RESEARCH REPORTS

Reviews of new research by public agencies and private institutions

"Benefits and Burdens: A Report on the West Bank and Gaza Strip Economies Since 1967"

Carnegie Endowment for International Peace, 345 E. 46th St., New York, N.Y. 10017. 164 pp. $3.75
Author: Brian Van Arkadie

Since Israeli occupation of the Gaza Strip and the West Bank of the Jordan River after the Six Day War, economic changes have created an improved "new status quo" for the one million native Palestinian Arabs under Israeli control. But Van Arkadie, an economist at The Hague's Institute of Social Studies, believes that economic uplift alone will not ameliorate the region's underlying political problems.

The "gross national products" of Gaza and the West Bank have grown at a rate of 18 percent annually since 1967—faster than ever before. Higher wages have quadrupled per capita Palestinian income in 10 years; agricultural income has increased by 300 percent; labor-intensive industry, such as clothing manufacture in the Gaza Strip, has expanded.

But the long-term implications of Israeli rule remain clouded. Inflation has raised prices in the West Bank and Gaza Strip by 300 and 400 percent, respectively. While Palestinian employment has climbed 43 percent, most of these new jobs are for the unskilled and could evaporate in an Israeli recession. Political uncertainty discourages large-scale investment in the area. Moreover, the isolation of Gaza and the West Bank from world commerce (foreign trade, says Van Arkadie, remains hypothetical) forces reliance on imports from Israel, which are often more expensive due to high tariffs protecting the Jewish homeland's industrial goods.

Van Arkadie's conclusion: The territories are moving toward ties of economic normalization with Israel, but no simple verdict on the consequences is yet possible.

"The Soviet Military Buildup and U.S. Defense Spending"

The Brookings Institution, 1775 Massachusetts Ave., N.W., Washington, D.C. 20036. 61 pp. $2.95
Authors: Barry M. Blechman et al.

U.S. defense strategists have become acutely aware of a sustained improvement in the Soviet military arsenal, prompting Congress to authorize modest increases in total defense spending in each of the last three years. But the U.S.S.R.'s military buildup, these Brookings analysts warn, should not lead to exaggerations of Moscow's offensive strength. Moreover, American weapons procurement programs must remain sensitive to the needs of strategic arms limitations negotiations.

Citing U.S. government reports, the study details a fivefold increase in the U.S.S.R.'s total strategic nuclear force since 1964. Moscow has demonstrated a satellite "kill" capability, boosted megatonnage from 1,102 in 1964 to nearly 5,000 today, increased its tactical air branch by 30 percent, and planned deployment of four new types of intercontinental ballistic missiles (ICