the Iraqi invasion must be integrated into the political platform of the Campaign.

Two other political questions have also been important, but on these the divisions are not so clear. One has to do with the use of sanctions by the Bush administration as an alternative to a shooting war. The other is what role the UN might play as a force for peace in the present conflict. The Campaign has not taken a formal position on these questions, but the same conservative elements in the movement — who are concentrated in the Campaign — tend to support both the idea of sanctions as the "proper" way to force Iraq out of Kuwait, and appeals to UN intervention.

Others in the movement have argued a more consistent "Out now!" viewpoint: that sanctions are, in fact, simply war in another form — another way for Bush and the US rulers to establish their right to control the oil wealth of the Mid-east — and that the UN has proven to be nothing but a tool used by the rulers of the US to gain a political cover for their slaughter. The January 19 coalition has taken a clear position against sanctions. But opponents of sanctions can also be found working within the Campaign for Peace. In fact,

Campaign during the period leading up to January 26 even oppose its call for condemnation of Iraq.

The political dividing line between the two coalitions is, therefore, a fuzzy one. The main reason for this lies in the decision-making process that has been implemented by the Coalition to Stop US Intervention. It has never allowed activists to have a real voice in the process. All of its proposals for action — including the call for January 19 — have been issued by a self-selected "administrative committee". Mobilizing meetings are sometimes held so that the leaders can tell activists what will be done and how they should do it. Agendas and reports at these meetings are structured in advance with no opportunity for those in attendance to change them. Discussion is limited. And no votes are taken.

Many within the movement, even those who are politically closer to the program developed by the Coalition, have oriented more to the Campaign because of such undemocratic practices. Within the structures of the Campaign there has at least been an opportunity to raise ideas for discussion and debate.

It is significant that, despite the differences that do exist in political orientation, the formal demands of both January 19 and 26 were essentially the same. This reflects the fact that a truly broad movement against the war in the US can only be built around those basic points that unite all activists. There is simply no agreement on whether to condemn Iraq, or on the call for sanctions and UN intervention. Diverse views on these questions should be welcomed in the movement and at demonstrations.

Bring your own banner

Everyone can bring their own signs and banners, with their own political slogans, so long as we can unite in opposition to the shooting war. There was no objective political reason why the two coalitions could not have agreed to march in January at the same location and on the same date. There is no reason why agreement for united actions cannot be reached for the future. Such an agreement will significantly strengthen the overall movement against Bush's policies.

In fact the entire spectrum of antiwar opinion was represented in Washington on both January 19 and 26. The 26th tended to have more American flags and signs asserting that would have been better if Bush had "let sanctions work". Most of the speakers expressed this point of view. But the call for sanctions instead of a shooting war was heard on the 19th as well. In fact, Jesse Jackson, who initially supported Bush's decision to send troops to the Mideast and now expresses a pro-sanctions viewpoint, spoke at both demonstrations. Opponents of sanctions and condemning Iraq made their presence felt

on the 26th as well as on the 19th.

The one noticeable difference between the two actions was the presence on the 19th of significant Black and other minority contingents, including a particularly impressive group of several hundred students from Howard University in Washington DC. This gave the 19th a somewhat different character not only from the 26th but also from previous antiwar demonstrations in the US where Black representation has been noticeably weak. The Coalition chose to focus on this problem when it selected Martin Luther King day holiday weekend for its action.

Strong antiwar sentiment among Black people

There is certainly far more antiwar sentiment, and vocal antiwar sentiment, in the Black community than in the US population as a whole. The January 25 *New York Times* reported a *New York Times*/CBS News poll conducted January 17-20. Whites favored Bush's military action by 4-1, while Blacks were evenly split on the question. This reflects the lower overall confidence that Blacks have in US government policies as well as a specific understanding in the Black community that their youth will inevitably pay the heaviest price in this war.

Blacks make up about 12% of the US population. But they represent nearly 25% of US forces in the Gulf — and an even larger percentage of the ground combat troops that will bear the largest burden of the fighting. The acute unemployment and poverty in the Black community means that joining the army is the only real choice open to many Black youth — other than entering into the dead-end world of drugs and prison.

The National Organization for Women (NOW), the largest feminist organization in the US, which has been responsible for several massive demonstrations in defense of abortion rights in the US over the past few years, endorsed January 26. It put out a button saying simply, "Women against war", which was visible everywhere during the demonstration. NOW's participation in the January 26th coalition represented an important step both for the women's movement and the fight against the war.

There have also been protests against a shooting war from some elements in the US labor movement. Union contingents were visible on both the 19th and 26th. The January 11 *New York Times* reported that hundreds of union leaders around the country were coming out against the danger of war because it would be "fought by the children of blue-collar workers". This stands in marked contrast to what happened during Vietnam when the main leaders of organized labor in the US lined up behind Washington's war effort. It was only at the very end of that war — when antiwar sentiment was clearly becoming

the overwhelming majority viewpoint in the country — that this labor “consensus” began to break down.

Before Bush’s war actually started a number of unions issued a letter urging that sanctions be given more time to work. With the actual commencement of hostilities it appears that there has been a significant retreat — on the part of the mainstream union bureaucracy — from even such mild protests. But the issue has still become a legitimate one for discussion among the rank and file. The same forces that can erode Bush’s support within the population as a whole will affect organized labor. It may well be possible to bring US unions into the antiwar movement in a much bigger way — and in a much shorter time — than during previous wars.

At this point both the Campaign for Peace and the Coalition to Stop US intervention are continuing their efforts. Plans for an ongoing series of actions are taking shape. Every week brings a new round of demonstrations and protests. Both national groupings are calling for local actions to take place on February 15 and 16.

Student antiwar movement developing

The Coalition is also organizing a national conference over the weekend of February 9/10. The Campaign is planning its own national meeting on February 23. In addition, students have begun organizing on a national scale. In Chicago on January 19 a delegated national conference of around 200, representing 50-60 campuses, was held. It formed the National Network of Campuses Against the War. On January 27, the day after the big Washington march, students from around the country gathered in that city for a mass meeting of nearly 2000. It called for a day of student protests on February 21 and established the National Student and Youth Campaign for Peace in the Mid-east.

The January 26 mobilization organized by the Campaign for Peace was certainly larger and more representative geographically than January 19. But January 19 was impressive nonetheless. And the real ability of the January 19 Coalition to establish links with forces in the Black and Latino communities indicates that it, along with the Campaign, will continue to play an important role in building a movement against the war in the US.

It is certainly unclear at this point what the form and leadership of that movement will be given the diverse political and organizational conceptions that are being widely debated. In the period leading up to the January demonstrations many antiwar activists, groups and local coalitions refused to line up exclusively with either of the two national leadership bodies. This sentiment for unity was widespread, and given the inability to bring about a convergence around a single date, many

endorsed and/or attended both demonstrations.

At this point it is hard to see how the Campaign for Peace will be able to really unite the antiwar forces around its leadership if it continues to insist on a statement condemning Iraq as a basis for membership — a statement that many, perhaps even most, of those active in organizing the movement do not agree with. But it is even more difficult to see how the Coalition can provide an adequate leadership to unite the movement given its completely bureaucratic structure.

Those who supported unity in action leading up to January 19 and 26 will certainly continue to make their voices heard. And given the tremendous upsurge in antiwar sentiment and activity that we have seen during the past few weeks, they are also certain to get a good hearing from rank-and-file activists. A real and growing US movement against Bush’s war seems inevitable, whatever solution is ultimately worked out in terms of political program and leadership structure. ★

Lies, damned lies, and military briefings

THE Gulf conflict has seen a further tightening of the apparatus of media censorship developed in the 1980s in the course of such imperialist adventures as the assaults on the Malvinas, Grenada and Panama. In the following article, the national organizer of the Campaign for Press and Broadcasting Freedom (a British organization with substantial labour movement sponsorship), writing in a personal capacity, examines some of the methods used to keep the truth about the war out of the British media.

MICK GOSLING

AS ALLIED PLANES dropped the equivalent of a Hiroshima bomb on Iraq in the early hours of Thursday January 17, the British media scrambled to establish hot air supremacy.

“100% success”, screamed the banner headline of the London *Evening Standard*, out-blitzing its tabloid rivals. At first the men from the Ministry of Defence and the Pentagon let this line run. After all, to win a real war you have to win the propaganda war. Nothing beefs up domestic support like early success and promise of a quick, bloodless (for our boys) victory.

Operation Desert Fog continued with public opinion being acclimatized to desert reality. The gung-ho journalists, whose knowledge of combat is limited to fighting their way to the bar at El Vino’s in London’s Fleet Street, had to be

reigned back. There could be no quick victory against Iraq’s mighty military machine.

Television audiences which had been encouraged to view this war as some kind of hi-tech video game, to marvel at the weapons of death rather than see their deadly consequences, had to be disabused. Hence the astonishing spectacle of a military briefing where the top brass tell journalists...“this is not a video game”. Who suggested it was?

Finally one week and 10,000 bombing missions later, the circle is completed. We are told that Iraq’s military forces are largely intact. The air force is buried underground in hardened bunkers. Runways can be repaired in 24 hours. Even that spectacularly exploding air ministry in Baghdad had a command bunker underneath built to withstand a bomb blast.

And now the military confesses that 80% of missions “effective” does not mean 80% of targets destroyed. It is simply a claim that 80% of planes have reached their targets and dropped their bombs. One wonders about the other 20%. While B-52s can apparently rain bombs with an accuracy never demonstrated in Vietnam, the world is asked to believe that cloud cover has hampered reconnaissance which would show just what has been flattened on the ground.

According to the 19th century British Prime Minister Benjamin Disraeli, there were three kinds of lies — lies, damned lies and statistics. But even he would have paled in the face of military briefings. The only real images of war we have seen have been on the streets of Tel Aviv and on the faces of captured air crews.



In the middle of the night of January 24, an ITN correspondent in Saudi Arabia let slip the truth: "The hard information available to the press is so slight that it is impossible to make any judgement on the progress of the war."

All we knew was that we were one week into a war where all sides are promising carnage — and one week into the propaganda war aimed at getting public opinion to accept it. Having been carpet bombed with non-news, the cycle started again. President Bush announced operation Desert Storm was "right on schedule".

The second week has seen similar claims of military success. Our "surgical" strikes are contrasted with the indiscriminate Scud missiles of Saddam. Whereas Scuds have killed a handful of civilians no comment has been made on the fact that just *one* civilian death for each allied bombing raid would mean 20,000 Iraqis dead. Instead there is talk of "collateral damage."

Compare the acres of print coverage and airtime devoted to the flooding of the Gulf with oil, all those heartrending pictures of dying birds, with the absence of coverage of Iraqi civilian deaths. Indeed, peace campaigners who were derided for warning that war would bring environmental disaster, now find their arguments hijacked as justification for continuing the war.

Blanket degradation

The carpet bombing of Iraqi ground forces is termed "degradation". The comment of a retired US paratroop commander that Iraqi troops would "melt like butter off toast" was reported one night and then suppressed. By contrast Saddam Hussein is demonized for all his works. The war is becoming a crusade and allied aims are changing. The mendacity of ministers on both sides of the Atlantic, who imply the UN resolution calling for stability in the Middle East encompasses the overthrow of Saddam, has not been subject to serious scrutiny in news bulletins and most of the press. The media machine has slid along behind the war machine.

8 Why has saturation news coverage produced so few hard facts and so little

informed analysis? When journalists and broadcasters speak portentously of the "fog of war", they present tautology as explanation. There is nothing foggy about the grip the military exercises over the media in the Gulf. It is total and backed by sanctions. And it began the moment allied forces set foot in the Gulf.

David Feingold, London bureau chief of Cable News Network, put it bluntly at a Royal Television Society symposium session on "The propaganda war" back in November: "the rules are there and the military runs the operation. We are used as conduits of information and disinformation."

An insight into how effective this has been was given by Nik Gowing, diplomatic editor of Britain's Channel 4 News. In a filmed commentary he explained the reality behind the "TV images of a highly geared, efficient US military machine moving into position" following Iraq's invasion of Kuwait. It was bluff. The reality was near chaos with planes arriving half full and a computerized logistics system unable to locate military spares.

Lies by the busload

In return for propaganda pictures of military training exercises a media circus was created with the "fourth estate travelling from site to site in convoys of buses." Satellite technology transmitted these pictures throughout the world, generating expectations that war was both inevitable and winnable.

Even before war started strict media Ground Rules, covering fourteen categories of "not releasable information", were laid down by the Allied Joint Information Bureau and policed by military minders. Journalists could only report on what the military allowed them to see.

Point 3 of the rules stated: "You **MUST** remain with your military escort at all times, until released, and follow your instructions regarding your activities." This is followed by the classic newspeak that "these instructions are not intended to hinder your reporting," a fig-leaf dispensed with since war started. Journalists' subservience to the military was underlined in Point 6: "If you are not sure

whether an action you will take will violate a ground rule, consult your escort officer **PRIOR TO TAKING THAT ACTION.**"

The weapon of control is access. Any reporters or crews freelancing or wandering away from their military escorts are warned. Do it again and they might as well pack their bags as their military escorts will be withdrawn.

Many journalists have been more than willing to participate in this charade. But an even greater shame is that of the newspaper and television editors who have perpetuated it. Until the eve of war they give little or no publicity to the censorship operating, let alone challenged it.

The representatives of our "free" media loyally trooped off to carefully vetted meetings with the Ministry of Defence (MoD) on January 3 and 7, to be briefed on how the MoD/Allied forces would organize media coverage in the event of war. The prospect of triple vetting by British, American and Saudi censors hardly raised an eyebrow.

Guidance for editors

On the ground in the Gulf only two British "media response teams" have been allowed forward with the 4th and 7th armoured divisions, comprising one television crew, one radio reporter, two print journalists and one photographer. Their material is pooled through a forward transmission unit where it is censored by the military before it is transmitted to London. The other source of information is military briefings. To ensure the home front stays firm, the MoD has issued "guidance" to editors on the release of information.

When the British Broadcasting Corporation (BBC) bridled, not against the ground rules, but against this guidance, the MoD promptly deployed its access weapon. A Ministry spokesperson was quoted in the *Evening Standard* (January 14) saying: "We would have to think hard about allowing any reporters to accompany our troops if their editor was carrying reports which jeopardized security." The BBC promptly issued its own guidance which is equally restrictive.

The consequence is that we are witnessing the most censored war in recent British history. There are 32 areas on which information cannot be published without the approval of the MoD. These include the progress of battles, munitions supplies and equipment shortcomings, specific ship or aircraft losses and rules of engagement — of particular use as the allied commanders have been careful to avoid ruling out the use of nuclear weapons. Even the consequences of terrorist attacks in the UK would be censored.

These restrictions have little to do with the security of allied forces in the Gulf and everything to do with reassuring pub-

lic opinion. For the same reason the virus of secrecy and disinformation is spreading to other government departments. Hence the Department of Health's guidelines for National Health Service (NHS) press officers, exposed this week, who have been told to flatly contradict the secret advice being given to senior clinicians about the ability of the NHS to cope with Gulf War casualties, especially those with burns and chemical warfare injuries.

To maintain public morale our newspa-

pers and TV screens are filled with pictures of military hardware; there is a total disassociation between the technology of allied weapons and their deadly consequences; endless repeats of the same few frames of film; irrelevant speculation about the progress of the war; and the marginalization of both domestic and world opinion hostile to the war. Thus is the public anesthetized in preparation for the carnage to come. ★

oil markets.

On January 9, 1991, during the Baker-Aziz discussions, the oil price fell from \$26 a barrel at nine in the morning to \$23 by six thirty that evening. Two hours later it had gone back up to \$30.

A price of \$30 means a loss of 1% in real income in all the non-oil producing countries. A price of \$40 would cause a 1.5% drop in purchasing power, and so on. The Pentagon predicts that the average price of oil in 1991 will be \$44; optimists foresee an average of \$25. It is impossible to make exact predictions. But it is certain that a rise in the price of oil would result in a weakening of economic activity throughout the world.

Economic consequences of the war

WHILST uncertainty about the duration and ultimate result of the Gulf conflict makes any exact prognosis impossible, it is clear that the war will have severe effects on a world capitalist economy already beginning to suffer the effects of recession.

ERNEST MANDEL

THE direct costs: Wars are expensive and wars conducted at a distance are even more expensive. The cost for the USA of the military presence in Saudi Arabia can be estimated at between \$2 and \$3 bn per month. This is the net cost, after deduction of the \$30 bn contribution from the Allies.

With the outbreak of the war, these costs will rise considerably. The duration of the war, and how many troops remain in the Middle East after the fighting, are variables that will influence the direct costs. The minimum cost of the US operations in the Gulf for 1991 can be estimated at \$50 to \$60 bn, but could go as high as \$100 bn.

THE direct consequences: There is not the slightest possibility that this sum can be covered by a rise in taxes or tax income due to economic growth. The budget deficit will grow. Thus, there will be further borrowing by the state, inflating further the public debt. This will increase the tension on capital markets, push interest rates up and accelerate inflation. All these factors will coincide with the economic recession and make it worse.

The American arms industry was already working at full stretch before the

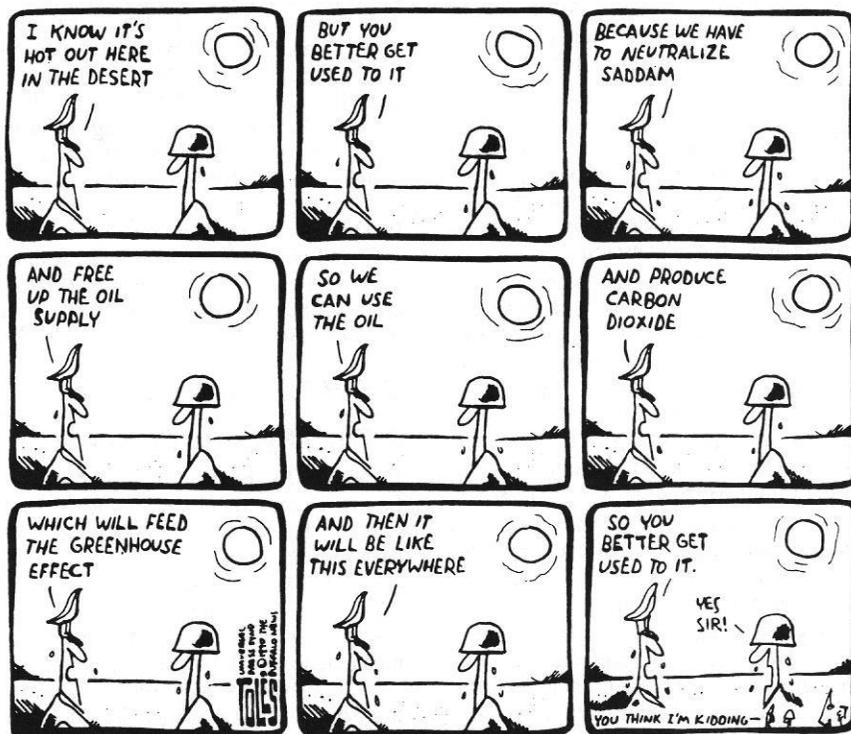
start of the Gulf crisis. Thus there will be no extra stimulus to economic activity as a result of the war. On the civilian sectors of the economy, the effects will be wholly negative. Consumer income will fall. High interest rates will hit the construction sector. It will be more expensive for enterprises to invest. Thus, the war will slow down economic activity and employment. For the first time in two centuries, the dominant capitalist economy will see recession and war at the same time.

THE oil price: The war creates uncertainty about oil supplies in the short and medium term. These difficulties will appear even if Saddam Hussein does not temporarily put important centres of production out of action. The result will be extreme speculative oscillations on the

CUMULATIVE effects: A rise in US interest rates cannot be neutralized by a neo-Keynesian "cheap money" policy. Such a policy could only lead to the bankruptcy of the state. Thus Washington is going to keep interest rates up in order that Japanese investors continue to buy US treasury bonds.

High interest rates in the USA will put pressure on the other rich countries, whose rates will also rise. This will be true in particular for countries with a high public debt, such as Germany, or a significant budget deficit, such as Japan. Thus recessionary tendencies will be strengthened in the rest of the world. The American domestic market is the most important sector of the world market. A recession in the US means less exports by the rest of the world to the US, and a drop in production, employment and domestic demand.

Apart from the Anglo-Saxon countries, the recession is underway in Scandina-





via, and also perhaps in Italy and France. A deeper analysis is needed to grasp the significance of this recession, its duration and at what point it may be turned around by opposing tendencies.

Among the factors to take into account in such an analysis are the duration of the war, long-term variations in energy prices (and not only the oil price), the extent of the destruction in the Middle East, the ecological consequences, political reactions in the Third World and so on.

GEOGRAPHICALLY and social differentiated consequences: Hardest hit by the war will be the poorer countries and countries with few natural resources. Differences in living standards will increase, on a world scale, within each region of the world, and within each country.

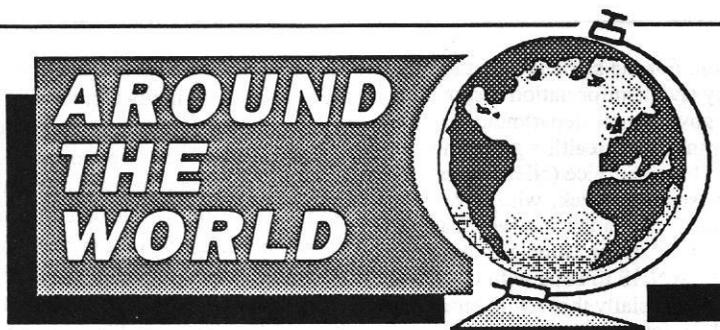
The "economically weak" will be suffer more than the "economically strong". Non-oil producing Third World countries will be worst affected. The absolute impoverishment of these countries will grow. The war will also hit the Eastern European countries hard. Their energy bills will rise, and thus their production costs, making it harder for them to export.

In the semi-industrialized countries of East Asia, the war will entail a sharp reduction in exports to the USA, higher production costs, thus a decline in competitiveness, a slowdown in economic growth and even a recession.

The oil-producing countries outside the Middle East (for example, Venezuela, Mexico, Indonesia and Nigeria) will profit from the rise in the oil price and step up production. At the same time, they will lose out through declining exports of other products to the imperialist countries and the increase in the price of their imports from these countries.

The Western countries and Japan will feel a deterioration in the economic climate, although the precise dimensions of the problem cannot be given.

Only the Soviet Union is in a position to derive all-round economic benefits from the war — provided that it is able to maintain and increase oil output, which is by no means guaranteed. ★



PANAMA

Fruits of liberation

THIRTEEN months after the military invasion of Panama by the United States, carried out under the pretext of capturing General Noriega, accused of involvement in drugs trafficking (see IV 177), popular disaffection in the face of economic deterioration is growing. Barricades reappeared in the capital during the strike of December 5, 1990, despite ferocious police repression.

Unemployment has reached 25% of the population (and the puppet government of Roberto Endara has announced a new wave of dismissals in the administration affecting 500 people, accused of having participated in stoppages); 40% of Panamanians are living below the poverty line. The United States embassy, which determines the law, has declared that the country's social programmes must be drastically reduced. Economic growth has been no more than 6%, according to official sources, whereas bank deposits have increased by 26%.

Social discontent crystallized during the partial legislative elections of January 27, 1991. The coalition supporting President Endara fell apart. The Nationalist Republican Liberal Movement (MOLINERA), the Authentic Liberal Party (PLA) and the Arnulfista Party (PA), which accused the president of being no more than a puppet of the United States, allied themselves with Noriega's old formation, the Democratic Revolutionary Party (the PRD, founded by General Omar Torrijos), and won 40% of the votes, pushing the ruling coalition, the Christian Democrat Alliance (ADOC), into second place in six of the country's nine provinces. ★

SOVIET UNION

A Trotskyist in Moscow

ERNEST MANDEL, a leader of the Fourth International, was a guest at a press conference held in Moscow on January 18, 1991, by the review *The Socialism of the Future*, to which he contributes. Speaking as an activist in the wartime antifascist resistance and a former inmate of a Nazi prison camp, Mandel paid tribute to the heroic resistance of the Soviet workers which had defeated the barbarous project of Nazism, whilst

pointing out that the crimes of the Stalinist bureaucracy had done much to discredit both that achievement and the October Revolution. Addressing himself to the Soviet Union's current problems, Mandel said that the consequences of the despotism of capital in much of the world were no less grave than those of the despotism of the state in Eastern Europe.

He condemned both imperialism's war against Iraq and the Soviet bureaucracy's military intervention in Lithuania, and pointed to the cynical collusion of the US and Soviet governments in both aggressions.

During his stay in Moscow, Mandel gave a long interview on Trotsky, Trotskyism and the Fourth International to the weekly *Argomenti i Fatti*. The theoretical review *Dialog* published one of his articles on the democratic self-managed economy. ★

LATIN AMERICA

"500 Years of resistance"

TO celebrate the 500th anniversary of the "discovery" of America, the Spanish government, together with several Latin American countries, is preparing large scale festivities for 1992. But the peoples of Latin America, and above all the indigenous communities, are aware that in reality this discovery amounted to conquest, the pillage of raw materials, the genocide of entire peoples, and forced evangelization and cultural assimilation.

In October 1989, at a meeting of Latin American indigenous organizations in Bogota, Colombia, delegates from 21 countries founded the "Continental Campaign: 500 Years of Indigenous and Popular Resistance". Then, in July 1990, at Quito (Ecuador) the first continental meeting of indigenous peoples took place, with delegates attending from the United States and Canada. The campaign is supported by popular and indigenous organizations, human rights groups, womens' organizations and students, as well as by the Catholic base communities.

In the Spanish state, Commissions against the 500th anniversary celebrations have been created in the principal towns. As well as publicizing the reality of the conquest, they plan a counter summit when the heads of Latin American states meet in Madrid during the week of October 12, 1992. ★

Regime tries to ride pro-Iraqi wave

THE TEAM which came to power on November 7, 1987, after ousting the president for life Bourguiba, hoped to tackle the crisis of the Destourian regime¹, which has ruled the country since independence. The regime had been challenged by a series of popular revolts: by the general strike of January 26, 1978; by the hunger riots of January 3, 1984; and in 1987, just before Bourguiba got his marching orders.

After three years however, it is clear that the new team has been unable to resolve the crisis, which has got worse. Faced with the democratic tidal wave sweeping the dominated countries and the former Soviet bloc; shaken by democratization and the electoral victories of the Islamic Salvation Front (FIS) in neighbouring Algeria; under pressure from the revival of Arab nationalist sentiment after the Iraqi invasion of Kuwait; and finally in the grip of a terrible economic crisis, president Ben Ali is playing for time.

LUIZA MARIA

RAPID democratization and turmoil in Algeria have profoundly affected Tunisia, putting heart into the Tunisian democratic movement. At the same time, Tunisian fundamentalists have capitalized on the victories of their Algerian cothinkers in the FIS. Meanwhile, the decline of Algeria's ruling National Liberation Front (FLN) is a warning for the Constitutional Democratic Assembly (RCD — new name of the Destourian Socialist Party, which has ruled Tunisia since independence).

The eviction of Bourguiba took place in the context of the regime's inability to check the fundamentalist advance. The new regime under Ben Ali has not undertaken serious reform. After the coup, however, it threw overboard some ballast, in order to rapidly gain credibility. It freed political prisoners, and legalized several journals and parties², but without meeting the demand for a general amnesty.

In the background of the November 7 coup there was also the acute financial and economic crisis resulting from the combination of liberal policies applied at the behest of the imperialist financial centres, short-term measures and the dead-weight of the Destourian bureaucracy.

The new regime submitted to the demands of the International Monetary Fund and pushed forward liberalization. This led to opening up the country's economy to the outside world, to a rise in the foreign debt, to an increase in the weight

of the employers' union, the Tunisian Union of Industry, Commerce and Crafts (UTICA) and to the dismantling of the public sector. The social consequences were predictable: a drop in purchasing power, and the growth of unemployment and the informal economy.

It is hard to measure the impact of the Gulf war on Tunisia, since the country both exports and imports oil. The imports, evidently, cost more, while, owing to the fall in the dollar, exports cannot be relied upon to cover the loss. The recent devaluation of the dinar has reinforced the negative impact of the opening up of the economy. Furthermore, Tunisia is no longer able to export to Iraq owing to the UN blockade. Numerous Tunisians working in the Gulf have or are in the process of returning home, increasing the numbers of unemployed and depriving their country of a source of income. Also, tourism has slumped.

Union confederation refounded

The workers struggles, which culminated in the general strike of 1978, resulted in the General Union of Tunisian Workers (UGTT) breaking free from the regime. The end of the period of democratic opening, which lasted from 1981 to 1985, saw the dismantling of the UGTT. The crisis of the union confederation has been partly overcome under the November 7 regime; today the reformed UGTT, in the absence

of significant social struggles and without its historic leadership, is the scene of conflicts between different bureaucratic currents, on which are grafted the opportunist calculations of the union left and even of the fundamentalists.

Even so, the very fact that the UGTT once more exists gives room for social movements. The regime knows that in the end neither empty promises nor repression can stop conflicts. These latter are, in the final analysis, the result of the regime's own policies of liberalization and super-exploitation. The union bureaucracy is, for its part, unable to control and channel worker militancy at will. Shaken by deep internal differences, the union leadership has recently taken new administrative measures aimed at preventing independent rank-and-file initiatives, but it will find it hard to call any more for "social peace" given the exorbitant demands of the employers.

Bourgeoisie searches for Arab solution

Furthermore, the Gulf crisis has had a profound political impact. The renewal of anti-imperialist sentiments and national Arab feeling have pushed Ben Ali into taking his distance from imperialism. The Tunisian bourgeoisie, like its other Arab counterparts, is terrified of the potential for instability released by the recourse to force. It has thus been in favour of an "Arab solution". Ben Ali has called for the withdrawal both of Iraqi troops from Kuwait and of the Western troops from the region. In August 1990 his denunciations of the foreign intervention made him appear in the eyes of the imperialists as a part of the "pro-Iraqi clan". But Western pressure has led Ben Ali to back off, without however coming over wholesale to a pro-imperialist position, despite supporting the application of sanctions against Iraq.

The Tunisian regime's position is also a response to internal needs. The regime has wanted to bring about a new "national unity" with the bourgeois and reformist opposition and strike a blow against the fundamentalists of Nadha, who are financially supported by Saudi Arabia. The fundamentalists, largely discredited by their contradictions, are in a serious crisis.

By relaunching his "national unity" project, Ben Ali hopes to persuade the bourgeois opposition to accept his old proposal: the replacement of 30 Destourian deputies with opposition members. The Liberals of the Movement of Democratic Socialists (MDS) along with the Progressive Socialist Assembly (RSP) have agreed to participate in the president's diplomatic mission to present a

1. The name of the party created by Habib Bourguiba, the New Destour. Destour means "constitution" in Arabic.

2. For example, the legalization of the pro-Albanian PCOT and permission for it to publish its journal.

solution to the Gulf crisis, in the process breaking off their alliances with the Party of Popular Unity and Nahda.

By associating themselves with the official position on the Gulf crisis, the opposition has helped Ben Ali gain new credibility. Thus fortified, the Destourians see no further reason to make concessions to the opposition, now that the fundamentalist danger seems to be declining. Thus the regime has been able to make a pro-Western turn and step up repression, which has reached levels unprecedented since 1987. Measures include: the banning of public opposition initiatives; reinforcement of control of the press; administrative harassment and financial pressure on journals; the verdicts in the trials of Hamma El Hammani (spokesperson of the Tunisian Communist Party) and Bechir Essid (Arab nationalist leader). Despite everything, however, the real target of this repression is the fundamentalists.

Regime attacks fundamentalists

The Nadha, made to look ridiculous by the contradictory positions adopted by its main leaders, has tried to divert the attention of public opinion in the hope of overcoming its internal divergences and winning a new audience. The regime, on its side, has taken the opportunity to strike at Nahda. This would allow the regime to put at centre stage the struggle between itself and the fundamentalists, set the terms for collaboration with the bourgeois and reformist opposition, and justify the repression. The regime has been trying to convince the opposition and public opinion that the hardening of Nahda's rhetoric is part of a "strategy for taking power", proved by the "discovery" of stocks of arms and terrorist networks.

However the repression launched against the fundamentalists at the end of December 1990 did not achieve the expected results. By demonstrating almost daily against the repression, until the outbreak of the war, Nahda won the sympathy, if not the active support of the democratic movement.

The outbreak of the war has given the situation a new twist. While there is vast popular support for the Iraqis, this has not resulted in big demonstrations. This is due to a number of factors. Firstly, the systematic police and military patrols in the capital discourage any spontaneous initiative. The Americans' triumphalism at the start of the war dumbfounded the population, while the overtly pro-Iraqi tone of the official press after the Scud attack on Israel has objectively dissuaded people from demonstrating. Furthermore all schools and universities, traditional centres of agitation, have been closed. Finally, there has been no tradition of street demonstrations since the independence struggle.

Nonetheless, the legal mobilizations

organized by humanitarian and professional associations on January 19, with 20,000 people, and by the UGTT on January 20, with 8,000 people, or those initiated by the Revolutionary Communist Organization (OCR — sympathizers of the Fourth International); the Wataad (Marxist-Leninist/nationalist) and the Arab nationalists have met with a definite sympathy among the population, who took heart after the dispatch of the Scuds, and hope to see Israel and Iran drawn into the conflict in order to make the "traitors" and "mercenaries" of Egypt and Syria pay.

Now that it is clear that the allies will not win an immediate victory, belief in an Iraqi victory is spreading among the population, the most pessimistic saying that in any case the Arabs have won a moral victory.

The population has placed itself in the Iraqi camp, and wants to take part in the conflict through giving blood and medicines and joining up to fight. There are almost daily pro-Iraqi demonstrations in the provincial towns, which are less firmly controlled than Tunis. In the south of the country, the traditionally popular Libyan leader Colonel Qadhafi has been denounced by demonstrators for his ambiguous stand on the Gulf crisis.

On the eve of the reopening of the schools and universities, the General Union of Tunisian Students (UGTE)³ organized a meeting at the Labour Exchange, not on the university campus. This first for the fundamentalists gave the government a pretext to ban a demonstration planned for January 26 by the Collective of 30 Associations⁴, as part of the international day of action against the war.

Throughout these mobilizations, the Trotskyists of the OCR have done their utmost to expand the movement, while setting out their own positions.⁵ The danger is that the population will see the conflict in exclusively military terms, with no bearing on its immediate situation. Thus the OCR is attempting to underline the social and political issues in the war, and connect these to anti-imperialist demands.⁶★

3. A fundamentalist union created in the 1980s and joined by a Maoist current, as a competitor of the historic left student union, the General Union of Tunisian Students (UGET).

4. This collective is partly the result of the meetings organized by the Association of Women Democrats since the outbreak of the war.

5. The main demands of the OCR are: withdrawal of imperialist troops; against the return of the Emir and for the annexation of Kuwait; for a regional, and national democratic front, independent of the Ba'ath and the Arab bourgeoisies.

6. The OCR is proposing a front of leftwing nationalist forces around support for Iraq in all its forms; demands against the Tunisian regime (nationalization of imperialist property, dissolution of the mixed commission; appeals for volunteers and for the Tunisian army to participate in the fighting on the Iraqi side); and the denunciation of Saudi Arabia and the fundamentalists.

Looking down the Chilean road

THE attacks by Soviet military units on targets in Lithuania and Latvia over the weekend of January 12/13 are only the most dramatic expression of a systematic attempt to restore bureaucratic law and order in the Soviet Union.

COLIN MEADE

WELL-KNOWN faces of the *perestroika* era have been disappearing from top positions — starting with the resignation of Eduard Shevardnadze as Foreign Minister last December. Among the more striking appointments is that of KGB (secret police) man Boris Pugo to head the Interior Ministry. He, along with present KGB head Vladimir Kryuchkov — who on December 11, 1990, launched a violent television attack on the pro-independence forces in the Baltic, announcing his organization's readiness to defend law and order — comprise a duo of professional hard men, disposing of immense power and resources.

Police strengthened

These powers, indeed, are growing. Several regular army divisions were transferred to interior ministry control in early December, while the KGB has gained further personnel and command of new elite troops. These special forces are now a million strong. Control of the media — which was fully mobilized to justify the attacks in the Baltic — has been tightened, with the independent press agency Interfax being shut down on January 11, just before the fighting began in Lithuania. On January 16 Gorbachev called for the media to reflect the "objective point of view of society rather than the positions of political groups."

Another area where the KGB has been in action is against the "shadow economy", backing up the February decision to withdraw large currency notes from circulation. This measure, which is being presented as a means of combating

speculation and illegally earned incomes, was explained another way by the Moscow correspondent of the *Economist* (February 2, 1991): "This reform makes no sense on its own, but may be a prelude to wider price change, because it limits the amount of savings that could fuel inflation if prices were liberalized." The same author suggest that preparing to combat popular protest against price rises may be the reason for the introduction of joint police and army patrols in major cities as of February 1.

All of this is being done in the name of upholding Soviet legality, in the face of an alleged danger of "destructive social upheaval". Certainly from the bureaucracy's point of view there is upheaval, as their powers and prerogatives are challenged more and more flagrantly by independent forces taking decisions in their own name.

This applies both to the non-Russian republics, where issues of national independence fuel defiance of Kremlin control, and in the Russian republic under Boris Yeltsin. A dramatic expression of the rotting away of key pillars of the Soviet order, and the central role of the national independence movements in this, is the widespread failure of conscripts to turn up for service.

The vanishing army

According to the Defence Ministry, only 78.8% of conscripts reported for duty in the autumn draft, the turnout being 12.5% in Lithuania, 24.5% in Estonia, 25.3% in Latvia, 10% in Georgia and 28.1% in Armenia. The army also has to deal with the material problems and blows to morale attendant on the withdrawal of many of its forces from East European countries. Enforcing the draft was among the reasons given for the steady build up of a public military presence in the Baltic States over past months.

An attempt by Moscow city council to appoint a new police chief was overturned by Pugo's interior ministry, who ordered that the directives of the new police chief should not be obeyed by rank-and-file officers. Similarly Pugo has stated that the existence in Lithuania of two police forces, one loyal to himself and the other to the elected government of Lithuania, is unacceptable.¹ Yeltsin's suggestion on January 14 that a Russian army should be formed was denounced by Gorbachev the following day as a "serious attack on the Soviet constitution".

Where does Gorbachev stand in this growing confrontation? At the most basic level, as president with "special powers" he is responsible for all that happens. It was Gorbachev who appointed Pugo, permitted the strengthening of the repressive forces and authorized Kryuchkov to call for a firm hand to defend Soviet law and order. Thus Gorbachev is not, as many Western observers would have it, being

taken prisoner by the most bloodthirsty wing of the Soviet bureaucracy against his will. Having fixed the game to the advantage of the bureaucracy, he then puts himself forward at each moment of crisis as referee — between a state armed to the teeth and the materially weak and often politically inept national and democratic oppositions.

After the recent events in Lithuania, Gorbachev offered negotiations to the pro-independence Lithuanian government, while at the same time condemning the Lithuanian leadership for "anti-constitutional" acts that made non-Lithuanians into "second-class citizens". The army assaults, carried out by elite troops under the aegis of a self-appointed National Salvation Council, are then presented by him as a spontaneous outburst of rage at this inhuman treatment.²

On the fundamentals, Gorbachev remains obdurate. In particular he is determined to see through his scheme for an all-Union referendum on the future of the Union to be held on March 17. The question in this referendum will be: "Do you consider it necessary to keep the Soviet Union united as a renewed federation of equal and sovereign republics where human rights and the freedom of any nationality will be fully guaranteed?" At the same time the result of the Lithuanians own republic-wide opinion poll on February 9, asking the question: "Do you want Lithuania to be an independent democratic republic?" has been presidentially ruled out of order.

The protagonists of repression find voice in the recently formed Soyuz (Union) group in the Soviet parliament, which groups together about 30% of the deputies. Soyuz leaders have openly called for the removal of Gorbachev — reflecting sincere hatred of the man amongst military, secret police, and Russian imperialist constituencies who have seen their sphere of action shrinking over the past years.

All power to the president

At the same time one of the main points in the Soyuz' programme is the establishment of direct presidential rule in troubled areas — a demand for more power to Gorbachev, not less.³ For the time being the hard right are content to organize provocations, and Gorbachev is not unhappy to have to step in to mediate.

While the hard right put themselves forward as defenders of Socialism, this does not sum up their economic programme. Colonel Alksnis, who has stepped into the limelight as a spokesperson for Soyuz — and who put in an appearance at a pro-Union Interfront meeting in Lithuania just after the army attack — looks forward to a repeat of the Japanese experience where "The American army and its bayonets led the country on the way to its economic rise."⁴

The idea of a firm hand directing the transition to the market is current across the board in the Soviet bureaucracy; according to Yuri Prokoviev, the head of the Communist Party in Moscow, described as a "centrist": "In this context I will cite not only Japan and South Korea, but also Chile, where the market infrastructure was rapidly created. In all these countries this was done through state investment and state policy."⁵ Thus the turn to the market will be maintained while the forces of disunion and chaos are reigned in.

Concentric circles of control

The law and order turn in the Soviet Union sent a shudder through many in the Eastern Europe. While a return of direct Soviet domination seems highly unlikely, the future for the East European countries, which, with Afghanistan and Mongolia, form an outer circle of Moscow's domain, will indeed be significantly affected by what happens in the inner circle of the non-Russian republics. The issue is not the market, but democracy.

The Kremlin wants strong states throughout the region, that will not infect its own people with radical notions about national self-determination and control from below. In this they will have the connivance — more open in Germany, more duplicitous in the US — of the Western governments, who are both alarmed by the prospect of "chaos" to their East and tempted by the dilomatic and economic opportunities that the situation in the region offers, including for pursuing competition with one another.

Furthermore the Soviet elite have become accustomed to strutting the world stage as a world power — a privilege they will not lightly surrender. From this point of view they may be hoping to be included in the post-Gulf War arrangements in the Middle East, accepted — at last! — as a responsible partner by American imperialism.

Both American imperialism and, in its lesser way, the Soviet bureaucracy are on the attack at the moment. But the tide of history is against them; and they can only stem the crumbling of the postwar order for as long as no alternative presents itself.

Whatever their ideological differences, and difference in experiences — and these are vast — the movements in the West against the American intervention in the Gulf and against the new repressive turn in the East have to look to each other to arrive at an alternative to the dying system, rather than looking to its ailing protagonists to impose one. ★

1. *International Herald Tribune*, February 5, 1991.

2. *Argumenty i Fakty*, no. 3, 1991.

3. *Argumenty i Fakty*, no. 52, 1990.

4. Quoted by Jean-Marie Chauvier in *Le Monde diplomatique*, February 1991.

5. *International Herald Tribune*, February 5, 1991.

The Soviet economy: the fight for control

"IT IS NOW OUR TURN to reject that which has not withstood the test of history.¹ They often try to frighten us that the market is exploitation, the restoration of capitalism, the rule of the shadow economy. In reality, we are talking about the transition to a civilized, cultured market, open to all honest and industrious people." (from the appeal of the Russian parliament to the population to support the "500-day Plan for the Transition to the Market)."²

"I recently read in your paper:....'Employees of the state sector are prepared to become hired workers only on condition that their wages rise significantly.'I don't know of any workers in the state sector who would be prepared to become hired slaves. And what can a 'significant' increase, say a doubling, of wages give them if prices rise 5-10 times and if mass unemployment sets in? Criminals, who have amassed capital, are becoming a class of owners and rulers of the destiny of the state." (from the letter of a worker of Kharkov region)."³

Published below is the first part of a long article dealing with the current economic situation and the workers response. The second part will appear in the next issue of *IV*.

DAVID SEPPO

IN EARLY DECEMBER 1990, a journalist at the liberal daily *Komsomol'skaya pravda* purchased a pig from a farmer and brought it to the kolkhoz (private market) to sell. The market price of meat had doubled over the last half year to 30-35 rubles a kilo⁴ (with a 33-66% rise over the past few months alone), and he wanted to understand why. He made the rounds of 16 of Moscow's 33 markets but everywhere was refused access to the counters where he would have been able to offer his meat for sale to the public.

Finally, at the Riga market, Moscow's largest, after paying a "crazy" bribe to the butcher and inspector, he was given a counter among the egg dealers. He posted a sign "Cheapest Meat at the Market" and started to sell at five times below the going price. The reaction was swift. A man purchased a very large piece of meat only to run back a few minutes later shouting that the meat was infected. When this false accusation failed to deter the other clients, our journalist was denied access to the scales, under the pretext that his meat was dirty. He then began to sell the meat unweighed, upon which four large men attempted to drag

him away. "The markets of the capital", he concluded, "where, in principle free economic laws hold sway, are today completely monopolized....The mafia structure of a single market takes in several tens of thousands of rubles a day. The whole path is thickly paved with bribes."⁵

No power to the Soviets

Some 75% of the respondents in a survey conducted in the Soviet Union in the summer of 1990 stated that their ability to influence political life had not increased over the past two years.⁶ In another survey in Moscow in the fall, 60% claimed that "power in the localities belongs not to the soviets but to the chiefs of the mafia."⁷

In the sixth year of *perestroika*, people are waking up to the realization that despite the increased freedom of speech, the competitive elections and the removal of the party apparatus from the levers of political power, they themselves remain almost as powerless as ever. People who only a year ago were fervent supporters of the schemes of the radical marketeers, now typically express fear

that the elimination of state control over the economy means that "it will fall into the hands of the mafia." The term "mafia" reflects the popular perception of a growing fusion of the bureaucracy, especially the economic administrators, with the "affairistes" of the private sector.⁸ These are the people who hold power in the economy and so also in society.

Any Soviet citizen can readily offer a list of examples drawn from personal experience to support this view. The "mafia" has lately also become a major theme of the press, liberal as well as conservative (there is no mass socialist press). As a social phenomenon its contours are illusive and fluctuating — its shadowy character is in the nature of the beast.

But the term most often refers to the principal kinds of related activity: the creation and maintenance of shortages by monopoly structures⁹ and the illicit transfer of state resources and funds into private hands. Both involve the collusion of administrators in the state sector with the "shadow" [tenevaya] economy, itself often indistinguishable from the legitimate private sector.

The mafia was not of course born under Gorbachev, as the trials at the start of *perestroika* surrounding Rashidov's reign in Kazakhstan amply showed. But with the further weakening of central control and the legalization of the private sector, the "Rashidovschina" has become much more generalized. The following are a few examples of "mafia" activity that could easily be multiplied.

Watermelons — the missing millions

In September 1990 a deputy of the Moscow Soviet travelled Astrakhan to find out why tomatoes and watermelons were arriving from the southern region in such small quantities. The local authorities showed him a pile of telegrams from administrators of Moscow's wholesale-retail produce network instructing them to

1. The author would like to thank Allen Fenichel, Andrea Levy, Dave Melnychuk and Leo Panitch for their helpful comments on an earlier draft of this article.

2. *Sovetskaya Rossiya*, October 10, 1990.

3. *Rabochaya tribuna*, September 4, 1990.

4. The average industrial wage is about 260 rubles a month.

5. *Komsomol'skaya pravda*, December 12, 1990.

6. *Trud*, July 11, 1990.

7. *Sovetskaya Rossiya*, September 30, 1990.

8. A related term, less frequently used, is "bandokratiya" (from the word "banda" — gang) which one economist has defined as "organized crime that has grown up on the basis of bureaucratism and merged with it economically, socially, and even politically." A Buzgalin: "est' li u nas ekspluatatsiya? — *Sovetskie Profsoyuzy*, no. 17-18, 1990, p. 26.

9. Many factors, of course, contribute to the shortages, but among these monopoly behaviour occupies a special place. For an analysis of the role of monopoly in the Soviet economy, see V. Bogachev, "Monopoliya v sovetskoi ekonomike," *Ekonomicheskie nauki*, no. 6, 1990, pp. 11-22.

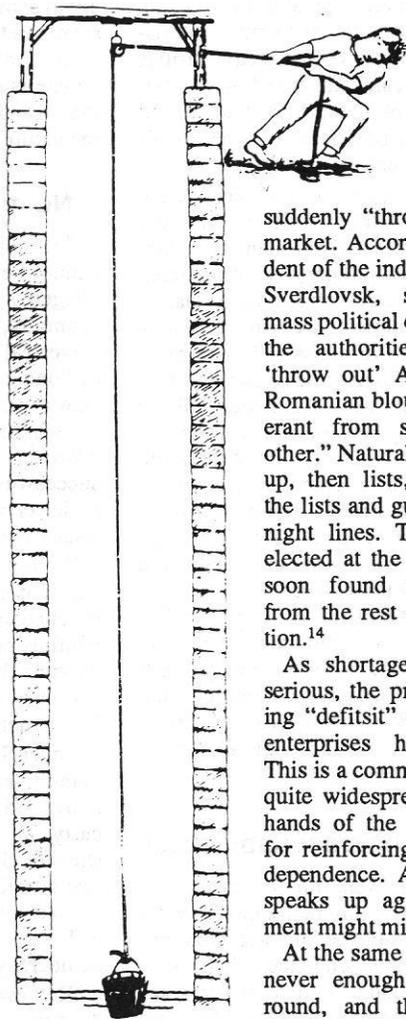
stop shipment because of an over-supply in Moscow, which, of course, did not exist. "Prices are now mostly 'by agreement'", explained the deputy. "The less goods, the higher the prices can soar. Who profits from the reduced supply of vegetables? Those who sell them. I consider that mafia links along the lines warehouse-shop-speculator are real!"¹⁰ As for dry goods, the director of a Moscow department store chain estimates that only 18% of the goods in high demand that are produced and imported actually reach the ordinary consumer.¹¹ Enormous lines stretch around state shops, while at the private markets — and sometimes only a few yards from the door of the state shop itself — one can purchase the same goods without any wait for several times the state price.

The Soviet Union has imported hundreds of millions of dollars worth of medicine over the past two years. Yet even simply aspirin has become a rare find in the pharmacies. According to the director of a Moscow pharmaceutical trading firm, most of the imported drugs are not those that are in most demand and no one consulted her about this.¹²

But someone surely made a bundle in payoffs from the exporters. Anyone with enough money can obtain needed drugs by bribing the pharmacy or warehouse manager on the black market or at Moscow's little-known but now quite legal foreign currency drug store. According to one report, the volume of illegal trade in medicine is already approaching that of the state pharmacies.¹³

Shortages act as political tranquilliser

Besides economic gain, shortages also play a useful political role for those interested in maintaining popular quiescence. People are so preoccupied with the material struggle for survival that they have little time or energy for sustained political activity (this is not, of course, to claim that the shortages are the result of a political conspiracy, though in some cases, even this hypothesis should not be dismissed. In any case, one can argue with confidence that, were it not for the political role played by the shortages, efforts to deal with them would be more intense and successful.)



And when political tensions rise dangerously, "defitsit" (a collective term for scarce goods) is

suddenly "thrown" onto the market. According to a resident of the industrial town of Sverdlovsk, soon after a mass political demonstration, the authorities "began to 'throw out' Austrian boots, Romanian blouses and deodorant from somewhere or other." Naturally lines spring up, then lists, guardians of the lists and guardians of the night lines. The committee elected at the demonstration soon found itself isolated from the rest of the population.¹⁴

As shortages grow more serious, the practice of selling "defitsit" directly in the enterprises has expanded. This is a commonly used and quite widespread tool in the hands of the administration for reinforcing the workers' dependence. A worker who speaks up against management might miss out.

At the same time, there are never enough goods to go round, and the squabbling over who is to receive what can seriously undermine solidarity within the collective.

This practice also has a deeply corrupting influence on workers, since the goods that are sold are often not scarce basic consumer goods but items such as cars, electronic equipment, video cassettes and French perfumes, which the workers then resell at a large profit. Management is, of course, perfectly aware of this.

Shortages also serve as a political football for conservatives and liberals who want to discredit each other. With the potato crop rotting in the fields, party officials accused the "democrats" elected to the soviets in the spring of 1990 of doing nothing to mobilize their constituents for the harvest (this used to be the role of the party apparatus until it was stripped of its administrative functions in the economy). The liberal press, in its turn, blamed the

conservatives for sowing panic in order to discredit the "democrats". These latter pointed their finger at the central economic apparatus for failing to take measures in time, when the problem was foreseeable even a year ago. Indeed, the first reaction of Gavril Popov, Moscow's liberal mayor, was to refuse to mobilize his constituents, suggesting instead that the incompetent ministerial apparatus be sent to the fields.

Leonid Sukhov, a taxi driver from Khar'kov and member of the USSR parliament expressed a widespread view when he suggested that "someone" is consciously creating a desperate situation with the aim of preparing the workers psychologically to accept any reform, including the market.¹⁵ The "democrats" argue that they lack real power to change the situation. And while there is much truth to this claim, they have done little to mobilize the population in order to change the correlation of forces.

Mafia — vanguard of capitalist civilization

There is a general reluctance on the part of the liberals, stemming from their ideological orientation, as well from more concrete political considerations, to apply "administrative methods" — the only ones that could be effective against monopoly — to rein in the mafia. For, as the Russian-born American economist Vasily Lomontieff has argued, today's mafia is tomorrow's class of "civilized" capitalists.

Direct robbery of the consumer is only one source of "mafia" profits. Parallel to this, and sometimes overlapping, is theft from the state. Workers tell of the "pocket" cooperatives¹⁶ and joint ventures set up by enterprise management for the illicit sale abroad or to the private sector of raw materials and semi-manufactured goods. In a typical case, the director of the state research and manufacturing association Gidrolizprom authorized the creation of the cooperative Khimtekhnika and transferred to it — free of charge — the association's large store of defective titanium hydrolysis apparatuses.

Khimtekhnika traded these for from six to nine million rubles worth of computers and video players, of which Gidrolizprom had none. After several narrow escapes from the economic police and tax inspectors, Khimtekhnika's directors transferred these assets to a joint Soviet-Swiss venture, Intercomplex, created specially for that purpose (joint ventures enjoy a two-year tax holiday).

10. *Kuranty* (Moscow), October 4, 1990.

11. *Rabochaya tribuna*, October 9, 1990.

12. *Vechernaya Moskva*, September 27, 1990.

13. "Apteka gde est' vse", *Nedelya*, no. 41, October 8, 1990, p.5.

14. G. German, "Ochered", *Rabochii vestnik* (Perm'), no. 5, May 1990, p.3.

15. Central Soviet television, September 21, 1990. At the same session, Sukhov also called on the leadership to be honest enough to admit that the better life they are proposing is one that will take place under capital-

ism. In that case, he suggested, the Communist Party's name should be changed to the Capitalist Party.

16. Soviet cooperatives are often ordinary private enterprises that employ hired labour. Asked in September 1990 what would happen if the state legalized private property, Artem Tarasov, vice-president of the Union of Cooperators, answered: "Nothing. We would simply get rid of the camouflage and call things by their names...[My cooperative would become] a company with private capital." *Rabochaya tribuna*, September 4, 1990.

Since then, the Gidrolizprom association has been disbanded. Its former institutes and factory, now independent, face large debts and bleak futures. Not so the former director of Gidrolizprom, who now stands at the helm of Intercomplex.¹⁷

Sub-contracting work to cooperatives is a common way of turning non-cash credits into cash. In the Soviet economy monetary exchanges between state enterprises take the form of bookkeeping transactions between the State Bank accounts of the different enterprises. In such exchanges, no cash changes hands.

Big profits in computer imports

On the other hand, in transactions between state enterprises and cooperatives, which are non-state enterprises, cash is paid out of these accounts, allowing state managers to receive kickbacks or salaries as members or employees of the cooperative. There are also fortunes to be made in foreign dealings. Most of Moscow's joint venture construction companies are too busy importing and selling computers to put up any buildings. And why should they, when their profits can reach 4000%?¹⁸

As a minister in the Latvian government put it, "cooperatives and joint enterprises are often oriented not towards the production of consumer goods but towards their redistribution. From the state's pockets into their own. If we are to call things by their name, they are involved in speculation on a very large scale."¹⁹ Under Brezhnev, a "gift" of jeans or whisky helped to seal foreign export deals to the Soviet Union. Under *perestroika*, when foreign currency dealings have been decentralized, large cash sums of foreign currency have become the norm.²⁰

Mention must also be made of the party apparatus, many of whose former and current members are using their connections and illegally accumulated wealth to go into business. In Leningrad, for example, the once mighty regional party apparatus has been reduced to 37 people. But they keep busy renting out offices to cooperatives, private banks and foreign companies in the Smolny Institute, a historic landmark and prime piece of real estate that rightfully belongs to the people. They have also turned one of the committee's hotels into a joint venture.²¹

But it is not only members and former members of the bureaucratic clans who are involved in these activities. A scandal broke out in the Moscow Soviet when a deputies' club by the name of Stolitsa (capital) tried to oust the local temperance society from its premises on Chekhov St. It was discovered that this club's goals are "production and commercial activities." Further inquiry revealed that its founders work in the Soviets' Commission on Economic Policy and Entrepreneurship. *Komsomol'skaya pravda* remarked: "The

example of Stolitsa, unfortunately, is not unique, but is even typical of the existing structure of society: different commissions of local soviets often create various commercial organizations and pay part of their profits, not to the local budget, but directly to their founders. And the founders, of course, repay the kindness."²²

In December 1990, 35 members of the Oktyabr'skii District Soviet in Moscow publicly accused its chairman, Ilya Zaslavskii, a liberal luminary, of "organizing monopoly structures, as similar to classic "shadow" formations as two peas in a pod.... Judge for yourselves: the chairman of the District Soviet, the chairman of its executive committee, and almost all his deputies, having become heads of the district's political structures, are at the same time directors of cooperatives, commercial banks and firms. [There follows a long list of these firms.] Exceptionally favourable conditions are created for the activity of all these firms, and tens of thousands of rubles are being pumped at an intensive rate into their financial accounts from the basic budgetary funds of the district executive committee, that is, they are openly robbing you and me of funds intended for the socio-economic development of the district."

Vegetable harvest sabotaged

The deputies went on to accuse the executive, busy with realizing Zaslavskii's conception of the "market economy and financial independence of the district" of sabotaging the district's vegetable harvests campaign. The housing programme, they argued, was also failing: while the executive was selling state apartments primarily to occupants who openly stated their intention of leaving the country and reselling the apartments for foreign currency or renting them out to foreign companies, 60,000 people in the district still lived in communal apartments.²³

These developments — the "transition to the market" as the uncontrolled sway of monopoly formations and the illicit transfer of public wealth into private hands, popularly termed the "mafia-ization" of the economy, do not come as a surprise to Soviet Marxists, who are the only ones even to attempt a serious analysis of the underlying causes of the "com-

mand" system's failure.²⁴ They have always insisted that the basic issue in economic reform is power, that is a social issue, and that the market-versus-plan debate is about mechanisms of regulation that in and of themselves do not determine the nature of a social system.

No more "one big factory"

The failure of the "command" system cannot be explained by simply citing the allegedly "utopian nature of a planned economy," though the Marxists themselves call for a revision of the old model of "one big factory", including a significant expansion of the role of market relations in the Soviet economy. But this task, however important, cannot be resolved successfully in the interests of the great majority without directly confronting the issue of power.

For the Marxists, the underlying social cause of the crisis of the old system is the absence of control over the economy's administrators, who after the revolution usurped the power of the economy's official owner, the people, without becoming full owners themselves.

Under Stalin, at the origins of the "command" economy, some control from above did exist. A manager who failed to carry out assigned tasks knew that he or she would be sanctioned, often in a drastic manner. Khrushchev eliminated the terror but did not replace it with democratic control from below. He merely played with democracy.

But even his timid reforms provoked the opposition of the bureaucracy that was able to find allies in the majority of the political leadership. Brezhnev thus came to power as the candidate of the bureaucracy. What Soviets today call "the period of stagnation" was probably the purest expression of the rule of the bureaucracy increasingly free of outside political control. During this period administrators, especially at the top and middle levels, did not need particularly to fear punishment for failing to carry out official duties. Real sanctions were reserved for those who violated the informal rules, the *esprit de corps*, of the bureaucratic caste mired in corruption.

From this point of view, Gorbachev, though himself a reformer, has favoured the process that he inherited from Brezh-

17. T. Bogacheva, "Rasgosudarstvennoye — ne razgrabennoye." *Pravitel'stvennyi vestnik*, no. 50, December 1990, p.6.

18. Such is the finding of a Moscow research institute. Personal communication by M. Malyutin, director of the sociological service of the Moscow Soviet.

19. I. Litvinova, "Zaslou spekulyatsii", *Nedelya*, no. 42, October 15, 1990, p.4.

20. Private communications from German and Italian businessmen.

21. From Leningrad TV, November 5, 1990. Smolny, once a school for girls of the nobility, was seized by the Bolshevik and other revolutionary organizations in 1917.

22. *Komsomol'skaya pravda*, October 3, 1990.

23. *Rabochaya tribuna*, December 9, 1990.

24. Non-Russian readers will find Soviet analyses that share this basic framework in D. Mandel (ed): *La perestroika: économie et société*, Québec: Presses de l'Université du Québec, 1990 (articles by V. Bogachev, V. Dementev, Yu. Sukhotin) as well as in the review *Alternatives* (Montréal and Moscow) No. 1, forthcoming, spring 1991 (articles by V. Buzgalin, B. Kagarlitskii, A. Kolganov, Yu. Sukhotin, G. Rakitskaya, B. Rakitskii). For an attempt to briefly summarize the position common to many of the Soviet socialists see D. Mandel, "A market without thorns: the ideological struggle for the Soviet working class", *Studies in Political Economy*, Ottawa, no. 38, autumn 1990, pp. 30-36.

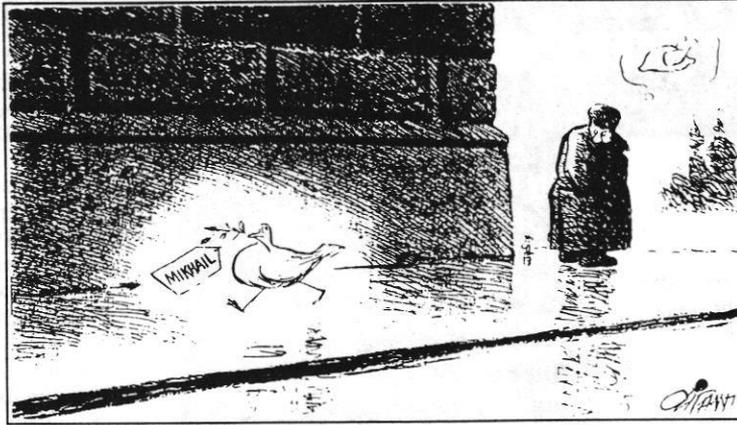
nev: today the centre has become almost as powerless as the people themselves against the economic bureaucracy, which is free to exploit its monopoly positions in perfectly predictable ways; restricting the volume of goods put on the market, cutting quality and raising prices. This is the inevitable consequence of an attempted "revolution from above" which has entrusted the economic reform to the bureaucracy itself. Its aim is to preserve the power and privilege of at least a part of the bureaucracy by transforming the mode of domination and exploitation. This requires bringing new elements into the ruling class and sacrificing some of the old.

The developments in the Soviet economy described above are forcing the liberals to come to terms with the unpleasant reality. Their standard argument that the deepening economic crisis and the "debauch of the mafia" are due to the absence of a "real" reform has lost much of its force, since ordinary citizens have already experienced enough of the market to form a quite clear picture of what a "real" transition to the market holds in store for them.

In the words of the USSR Minister of Finance: "One can argue whether we are prepared or not for the transition to the market, if competition has been established among producers or if that still remains a very distant goal, but the reality is such that the market is already imperiously intruding into our lives. Over 60% of prices are not under control of the state. That means that they are rising, and very significantly.... Monopolism in industry, agriculture and transport has very strong positions."²⁵ This is quite an admission in view of the fact that there has been no official price reform. In the spring of 1990, Gorbachev solemnly promised that there would be no price reform without first consulting the population, itself overwhelmingly opposed to price rises.

Lumpen-bourgeois ethic

Liberal sociologist Leonid Razikhovskii argues that the Soviet economy is dominated by a "lumpen-bourgeois" ethic: the desire to increase one's own property at the expense of state property, which is "no one's property." This has yielded "a unique, historically unprecedented monster — a completely mafia-ized economy." All this, he attributes, of course, to the socialist revolution itself. But he is not far from the Marxists' analysis when he describes *perestroika* as "the privatization of the bureaucratic-mafia structure: the



ministry becomes a monopolist concern and the city trade administration — an association of private shops." Nevertheless, he warns that it would be silly to believe that anything is possible, since the "mafia-nomenklatura" is where the power is.

Ethics by the millimeter

And so, however distasteful, one must hold the course since "only in conditions of open private property will it be possible to begin, drop by drop, to crush monopoly and the mafia,... millimeter by millimeter to restore the common human ethic²⁶ and to get rid of the lumpen bourgeoisie."²⁷ In essence, Radzhikovskii is proposing to hold one's nose and support the revolution from above. He does not even mention the possibility of a popular revolution as an alternative. For the wresting of power from the "mafia-nomenklatura" by the people itself might jeopardize his goal of a capitalist restoration.

Leningrad's social democrats, advocates of a "mixed" (but predominantly capitalist) economy, have also recently come to the realization that "privatization will mean the transfer of property into the hands of the directors; and the introduction of a market economy — their freedom from any limitation whatsoever." The following are only the most striking of the developments along these lines in their city:

"The 26 largest enterprises, having formed the 'Association of Industrial Enterprises' have now founded the bank 'Rossiya', in which they are investing millions of rubles. They have also creat-

ed the firm 'Nevskaya perspektiva', through which they will buy up...the consumer goods and food industry of the city along with the trade network — all this, naturally, to help the citizens and Leningrad Soviet. At the conclusion of these operations, the city will still be run by the same old administrative structure, only its elements will enjoy new opportunities, which hitherto were considered criminal."²⁸

While this in itself is worrying to the social democrats, who want a "normal"

Western-style economy for the Soviet Union, they clearly fear even more that "political instability" and "social unrest" will result. "People in the factories will not wait for long when they discover that society is being ruled by the same actors, leading the same kind of life, along with all their relatives and friends and with a part of the most amenable democrats, the only difference being that they will have exchanged their black Volgas for black Mercedes."

The Leningrad social democrats are fervent partisans of what they call the "parliamentary path". "There are two alternatives: try to use the extreme instability of the situation to destroy the remaining structures and on the wave of mass actions hope to become political leaders "expressing the interests of the people"; or try to prevent the social explosion by any methods available, preserving the parliamentary path of development of events. The Bolsheviks of 1917 were the most consistent partisans of the first option.... We know the consequences of trying to make a social revolution."

Inevitable move to Mercedes

Consequently the social democrats see the bureaucrats' move from Volgas to Mercedes as virtually inevitable. All they can think to propose is to invite Western capitalists in the hope that they will introduce a "civilizing" element into Soviet business. Another proposal is for the Leningrad Soviet itself to go into business, as a counterweight to the mafia. But, they sadly note, in that case there would be no guarantee against the Soviet itself becoming "mafia-ized".²⁹ ★

25. *Trud*, December 30, 1990.

26. Soviet liberals oppose "common human values" that supposedly predominate in "normal" (capitalist) societies to the "class values" which allegedly inspired Stalinism.

This has prompted one Leningrad socialist to quip that the "common human values" of the liberals must surely be dollars.

27. L. Radzhikovskii, "Kapitalizm v otdel'no vzyatoi kvartire", *Nedelya*, no. 48, November 25, 1990, p. 7.

28. V. Dudchenko and A. Karpov "O vozmozhnykh posledsviyakh naibolee ochevidnogo i pryamogo puti

k privatizatsii", September 2, 1990 (unpublished document). The authors are leaders of the Leningrad social democrats. Karpov is a delegate to the Leningrad soviet and a member of its economic reform commission.

29. O. Savel'ev, "Politicheskaya situatsiya v Leningrade," August 25, 1990 (unpublished document); O. Savel'ev, "Obsluzhivanie demokratii," *Informatsionnyi byulleten' Sotsial-demokraticheskoi assotsiatsii* (Leningrad), no. 24, September 1990. This account is also partly based on conversations with social democratic leaders.

Neither forgotten nor pardoned!

THE pardon is the logical outcome of the policy followed by the first constitutional president, the Radical Raul Alfonsín, of giving way to the armed forces' threats. In 1983, after the defeat in the Malvinas War, the Argentine army surrendered government and elections took place.

As soon as he had been elected, Alfonsín disposed of all the means necessary to take vigorous measures against the military culprits — in this he could count on considerable popular support. But he chose to take another path, protecting the armed forces, in the knowledge that he might need them to keep order. He set up a commission of inquiry into the dictatorship's crimes, which had no judicial power.

With the publication in 1985 of the Commission's report, *Never Again*, which revealed the extent of the murders and methods employed by the generals, the Argentine judges sentenced some of those responsible for these crimes. The army began to react, through rebellions and uprisings. There was a sharp and immediate popular reaction to the horrible revelations. This made it necessary to punish the Junta's members.

Argentines discovered not only how many had disappeared but the methods used; absence of trials; use of atrocious tortures; the seizure and adoption by military and police families of the children of those disappeared; the destruction of property belonging to imprisoned persons; ransom demands; financial blackmail and so on. These were all part of a conscious plan, implemented by the Junta itself, using the infrastructure of the army and police.

Few criminals punished

Despite the ample evidence, the Argentine courts only dealt with a tiny proportion of the crimes and the people who were involved. The head of the Junta, General Jorge Videla, sentenced to life imprisonment, was found guilty of 66 premeditated murders, 306 violent arbitrary detentions, and 93 cases of torture of which four resulted in death. Admiral Massera, commander-in-chief of the Navy, was also sentenced to life imprisonment for 69 arbitrary detentions, 12 cases of torture and seven robberies.

General Camps (police chief in Buenos Aires province) and General Ricchieri got 25 and 143 years in prison respectively. Brigadier Agosti, commander-in-chief of the air force, was sentenced to four years and seven months in prison for eight cases of torture and three robberies.

ON DECEMBER 30, 1990, — not long after a new attempted military coup — Argentine president Carlos Saul Menem pardoned the heads of the military junta who had been found guilty of responsibility for the repression which resulted in the "disappearance" of 30,000 people between 1976 and 1982.

LUIS ALONSO

General Viola, who replaced Videla as head of the junta in 1980 was sentenced to 17 years in prison accused of 86 illicit detentions, and 11 cases of torture and robbery. Admiral Lambruschini, chief of police, got eight years in jail for illegally imprisoning 35 people and torturing 10 others. Finally, General Suarez Mason, the military official for Cordoba region, was tried for 39 murders, but he fled to the US, from whence he was not extradited until 1987, when he benefited from a presidential pardon.

At the end of 1986, on the initiative of the Radical government, parliament adopted a "full stop law", which meant that any police or military officer not yet put on trial by then would not be. A short while after, the law on "obeying orders" stated that no military officer could be found guilty if he carried out torture or

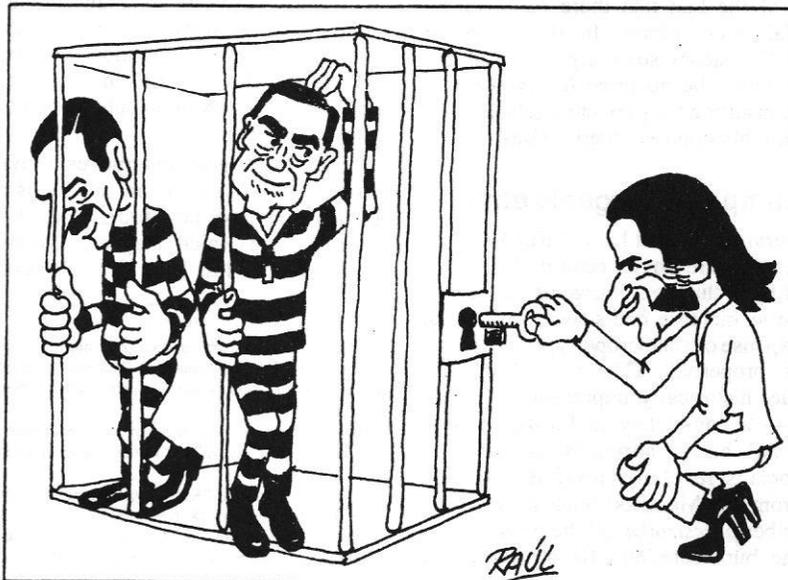
murder on the orders of superiors. A number of officers awaiting trial were thus released. In 1989, a little after assuming office, Menem decreed an amnesty for all the military who had been found guilty with the exception of the generals and high-ranking officers — who have themselves now been set free. Over past months, the forthcoming pardon has been prepared for on the grounds that this measure is inevitable to ensure progress towards "national reconciliation".

Cynicism of Menem

Menem's cynicism is shown by the fact that included in this pardon is the former leader of the *montoneros* [left-Peronist] guerillas, Mario Roberto Firmenich, establishing a parallel between this popular militant — whatever his political mistakes — and the torturers who led the country. According to polls, some 70% of the population were hostile to Menem's decision. On December 31, 1990, 100,000 people demonstrated their anger on the Plazo de Mayo where, each Thursday since 1976, the mothers of the disappeared have assembled.

Argentines are worn out by the economic crisis. Added to this is the disillusionment provoked by the ultra-liberal policies pursued by a Peronist government, elected with the votes of the working class.

The pressure from the generals will aggravate the situation. When he left his gilded prison, Videla immediately called for the moral rehabilitation of the army and the recognition of its struggle against "subversion". The pardon for the generals is a new victory for the military over Argentine civil society. ★



Guatemala; elections under military eyes

WITH the strong support of the Christian Democracy, Jorge Serrano Elias, candidate for the Solidarity Action Movement (MAS), won the January 1991 presidential election with a massive 68% of the vote, defeating Jorge Carpio of the National Union of the Centre (UCN). The elections were marked by a high abstention rate (44% in the first round and 50% in the second) and violence; nonetheless Serrano is a charismatic figure with widespread support, including that of the United States. Even so, his ability to resolve Guatemala's crisis is minimal. It will be continue to be the military who decide, even if they decide on change.

RENALDO TUCCI

THIS was the second election for a civilian president in Guatemala, the first being that of the Christian Democrat Vinicio Cerezo in 1985. As before, these elections, which took place between November 11, 1990 and January 6, 1991, were the occasion for a rise in violence and the settling of accounts by the different political formations.

Before the first round, attention was focussed on the candidacy of the former dictator Rios Montt¹. The latter, a member of the Church of the Word (one of the numerous fundamentalist sects in Guatemala, which propagates a resigned fatalism), put himself forward as the man of law and order. According to some analysts, this was attractive to many Guatemalans who consider that a strongman is needed to get the country out of its dead-end.

Since the constitution forbids former heads of state from becoming president, Rios Montt took on a galaxy of lawyers to use every possible legal trick to get on the ballot. At the same time he struck populist notes. And, even if attendance at his meetings was less impressive than he had predicted, there is no doubt that he drew on a sentiment that really existed.

However, after months of prevarication, the Constitutional Court ruled his candidacy out of order at the last moment — after allowing Rios Montt to dominate the electoral process for all this time.

After the first round, there were three candidates remaining.

The first was Jorge Carpio of the National Union of the Centre (UCN), a right-wing rival to the Christian Democrats, who came second in the 1985 elections. He was supported by the diplomats, some top army officers and bosses.

The second was Jorge Serrano, repre-

senting the Solidarity Action Movement (MAS), another rightwing outfit, supported by Thatcher's International Democratic Union and the US Republicans. His success was no surprise. A charismatic figure, he was able to draw on the credit accruing from his role in the National Dialogue (see below). He was, furthermore, marked out from the other candidates by his calm demeanor during the campaign and his good showing during a television debate. Also working in his favour was his membership in a fundamentalist sect, given that Montt was out of the race.

Ruling party comes last

Finally there was Alfonso Cabrera, the Christian Democrat candidate, who, despite the disastrous balance sheet of Cerezo's reign, and his hospitalization during the voting, came in third. It seems that the ruling party benefited from the impact of its municipal achievements in the interior of the country, above all in the west.

During the first round, there was a 44% abstention rate. The organized popular movement — the associations of parents of the disappeared, workers and peasants' unions, humanitarian and human rights organizations and so on — remained hesitant about the poll. While some observers emphasize the positive fact that, for the second time, democratic elections have taken place in Guatemala, there is another side of the coin. Since 1988 violence has been on the increase and prevents the opposition from playing any part in the country's political life. Thus, the president of the moderate left Revolutionary Democratic Union (URD), Humberto Gonzalez Gamarra, was assassinated a month before the first

round.

In fact the key developments in Guatemala have not been the elections, but the progress of the National Dialogue.

The National Dialogue was to have got underway after the Esquipulas Accords signed by the five Central American presidents in August 1987. The application of the Accords in Guatemala ran up against enormous problems. The government dragged its feet, while the "technical" coups of May 1988 and May 1989 were not inducements to peaceful and open dialogue². However, 1990 saw a series of meetings between the Guatemalan National Revolutionary Union (URNG — bringing together the political and military opposition organizations) and various negotiators from the institutions.

The first meeting between the National Reconciliation Commission — the institution charged with supervising the National dialogue — and the URNG took place in Oslo from March 27 to 29, 1990. It set out the time-table of meetings between this latter and all representative sectors. It was to culminate in high level negotiations between the army and the guerillas. The final statement in Oslo underlines the need to achieve a lasting peace by negotiation, as envisaged in the Esquipulas accords, and the establishment of an inclusive democracy.

Far right participates in talks

The second meeting in El Escorial in Spain from May 28 to 30, 1990, brought together the URNG and the political parties. Even the far right National Liberation Movement (MLN), which is radically opposed to any discussions with the URNG and has links with the death squads, took part.

According to some sources, the far right agreed to meet the guerillas in order to divide them. In any case this process, aimed at reaching a minimum consensus for the peaceful resolution of internal problems by political means, has provoked intense debate on all sides. There are probably also differing shades of opinion inside the URNG. Some are in favour of this development, others have reservations and others, finally, consider that the main thing remains to build up their military strength.

The other reason for the parties' participation in these discussions was, of course, the approach of the presidential election. At such a moment it was not politic to appear too bellicose and hostile to any political dialogue. At El Escorial, the political parties restated the need for the disarmament of the guerillas and a real

1. Rios Montt took power in a coup in March 1982. He bears the main responsibility for the genocide of the Indian populations in 1982/83.

2. So-called because it appears as if the objective of these coup attempts was not to take power, but to cause destabilization and reduce the space for democratic activity.

amnesty for the militants. For its part, the URNG announced its decision to suspend strategic and economic sabotage during the election campaign, while repeating that it would only lay down its arms after a series of constitutional reforms.

The main reform would be the election of a National Constituent Assembly which would redefine the economic role of the state, the place of the army in society and so on. A constituent assembly elected by universal suffrage would proceed to constitutional reforms, which would then be submitted to referendum.

According to the URNG, it is impossible to make substantive changes in Guatemala without calling into question the structures which lie at the root of the social instability. This perspective includes immediate and concrete demands: inquiries on genocide and repression; bringing those responsible for human rights' violations to justice; demilitarization; abrogation of the self-amnestying decrees enacted by the Mejia Victores government; abolition of the Civilian Action Patrols (PACs — paramilitary militia used by the army), "model villages" and "poles of development".

Third meeting held in Canada

The third meeting, in the Canadian capital Ottawa, from August 30 to September 1, 1990, brought together the URNG and the Coordinating Committee of the agricultural, commercial, industrial and financial associations (CACIF) and other bosses' organizations. While the URNG recognized the CACIF as a full negotiating partner, the debate between the representatives of the interests of the bosses and of the big landowners, and the politico-military organizations, was difficult. While coming out in favour of the social and political integration of the URNG, the CACIF called for it first to be legalized — with the hope that once legalized and integrated into the traditional political panorama, the guerilla movement would become a political party like any other.

The URNG reiterated its belief that the economic structures were out of date and declared that any development or democratization was inconceivable without social justice, including improvements in wages, a redefinition of land holding, development of non-traditional exports and agricultural production, the importance of an educated and trained workforce. It also appealed to the CACIF to look at the problem of production from the point of view of jobs; if one adds together the unemployed, the semi-

employed and those with marginal jobs, you have 45% of the Guatemalan population.

Then in Quito (Ecuador) between September 24 and 26, 1990, the URNG met the religious organizations — Catholics, Anglicans, Protestants and Evangelicals. Their support for future constitutional and institutional reforms is an important factor, since their weight will be essential for any solution to the crisis. And in fact, the Catholic church was instrumental in getting the application of the Esquipulas Accords off the ground in Guatemala.

The final meeting took place October 23/25, 1990 in Ometepe in Mexico. Here, the URNG discussed with the popular organizations. These latter insisted on the resolution of the internal conflict and the establishment of a lasting peace by peaceful, political means. Underlining the importance of the existence of democratic parties and the holding of free elections, they nonetheless noted the need to consider a line of social development that would permit the population to express itself.



Through this series of meetings, the idea of a consensus between the different sectors of society for a political solution to the crisis took on form. After nearly thirty years of a war from which everyone has suffered, the conflict is felt by the majority to be a dead-end.

The political and social polarization is expressed in daily life by the official repression and human rights' violations. Today, some sectors that had previously resisted the Esquipulas accords, such as the bosses, want them to be implemented. Beyond the impact of its economic sabotage, the URNG remains a political force that cannot be ignored, whether owing to its military actions, which the army cannot stop, or as a force that puts forward proposals for a definitive settlement.

According to the Oslo accords, the next meeting is to bring together the government, the army and the URNG. For some time, the army has been multiplying declarations that it is not a political actor but

simply the armed force of the Guatemalan state, and, thus, it does not belong at such meetings, it being up to the government to deal with such matters.

The National Dialogue is developing slowly since the government continues to drag its feet and representatives of popular and social organizations continue to go in fear of assassination.

The stage manager of the transition from the program of "national security" to "national stability", defence minister general Hector Gramajo, has retired. The appointment of Juan Leonel Bolaños as his successor shows that the high command's aim remains that of institutionalizing the army. What this means was explained at a conference of the Guatemalan army chiefs in August 1987, that is, that one cannot conceive of a resolution of the Guatemalan crisis without having the means to resolve the problem of underdevelopment. This means that the regime has to pay attention to social, economic, ethnic and political factors in the conflict.

In reality, however, the army has continued to enforce its coercive role, militarizing the countryside, and displacing, marshalling and repressing the rural population.

The so-called hard line is the work of the officers on the ground, who criticize the incompetence and corruption of the generals in the capital. For these ultras, the only possible solution is a military solution and they are opposed to any dialogue. It is they who have been behind the various coup attempts. After recent developments in the National Dialogue these "dirty war" forces are more than ever convinced that a coup is the only solution.

But do they have the means for it? Where would they get their support? Would the major-

ity of landowners and enterprise heads be in favour of such a move? This is not at all evident, since a coup would only increase the political chaos, which in its turn implies capital flight and less investment.

Social mobilizations face numerous obstacles at present. This is shown by the course of the two most important conflicts in recent times.

The teachers' strike in summer 1989 lasted two months and involved 40,000 people. Organized outside the main teaching union, the struggle was very militant — besides demonstrations and school occupations, the strikers also occupied embassies, official Guatemalan and international buildings, and the border posts on the Mexican frontier and so on.

Limits to repression removed

Very violent repression followed, but was resisted, while the leaders went on hunger strike outside the presidential pal-

ace. Finally the government declared the strike illegal. Thus every striker could be sacked and exposed to the attentions of the death squads — all limits to the repression were removed. Assassinations of teacher militants continue.

This movement came up against both the official repression and difficulties in finding support in other sections of society. On the one hand the strike put forward demands that went beyond what many strikers wanted; on the other the strike was perceived as a narrow corporatist movement, without significance for the rest of society.

The second example is the strikes organized by the Committee for Peasant Unity (CUC) in the banana, cotton, coffee and sugar cane plantations on the south coast. The agricultural workers are Indians who come down for the harvest with their families from the Altiplano. Their working conditions are appalling. They are housed in barracks without sanitation, and some — mostly children, who start work at five years of age — die owing to the change in climate and the working conditions. Finally, overseers supervise the work, as well as the weighing (usually fraudulent) of what has been picked and the payment of wages (often less than promised).

The CUC launched strikes in 1989 and 1990 at harvest time (September to March with a high point in December, January and February). On each occasion they brought out at least 50,000 workers. In the negotiations forced on the National Union of Agro-exporters (UNAGRO) the main demands concerned working conditions and a minimum wage. UNAGRO played for time, postponing the meetings, whilst the bosses' thugs and the army intervened against the strikers. These latter found themselves in an impossible economic situation, without resources. These examples are eloquent for two reasons. Firstly, despite the repression, there have been changes afoot in the Guatemalan social movement over the past ten years. Confidence in the civilian regime has been shaken by the growing repression. All the recent conflicts turn around false promises and then intransigence on the part of the government and bosses, before confronting the forces of law and order.

The second thing to note is that the popular movements lack means. Take for example the National Coordination of Guatemalan Widows. Its militants have lost their husbands during the period of massive repression; they sometimes have eight or so children — some gathered in discreetly after the disappearance or murder of both their parents. In these conditions daily survival absorbs much of people's energies. Mobilization is most difficult in the towns. The formation of the Trade Union and Popular Action Union (UASP) in 1988 allowed the united expression of the majority of popular associations and organizations.

However, rather than putting forward

unifying demands, it tends to simply promote the sum total of sectoral demands, putting one or another up front at a given moment.

Oddly, it is in the country areas patrolled by the army that the most developed popular organizations can be found. This is the case with the Committee for Peasant Unity (CUC), a clandestine peasant and Indian organization created by religious activists in 1976 and a member of the UASP.

The special aim of this organization of agricultural workers is to promote unity between the disadvantaged Indians and the poor *ladinos* (mixed race). In a country where some 60% of the population are Indians, the CUC has little by little overcome the effects of the genocide of 1978-83. It now has a significant capacity for mobilization and propaganda and can hope to make further steps forward with the Latin American campaign to celebrate "500 years of Indian and popular resistance."

There are signs of increased activity elsewhere including: The National Council of Displaced Guatemalans (CONDEG), which brings together families and communities who fled the repression (some one million of the country's nine million inhabitants are internal refugees); the Runujel Junam Council of Ethnic Communities (CERJ), which resists enrolment in the PAC militia in the Santa Cruz de Quiché region; or the CONAVIGUA, organized by peasant Indian widows.

Violence growing continually

Since 1988 violence and human rights violations have been growing continually, in particular the violence of the state in the countryside. Apart from the day to day violence, the army regularly bombs the north of the Quiché, where the Communities of Resisting Populations (CPR) have taken refuge. Eight years ago these communities fled their villages to seek refuge in the mountains, mainly in the Ixcán, near to the Mexican border.

These 25,000 civilians, who have suffered the army's attacks — as well as hunger and disease — for eight years have always refused to arm themselves. These are clandestine communities, orga-



nized in a very unusual way — a village can disappear in ten minutes, while maize fields are sown in the forests. Supported by the Church, on September 13, 1990 the CPR officially requested to be recognized and reinserted in civil society.

Meanwhile the army continues its bombardments. Then there are the death squads — a non-institutional form of violence. These far-right paramilitary groups target militants or leaders of such groups as the parents of the disappeared, peasant organizations and trade unions.

Someone is lifted by "unknown armed persons", disappears and then their body is found on the roadside. Several people can disappear at once, while offices of popular associations and organizations are destroyed by grenades or dynamite.

The scope of the ensemble of official and para-official violence has been widening. Now specialists studying aspects of Guatemalan society can be victims, such as the Guatemalan anthropologist, Mima Mac, an official with an organization concerned with the fate of internal refugees. She was assassinated in September 1990. Foreigners have been killed. In January 1990, on a mission for the Socialist International, the Salvadoran social democrat, Hector Oqueli Colindres, was lifted in the capital in broad daylight.

In August the US citizen Michael Vernon Devin was killed. The US has demanded an inquiry into these three cases and voiced its doubts on the capacity of the Guatemalan government to put a stop to human rights violations.

As Nineth Garcia de Montenegro, president of the Group of Parents of the Disappeared remarked: when a US citizen falls victim to a death squad, the Guatemalan government holds an inquiry, but this is not the case for the two or three Guatemalans assassinated each day. ★

The new world economic order

THE following article, drawing together data on the latest stage of world capitalist development, has been shortened for space reasons. It first appeared in the February/March 1990 edition of the British socialist review *Socialist Action*.

PETER DREW

It is almost impossible to describe adequately the scale of imperialism's economic offensive, and its consequences, launched since the 1970s — in particular since the adoption of 'Reaganism' in the United States, so extensive is the scope of that assault and so carefully is it screened from the consciousness of the population of the imperialist countries. A small corner of the veil was lifted for a wider audience by Susan George's excellent "A Fate Worse Than Debt" but this presented only a tiny fraction of what is really taking place. What we attempt here is to present a systematic picture of the latest stage in capitalist development.

Taking the different sectors of the world capitalist economy in turn the chief feature of the development over the last three decades is the progressive slowing down of the growth of GDP per capita. The annual average growth of GDP per capita for the world capitalist economy declined from 2.6% in 1960-70, to 1.6% in 1970-80, to 1.3% in 1980-87 — the latest year for which aggregate figures are available. Over the last thirty years the growth of GDP per capita in the world capitalist economy has halved (see Table 1).

It is immediately apparent that this slowdown is completely differentiated. Growth of GDP per capita in Asia has not slowed but accelerated. The annual rate of growth of GDP per capita in the imperialist economies declined from 3.6% in 1960-70, to 2.3% in 1970-80, to 2.1% in 1980-87.

But the most striking thing is that, since 1980, the rate of growth of GDP per capita in Africa, the Middle East, and Latin America has become *negative*. That is, per capita GDP, the best index of overall living standards, is declining for these continents — a process of absolute impoverishment has set in. These annual average negative growth rates were -1.0% for Latin America and the Caribbean, -2.2% for Africa and -2.7% for the Middle East in the period to 1985 — which is the latest year for which figures are available. These represent absolute falls in per capita GDP of 14% in Africa, 10% in the Middle East and 7% in Latin America and the Caribbean.

In the 1960s all sectors of the world capitalist economy were growing, if at an uneven rate. In the period from the 1950s until the beginning of the 1970s capital could legitimately be claiming to develop the entire world capitalist economy — even if no rational person would accept the consequences of that particular type of "development".

From the 1970s onwards that is no longer true. The world capitalist economy is no longer developing as an organic whole but has become sliced into two sections — the industrialized countries and Asia on one side, which continued to enjoy growth in per capita GDP, and Africa, the Middle East, and Latin America on the other which experienced declining GDP per capita.

Experience of NICs not typical

Furthermore in reality the first two groups, the OECD countries and Asia, tend to form a single whole, as the rapid growth of a few Asian Newly Industrializing Countries (NICs) — South Korea, Taiwan, Singapore and Hong Kong — was due to colossal flows of capital, up to 50% of their total investment, from the imperialist countries. Such a method of growth is not available to the vast majority of the world's population as even imperialism could not afford the sums involved — it is not by accident that all the NICs are *small* countries.

The pattern of decline which has set in in large parts of the world is clear. Most important it is *cumulative*, not cyclical, that is the circle of impoverishment keeps expanding. A continent once struck down does not recover, nor is it capable of doing so.

The first continent to experience declining GDP per capita, absolute impoverishment, was Africa. Growth in per capita GDP ceased in Africa in 1974, stagnated until 1977, and declined thereafter. By 1987 per capita GDP in Africa had fallen by 15% and was back to its level of 1969 — the African continent had been rolled back almost two decades

in terms of economic development.

Growth in per capita GDP in the Middle East ceased in 1977 and declined thereafter. By 1985 per capita GDP had declined by 10% and was back to its level of 1971. A decade and a half of economic development had been lost.

GDP per capita in the western hemisphere — Central America and the Caribbean — reached its peak in 1980 and then fell back by 10%. Subsequent recovery made up only 4% before the onset of a new wave of austerity programmes which left GDP per capita in 1987 6% lower than that of 1980, back at the level of 1977, and with a decade of development lost.

To assess further the impact of these changes we will shift from considering the trends of development of the continents to their absolute position. This raises a number of problems of measurement — notably the effect of currency devaluations/revaluations and that of different price levels in different countries in distorting comparisons. Nevertheless with only a few exceptions, the data will give all the same results and therefore leave no doubt as to the process which is taking place.

The most comprehensive and reliable studies of relative economic positions are those using Parity Purchasing Powers (PPPs) — that is calculations taking into account the effect of different price levels. Unfortunately comparable data are not available for Africa and the Middle East based on PPPs over a prolonged period. However, Angus Maddison was able to calculate aggregate data for the OECD countries, Asia, Latin America, and, for comparison, the USSR. His data may be considered a reliable guide as they comprise 32 countries together accounting for 85% of world GDP and 76% of the world population.

Starting with the comparison of Latin America and the OECD countries, the average GDP per capita of Latin America in 1900 was 41.8% that of the OECD countries, in 1913 it was 44.9%, in 1929 44.7%, in 1950 45.3%, in 1973 35.1%, and in 1987 29.7%. In other words Latin America narrowed the gap in per capita GDP between itself and the OECD countries between 1900 and 1913, maintained or slightly improved its position between 1913 and 1950, and then began to fall further and further behind after 1950.

Average GDP per capita in Asia was 26.7% of that of the OECD countries in 1900, 24.2% in 1913, 22.0% in 1929, 14.2% in 1950, 13.5% in 1973, and 19.1% in 1987. Asia's relative position compared to the OECD countries thus progressively deteriorated from 1900 to 1950 — including a major absolute decline across the 1930s and 1940s — stagnated or marginally declined between 1950 and 1973, and then improved after 1973.

However this improvement still left Asia relatively far further behind the industrialized countries in 1987 than it had been in 1900-29 — in 1900, average

GDP per capita in the major Asian states was one quarter of that in the OECD states, by 1987 it was one fifth. The recent recovery of Asia is substantial but has not made up the ground lost in relative position earlier on the century.

The fact that we are not dealing with a cyclical process but a cumulative one can be made clearer if we consider investment — for investment is the motor of growth. It is not possible for countries, or continents, to develop or recover without a high level of investment. Investment in Africa and Latin America (gross fixed capital formation) has collapsed even more dramatically than GDP per capita.

African gross fixed capital formation fell as a percentage of GDP from 31% in 1977 to 19% in 1987. Gross fixed capital formation as a percentage of GDP in the Western Hemisphere fell from 25% in 1974 to 18% in 1987. Aggregated figures for the Middle East are only available up to 1985, but already show a fall from a peak of 31% of GDP in 1983 to 26% in 1985. Data for individual countries in the Middle East indicate that the fall after 1985 was still more substantial.

The proportion of Asian GDP allocated to gross fixed capital formation at the beginning of the 1960s was the lowest for any continent. However in the 1970s investment as a percentage of GDP grew sharply — reaching a peak of 28% in 1981 and still at 25% in 1986, a fall of only a tenth.

Making calculations for countries, not continents, reveals three main trends of capitalist development.

- By the end of the 1980s international economic inequality had reached its highest point in human history.

- The number of countries catching up with the industrialized states, in terms of GDP per capita, fell by three quarters in the 1980s.

- The number of countries suffering absolute declines in their GDP per capita has quadrupled since the 1960s and the population involved in countries suffering a decline in GDP per capita has increased from 60 million to 774 million since the 1960s — a number more than twice the population of western Europe.

Regarding the long term development of economic inequality Maddison's is the most thorough study using the best data. He concluded: "The average OECD (industrialized countries) level (of GDP per capita) was nearly five times that in Asia and three times the Latin American level in 1900. The regional gaps have widened since.... In 1987 the gap between the poorest country and the richest was 36:1;

in 1900, the spread was much smaller at 8:1".

The situation for the very poorest countries, for which systematic data do not exist for such a ninety year period, are even more extreme. Surveying the most recent period the United Nations, in its World Economic Survey 1989, concluded: "the gap between them (the poorest countries) and the richest countries was widening. Average per capita income in the industrial countries is about fifty times that of the least developed countries".

Studies by the World Bank for the post war period in dollar terms found that in 1967 the gap in GDP per capita between the richest country, the United States, and the poorest, then Rwanda, was 82:1. By 1987 the gap between the richest country, the US, and the poorest, Ethiopia, had widened to 130:1.

Overall situation worsening

Turning from the absolute range of developing inequality to whether the overall situation is improving or worsening; the number of countries catching up in GDP per capita on the industrialized countries, in dollar terms, was 24 in 1967-70, rose to 35 in 1970-80 and collapsed back to 14 in 1980-87. The population represented by such countries shifted even more sharply — rising from 530 million in 1967-70 to 604 million in 1970-80 and plummeting by almost three quarters to 167 million in 1980-87.

In short, the NICs, which are gaining in relative terms on the industrialized countries, do not show a generalized way forward but stand out because they are so much the exception to the rule. Apart from the East Asian "miracle" economies the number of countries improving their relative economic position compared to the industrialized states has fallen dramatically and chiefly comprises a few states receiving massive foreign aid (Egypt), recovering from economic catastrophe (Somalia), or with small and extremely specialized economies (Bahamas, Barbados, Seychelles, Oman, St Vincent).

It is not just relative impoverishment,

but also absolute impoverishment — that is falling living standards in absolute terms — that is increasing. In 1960-70, 13 countries, with a combined population of 60 million, constituting 2.7% of the population of the capitalist economies, were suffering falls in GDP per head (see table 1). In 1980-87 this increased to 59 countries, with a total population of 774 million, comprising 24.4% of the population of the capitalist countries. The number of those suffering declines in real living standards increased from 1 in 37 of the population of the capitalist countries to 1 in 4.

This allows us to synthesize the situation of the world capitalist economy since the beginning of the 1980s as it affects the living standards of the population of the capitalist countries. Its chief feature is the huge rise, doubling, of the proportion of those who are either falling further behind the living standards of the imperialist countries or who are suffering absolute falls in their living standards. These two categories together increased from 47% of the population of the capitalist world in 1967-70 to 71% in 1980-87.

The pattern of the latest phase of capitalist development is clear. Far from entering a new progressive phase of liberalism and progress capitalism has developed its most barbaric tendencies since the period 1930-40. It has ceased to take forward the world economy as a relatively organic whole and commenced an unprecedented assault on Africa, Latin America and the Middle East with a widening wave of relative impoverishment and, for the first time since 1945, a huge development of absolute impoverishment.

Nothing could be further from the truth than the belief that what we are seeing is a new wave of liberal capitalism. What is developing is the greatest wave of capitalist offensive and impoverishment since World War 2. Having rolled over three continents capitalism is now turning its sights on Eastern Europe. What is developing has nothing to do with 'liberalism'. It is more akin to a new barbarism. ★

| | Population of OECD states ^a | Population of countries gaining in per GDP capita on the OECD states | Population of countries falling further behind in per capita GDP compared to the OECD states ^b | Population of countries suffering a decline in per capita GDP |
|---------|--|--|---|---|
| | millions | millions | millions | millions |
| 1976-70 | 662 | 530 ^c | 979 ^c | 60 |
| 1970-80 | 717 | 604 | 1192 | 189 |
| 1980-87 | 743 | 167 | 1492 | 774 |

a. As categorised by the IMF
 b. Excluding those suffering a fall in per capita GDP
 c. 1967-70
 Source: Population and GDP per capita calculated from IMF International Financial Statistics
 Relative GDP per capita calculated from World Bank World Tables 1989

1991: a difficult transition

1991 will be a year of recession for international capitalism. But it will not be a generalized recession similar to those of 1974-75 or 1980-82: what should be expected is rather a new phase of slackened growth, accompanied by additional wage austerity and a new rise of unemployment.

CHRISTIAN BARSOC

THE recession we are entering is not the expected one, and it has arrived later than had generally been thought. From 1985, numerous analyses saw a recession in the United States as inevitable. Instead, it has been delayed by five years, and it has, therefore, not provoked a third worldwide recession. The financial crash of October 1987 led all observers to predict at least a strong slowdown in growth in 1988. However, the year was in fact characterized by a 4% overall growth in production in the OECD countries. Such failures of prediction underline the need to develop a better understanding of the nature of the period that began in 1982-83, and a more precise examination of the mechanisms which have enabled world capitalism to avoid a third generalized recession, and even to register overall growth in the second half of the 1980s.

The fundamental contradiction confronting capitalism at the start of this period was the opposition between profits and markets. In a period of frenetic restructuring and technological change, the principal capitalist countries engaged in, or deepened, a turn towards ultra-liberal policies which sought to put a brake on purchasing power and to disconnect it from productivity increases, and to roll back the social gains of the working class and other "rigidities".

The central objective was to jack up the rate of profit, which had been significantly cut by the crisis, and which had not been restored by the traditional recipes implemented between the two recessions. But this wages squeeze, carried through on a grand scale and by every country at the same time, carried with it new dangers for capitalism, above all as a result of the contraction of markets.

The fundamental reason why capitalism was able to postpone the onset of a new recession was that it found the means to ward off the acute effects of this contradiction. The chief method of achieving this was the massive expansion of credit in the United States under Reagan, entirely contrary to the principles of economic

orthodoxy to which the latter's government paid lip service. The 1980s saw a spectacular increase in the US' double deficit; an internal budgetary deficit and an external trade deficit. Reagan's America pursued an economic policy that would have brought screams of horror from the International Monetary Fund (IMF) experts charged with straitjacketing the indebted countries of the Third World. The success of the Reaganite scam was assured principally by the influx of Japanese, and, to a lesser extent, German, capital, into the United States.

Interest rates reach insane level

But, to guarantee the regularity of financing from this source, it was necessary to push interest rates as high as possible. The precarious equilibrium of the international financial market was only reestablished with a level of real interest rates (that is, taking account of the drift of prices) which was absolutely insane on a historic scale, and which spread to all the world's financial markets, since no country, at least without totally disconnecting from the world financial market, can maintain a durably lower rate of interest without finding itself confronted by a flight of capital and a depreciation in the value of its money.

Given the policy pursued by the United States, the economic fate of the other countries was determined by three fac-

tors. First, their capacity to export to the US market, made easily penetrable because of the high value of the dollar during the first half of the 1980s. Second, the size of their foreign debt, increasingly expensive to service because of the maintenance of high interest rates. Finally, the repercussions of these same rates of interest on their domestic economies.

Japan and the "Four Dragons" of South East Asia (Hong Kong, South Korea, Taiwan and Singapore) made the most progress, largely because of their export success. On the other hand, the heavily indebted and less industrialized countries have been the losers, hit hard by the high interest rates; starting from 1984, the increase in service charges on the debt (interest and repayment) has led to a situation where each year the developed capitalist countries receive more capital from the Third World than they furnish to it under the form of new loans.

On the other hand, the effects on the European economy have been more ambiguous, notably because of the economic brake that high interest rates represent. This is particularly true for a country like France, which, as a member of the EEC and in the context of the European Monetary System, must, to align itself with Germany, maintain an overvalued currency and high interest rates.

For the OECD countries as a whole, the 1983-89 period was less severe than predicted — as can be seen from a medium term periodization (see Table 1). The first generalized recession (1974-75) led to a net slackening up of growth, which fell from 4.7% to 2.8%. The second (1980-82) led to a new decline. Finally, the period 1983-89 corresponded to a growth rate of 3.5%, still inferior to that of the years of expansion, but superior to that of the 1973-79 period. Fluctuations in unemployment follow this same periodization; for the OECD countries overall it went from 3.1% in 1970 to 5.2% in 1975, first period, then to 8.5% in 1983, second period. Then it fell to reach 6.2% in 1989.

However, as table 2 shows, national economies have behaved in a differentiated manner in the course of the last 15 years of slackened growth. Japan never registered the rate of unemployment considered normal in the West during the years of expansion. The United States

Table 1

Growth in OECD countries

| 70-73 | 73-79 | 79-83 | 83-89 |
|-------|-------|-------|-------|
| 4.7% | 2.8% | 1.0% | 3.5% |

Source: OECD

started the period with a rate of unemployment higher than that of Europe, and it then increased considerably. The 1980s however saw a reduction of US unemployment to pre-crisis levels.

Japan and the United States thus had a different experience to Europe, and notably the EEC, where the rate of unemployment has grown considerably and has only declined a little since the recession which began in the early 1980s. On the other hand, non-members of the EEC have obtained good results — this is true notably of Switzerland, Austria and Sweden.

The reasons for these differences in performance lie in the first place in the capacity of each country to assure a more vigorous growth of its economy. The capacity for rapid growth without coming up against the constraint of balance of trade problems, or of overheating of production capacities, has depended on an advantage in competitiveness. This could be obtained through technological advantage, or on the basis of inferior wage costs, or, as in the case of Japan, from a dynamic combination of the two. The United States, for its part, profited from the period because of a specific imperial privilege, that of being able to borrow beyond habitual norms.

The disparities in performance can be attributed thus to the different abilities of countries' products to win shares on the world market. World trade has played a motor role during the 1980s, with the exports of OECD countries overall increasing by 6.4% on average between 1983 and 1989, whereas production grew only by 3.5%. Japan was ahead of the pack, with an average growth of exports of 6.9%, on the basis of a triple competitive advantage based on lower wages, rapidly growing productivity, and technological superiority. Despite the progressive increase in the value of the yen, Japan still disposes of an impressive trade surplus, even if it is diminishing.

There is a contrast then between the United States, which imports more than it exports and has based its growth on this deficit, and Japan, which sells more than it buys on the basis of a competitive advantage, and whose capital is used (along with that of Germany) to finance the deficit of the USA (see table 3).

Europe overall is in a position between the two — it possesses technological supremacy in only a limited number of industrial slots. It is not in a position to impose the financing of its deficit on the rest of the world. Moreover, the various European capitalisms come up against the resistance of the working class to attacks on their social conquests and the installation of a two speed labour market (the real objective behind what the OECD calls "structural adjustment"). Each of these countries is marked off by a whole series of factors (demographic dynamism, control of immigration, extension of forms of part-time and temporary work, industrial

| | GDP | | Unemployment rate | | | |
|-------------|-------|-------|-------------------|------|------|------|
| | 83-89 | 83-89 | 1974 | 1979 | 1983 | 1989 |
| Austria | 2.4 | 0.3 | 1.1 | 1.7 | 3.7 | 3.2 |
| Belgium | 2.2 | 0.5 | 2.5 | 7.5 | 13.2 | 8.1 |
| Spain | 3.6 | 1.2 | 1.7 | 8.6 | 18.2 | 17.1 |
| France | 2.3 | 0.1 | 2.9 | 6.0 | 8.4 | 9.4 |
| Italy | 2.8 | 0.5 | 5.4 | 7.8 | 10.0 | 12.1 |
| Norway | 4.1 | 0.8 | 1.4 | 1.9 | 3.4 | 5.1 |
| Netherlands | 2.4 | 0.9 | 1.7 | 3.5 | 11.2 | 7.4 |
| FRG | 2.7 | 0.5 | 1.3 | 2.9 | 6.6 | 5.6 |
| UK | 3.5 | 1.7 | 2.2 | 4.5 | 11.2 | 6.2 |
| Sweden | 2.5 | 0.3 | 0.0 | 0.3 | 0.8 | 0.6 |
| EEC | 2.8 | 0.8 | 2.6 | 5.5 | 10.1 | 9.0 |
| USA | 3.8 | 2.4 | 5.6 | 5.8 | 9.6 | 5.3 |
| Japan | 4.4 | 1.2 | 1.4 | 2.1 | 2.7 | 2.3 |
| OECD | 3.5 | 1.5 | 3.5 | 5.2 | 8.6 | 6.4 |

GDP: Average annual % growth rate 1983-89
 Employment: Average annual % growth rate 1983-89
 Source: OECD: *Economic Outlook*, December 1990

competitiveness, and so on) which define a mode of internal reproduction of the national economy specific to each individual country.

The recession, which began before the invasion of Kuwait, is thus marked by a heterogeneity of the situations of the different powers. In Germany the collapse of the productive activities of the ex-GDR combined with the maintenance of household demand (a product of the specific conditions of the process of the restoration of capitalism through reunification) furnishes a supplementary market to the industries of the West. Germany cannot escape the consequences of the slackening dynamism of the world economy, but growth should remain quite strong — a rise of around 3% of the GNP is anticipated for the ex-FRG in 1991 (as against 4.6% in 1990). The slowdown of the Japanese economy will also be moderate (the rate of growth going from around 6% in 1990 to less than 4%).

Clearly recessionary trend

On the contrary, the trend is clearly recessionary in the other OECD countries. In the USA, only the external demand stimulated by the fall in value of the dollar is maintaining the level of economic activity. Average growth in 1990 was 0.9% against 2.5% in 1989 (and 4.5% in 1988), and at the end of the year industrial production clearly fell (to an annual rhythm in the order of -4%) and should continue to do so in the first quarter of 1991.

All the big industrial branches are affected by the slowdown. This is particularly the case in the chemical industry, which has been expanding since the beginning of the decade, in electronics (there is a clear slowdown in demand for

information technology) and in cars, where the market is contracting in North America and in Western Europe (with the exception of Germany). If Japanese and German manufacturers appear for now to be escaping the effects of the slowdown, the reduction of activity in the other countries is clear, with the usual consequences for wage earners.

How deep is this recession likely to be? Predictions are hazardous, but, on the basis of the currently available information, what seems likely is a more limited slowing up than was the case in the two preceding recessions, which had similarities with the recessions of the 1960s (end of a conjunctural cycle). The remaining uncertainty concerns the profile of the economic cycle in the period to come: will economic activity bounce back in the second quarter of 1991 or will it be the beginning of a fairly long phase of weak growth?

Several factors tend to support the second hypothesis, at least so far as the United States is concerned. The recession is happening in a context where the high US budget deficit does not allow a policy of deflation and where the level of debt is very high. The budget deficit (\$220 billion for the budgetary year 1990, against around \$150 billion during the three preceding years) limits the margins of manoeuvre of the Federal state; in spite of the new compromise agreed at the end of last year between the President and Congress, the deficit could continue to increase because of the effect of the slowing up of activity on tax income, and the weight of expenditure linked to the bailing out of the Savings and Loans associations and the war in the Gulf.

The federal government's debt is still growing and reached 58.9% of GNP in the third quarter of 1990 (against 37.8% in 1972), whilst interest charges on the pub-

No miracle in the East

THE transition to capitalism of the bureaucratic states will be longer and more difficult than the bards of free enterprise anticipated at the beginning of 1990. In an interview in *Le Figaro* (January 2, 1990), the French secretary of state for planning, Lionel Stoleru, declared himself "very pessimistic" and, drawing a balance sheet of 1990 on the transition to capitalism in Eastern Europe, he said "everything was possible, nothing has been done". In fact this is not true, and some things have been done, notably in countries like Poland, Hungary, or Czechoslovakia where political power is indisputably in the hands of forces determined to realize the restoration of capitalism. But the difficulties facing such a transition in the countries of Central and Eastern Europe are very real and significant, contrary to the hopes expressed at the beginning of last year that the dislocation of the Eastern bloc would have only a short term effect on the economic conjuncture of the developed capitalist countries (apart, obviously, from the consequences of German reunification).

The breadth of the recession (as much in the countries where economic reforms have been genuinely undertaken as in the others) has limited the Eastern European market in 1990; the exports of the OECD to the COMECON countries of Eastern Europe (apart from the GDR) fell back in the first quarter of 1990 by an average of 5% in relation to the first quarter of 1989, and all the countries of the zone have imported less, apart from Rumania. In 1991, the situation should be similar; the share of the products imported from the OECD countries will grow, without corresponding to an increase in absolute value of the imports, because of problems of financing, of stabilization policies and the deepening of the recession. In the case of the USSR, the higher price of oil could ameliorate the situation (to the extent, of course, that the effects of this are not cancelled out by lower production).

Moreover, political uncertainties tend to limit the outlook for profits and thus the initiatives of private capitalists (firms or banks). The private banks tend to no longer lend to the Eastern European governments unless guaranteed by a Western government; Deutsche Bank has thus just announced that there will be no loans by a German bank to the USSR without a 100% guarantee by the Bonn government. Statistics recently published by the Bank of international payments (AGEFI, January 8, 1991) show a fall of 5.3% in bank loans to Eastern Europe in the course of the first quarter of 1990. Firms have lent money to finance some investment operations but this represents (allowing for exceptions) limited support from capital in relation to what is needed. ★

lic debt represent 16.5 % of US budgetary expenditure. The trade deficit (in spite of the improvement in the balance of payments thanks to the depreciation of the dollar) limits (in the medium term) the possibility of cuts in interest rates (to limit the recession, the Federal Reserve carried out some cuts in the rate at the end of 1990).

Moreover, there are three big unknowns, with unforeseeable implications. First, there is the fragility of the financial system, manifested by the slump in the international financial markets and the crisis of the US banking system.

All the big financial markets fell in 1990. The fall has been limited but significant on Wall Street (-4.3% for the Dow Jones index, -6.5% for the Standard & Poors which covers a broader field), more accentuated in Europe (20-25% according to the market) and sharpest of all in Japan (-39%). The financial crash of 1987 has not had any impact on the real economy, but this does not mean that we can infer a new economic law to the effect that, in modern capitalism, the financial and economic spheres are henceforth indepen-

dent. Are we witnessing, as some maintain, a simple "deflation" of a financial bubble wildly out of synch with the fundamental realities of the economy, a deflation whose breadth can be explained by diverse "accidents" (1990 was a fertile year for stock market scandals and bankruptcies of intermediary financiers)?

Other observers put forward the possibility that what is going on is a "devaluation of assets", but without drawing any very clear conclusions. Yet, classically, assets devalue when there is a risk that the profits attached to them are not as high as anticipated. In this case, there would certainly be a relation between the situation of the financial markets and the general economic climate, and the risk cannot be ruled out of the slump on the markets having an effect on economic activity, notably through the banks' tightening up on credit.

Thus, the sharp fall of the Tokyo stock exchange has consequences for the balance sheets of the Japanese banks which could lead them to restrain their distribution of credit. What could be the consequences of this situation for firms and

investment in the context of a stagnation of profits and a contraction of world demand? This might imply a longer than anticipated period of weak growth.

Another imponderable is the possible effect of the difficulties of the US banking system — 35 of the 200 biggest banks are close to insolvency. The deterioration of their situation is explained by the combination of a fall in the profitability of their activities (because of deregulation) and the immediate economic situation (property crisis, recession). The US authorities are in a contradictory situation; there is a need for increased resources for the system of insurance for the banks (the FDIC) financed by the payments of the banking establishments, but a significant raising of the level of payments or of obligatory reserves would increase the difficulties of the banks.

A crisis of the US financial system cannot be ruled out, but it is important to remember the lesser concentration of the banks in the United States than in many other countries. In the US there are more than 12,000 banks, as against 400 in France, and the impact of the failure of a bank is therefore reduced. The immediate manifestation of these difficulties is evident in significant restrictions of credit to firms, but these have not yet led to the "credit crunch" feared by certain economists, which would paralyze economic activity because credit is an indispensable lubricant in a capitalist economy.

Trade talks at an impasse

To this financial unknown must be added a trade unknown; the so-called Uruguay Round negotiations (see *IV* 198), supposed to lead to a new reduction of customs duties, are today in an impasse, particularly because of the conflict between the European Community and the United States on the level of support for agriculture. Certain ruling class circles have sounded the alarm, thus a recent communiqué (published in the *Financial Times* of January 26-27, 1991) of the Confederation of British Industry warned of the consequences of a definitive breakdown of these talks: "It would lead to a dramatic growth of economic uncertainty, to the threat of discriminatory measures and to a multiplicity of trade conflicts".

The third great unknown — the war. The journalistic commentaries on this question often emphasize the recessionary impact of a significant increase in the price of oil; certainly, this did not happen the day after the outbreak of hostilities (which speaks volumes on the largely speculative character of the behaviour of the markets since August 1990), but the risk still exists if there should be significant destruction inflicted on the Saudi and Kuwaiti wells.

In a less superficial fashion, other commentators emphasize the role of a growth of military expenditure in stimulating the

Table 3

Trade balances

| | 1989 | 1990 | 1991 |
|-------|------|------|------|
| USA | -115 | -116 | -115 |
| Japan | +77 | +81 | +60 |
| FRG | +77 | +81 | +66 |

Billions of \$

Facts and predictions from OECD

economy. An article analyzing the British situation in the *Financial Times* of January 14 was thus entitled "The war as substitute for a New Deal". Even if this title neglects the fact that the policy of Roosevelt was insufficient to draw US capitalism out of the crisis of the 1930s, and that the Second World War powerfully contributed to this, it is true in part; the war could have a favourable impact on the economic conjuncture in the fashion of the Vietnamese and Korean conflicts.

It is noticeable that the liberal discourse on the need to reduce public expenditure has hardly made itself heard since last August (we can be sure that it will return when it is necessary to discuss the wages of public employees and expenditure on health and education). Moreover, it is necessary to examine the significance of the fact that, more than ever, the United States is fighting on credit; if the Japanese and the Germans do not pay enough, either the US taxpayer must do it (but the growth of taxes would not be favourable to growth) or the federal state must borrow more to cover the growth of the deficit (but that could cost it dear, and accentuate the financial problems previously evoked).

What might be the ultimate impact of the current war? It is too soon to ponder the multiple consequences, and much depends on how long the conflict lasts, but it is evident that war will continue to play a part in the regulation of the capitalist system. Beyond the war and the recession, the essential tendencies are still at work. Of the three principal contradictions of world capitalism, the most grave in terms of the breadth of its effects concerns the fragmentation of the world economy, resulting from the weight of the Third World debt, the modes of dividing up income and, finally, the exclusive function of the new technologies. The law of uneven and combined development operates in a more and more regressive fashion even inside the industrialized capitalist countries as well as in their relations with the dominated countries. The countries of Eastern Europe are beginning to experi-

ence its effects and it is necessary to underline the fact that, for the first time in a long while, entire zones, such as Africa, the Middle East, and a good part of Asia, are going backwards.

The difference in the economic fates of different countries leads to another essential contradiction. On the one hand, there is a clear tendency to globalization, of which the multinational firms are the active agents. The speed of growth of world trade continues to play a key role in the regulation of capitalism and the relations between classes and it is one of the reasons for the desynchronization of national economies, whether between Europe and the USA, or even inside Europe, which we have witnessed in the recent period. This persistence of the national dimension explains also why Europe is lagging behind in forming a homogeneous economic space, and has not been able to successfully conduct a policy of coordinated deflation at the level of the European Community.

The beginning of the 1990s is then marked by the return of the difficulties of world capitalism. It is in reality the fundamental contradiction, between profits and markets, which is resurfacing. The 1980s have been years of a reestablishment of profits, on the basis of a wages squeeze and rigorous industrial restructuring. The markets have been assured by the increase of world trade, by an increasingly general tendency to the distortion of incomes in favour of non-wage incomes, and finally by the internal and external indebtedness of the United States.

This mechanism is by its very nature unstable, as much in its international dimension as in its effect on the internal economies of each country, and the recession underway must be interpreted as the entry into crisis of this international set-up. Fundamentally, the recession signifies the increasing difficulty faced by world capitalism in expanding markets in a way compatible with the profitability of capital and a very high potential for increased production. ★

Israel's human shield

WHILST considerable media attention has been devoted to the suffering and fortitude of Israeli civilians faced with the threat of Iraq's Scud rocket strikes, little room has been found to report the plight of the Palestinian population in the occupied territories of the West Bank and Gaza Strip.

BERNARD GIBBONS

ISRAEL, basking in the glow of world approbation for its "restraint" in a war which its government has long lobbied for (with Foreign Minister David Levy making unilateral threats against Iraq whenever a peaceful solution seemed possible), is taking the opportunity to tighten the screws substantially in the occupied territories.

The territories have been under curfew since January 16, with disastrous consequences for the population. There are severe food shortages (in the Gaza Strip, where agriculture is in any case underdeveloped, famine is already spoken of). Palestinians are being allowed out by the army to shop once every three days, for a few hours. However, there is nothing to buy, as farmers have not had time to harvest their crops, and this at the peak of the citrus and other crop seasons.

Palestinian families deprived of income

The position is equally bad with regard to livestock, and in any case farmers are unable to bring their produce to the towns to sell. Palestinians who earn a living through working in Israel have not been able to work since the beginning of the war, and as a consequence their families have no income. Doctors and medical personnel are not exempt from the curfew, with grave health consequences.

In addition, Israel is cynically and brutally using the 1.5 million Palestinians of the occupied territories as a "human shield" against Iraqi missile attacks. For months now, the press has been full of

pictures of Israelis receiving their gas masks. Every new Russian Jewish immigrant is given a gas mask on arrival at Ben Gurion airport. New York mayor David Dinkins, currently on a nauseating solidarity mission to Israel, has been pictured trying on his mask.

However, the army and the civil administration in the occupied territories have done everything possible to prevent or hinder the distribution of gas masks to the Palestinian population. The initial claim, that they were not in danger, was contradicted by the distribution of masks to West Bank Jewish settlers. The government then said that, unlike Israelis, Palestinians would have to pay for their masks because they did not pay taxes (the latter claim, reported uncritically in the Western press, is untrue).

Finally, on the eve of the war, a Bethlehem inhabitant won a ruling from the Israeli High Court, that there had been "discrimination" in the distribution of masks. The government responded that it only had 173,000 masks available for the 1.5 million Palestinians, and it is now saying that distribution will take several months — or until the war is over. Palestinian political prisoners have been denied gas masks or, as in the case of the Megiddo camp, near to Haifa, given them without filters.

Zionist left rejoins camp of national unity

Under the impact of the confrontation with Iraq, the Zionist left and the human rights organizations have passed back into the camp of national unity, as is traditional when Israel's "right to exist" is deemed to be in danger. The image of Saddam as the new Hitler, bent on the physical annihilation of Israel, has had a powerful effect (in fact, the position of the Iraqi government on the question of Israel has for many years been the same as that of the other Arab states; for an international peace conference to guarantee the security of all states in the region, including Israel and a Palestinian state).

The Gulf crisis has led to the defection from the Israeli peace camp of many "beautiful souls" whose opposition to the occupation had always been posited in terms of the psychic damage it was causing to Israel's collective unconscious, rather than any commitment to genuine self-determination for the Palestinians. For such people, Palestinians have national rights only on sufferance and on the promise of good behaviour, a criterion which they in no way apply to their own national entity. Veteran left Zionists like Yossi Sarid and writers like Amos Oz have joined the war hysteria and denounced the Palestinians for "letting them down".

Worse, Palestinians are accused of having "cheered on" the missile attacks on Tel Aviv and Haifa (the "cheering on" by

the Israeli government of the assault on Iraq apparently does not negate Israel's right to self-determination). However, the attitude of those on the left of the peace movement appears to be more differentiated, and many are committed to continuing the struggle against the occupation, regardless of their views on the war.

Meanwhile, Shamir's government is putting to good use Israel's newly glossy international image, obtained through its policy of "restraint" in the face of missile attacks. Substantial foreign aid from the European Community and the US has been sought and partially provided, and the International Monetary Fund is also to be approached. At the same time, Shamir has sent clear signals that there will be no softening of his government's position on the Palestinian question, whatever the aftermath of the war.

A first sign of this was the arrest and detention of leading Palestinian "moderate" Sari Nusseibeh on patently absurd charges of spying for Iraq. This move has been denounced even by the *New York Times*, which normally portrays Israel as a combination of Periclean Athens and the Big Rock Candy Mountain. It is a continuation of the policy, exemplified also with the detention of Ziad Abu Zayyad and Radwan Abu Ayyash last November, of dealing with "the danger of peace" through attacks on the wing of the Palestinian national movement most favourable to Arafat's line of recognition of, and coexistence with, Israel. The government is keen to use the Gulf conflict to undermine Arafat's credibility in particular, hence the targeting of Fatah "bases" (the media's favoured euphemism for Palestinian refugee camps and villages) in the recent Israeli attacks on southern Lebanon.

Cabinet appointment of advocate of expulsion

Shamir's stance was underlined still further by his firm rejection on February 4 of any post war international peace conference, and the appointment to the cabinet of Rechavam Ze'evi, the leader of the Moledet party which advocates the forcible expulsion of Palestinians from the occupied territories.

Ze'evi is not exactly a vulgar fascist huckster in the Kahane mould; he comes from a Labour background and he is fond of pointing out (quite correctly) the continuity between his positions and the discourse of racial separation central to traditional Labour (and particularly left Labour) Zionist thinking. Nonetheless, his appointment tilts still further to the right a cabinet already so reactionary that it would be considered off the political map in almost any other country.

The idea of transfer has, in any case, already been floated, if not openly advocated, by several prominent government figures. Agriculture Minister Rafael Eitan

has long advocated what amounts to a policy of "selective transfer". Minister of Energy and Science Yuval Ne'eman recently warned Palestinians that continuation of the *intifada* would place them in a "1948 situation". Deputy foreign minister Binyamin Netanyahu has publicly aired his regrets that Israel did not carry out expulsions when the world's attention was on the Tiananmen Square massacre in China.

A majority of the cabinet remains opposed to transfer, fearful of its international consequences (there are of course those on the right, such as MK Benny Begin — son of Menachem — who oppose it on grounds of principle). But it would appear that Shamir is trying to legitimize the idea and create the kind of cabinet where he can present himself to the world as a moderate when the post war wheeling and dealing begins.

Meanwhile, fear of expulsion remains very strong in the occupied territories. Peace Now said before the war that it had obtained information, through leaks from West Bank settlers, that army units staffed by settlers were prepared to carry out a mass expulsion of West Bank Palestinians.

Israeli entry into the war, or even a unilateral Israeli attack on Iraq should the outcome of the current war stop short of Saddam's overthrow or the destruction of Iraq's military capability, would put the possibility of expulsion firmly on the agenda.

Bush promises everything to everybody

Aside from that nightmare scenario, it is difficult at the moment to discern any clear or coherent imperialist approach to a resolution of the Israeli-Palestinian conflict in the fog of rhetoric about the post war order.

Some kind of international conference is hinted at, and the old idea of the emergence of a Palestinian alternative to the PLO is floated, though, outside of the Islamic fundamentalist Hamas, hardly an ideal negotiating partner for imperialism or Israel, there are no obvious candidates.

A division of labour appears to be emerging, with the British and French governments making soothing noises to the Arabs while Bush sends various emissaries to Israel to pledge undying support. In any case, it is already clear that Bush has made so many commitments that not all of them can possibly be met. It would, moreover, be staggeringly naive to believe that a victorious imperialism and a strengthened Israel are going to be more generous to the Palestinians than they have in the past.

Whatever happens, the grave dangers facing the Palestinians, in the occupied territories and elsewhere, must be central to the concerns of all those involved in the movement against the Gulf war. ★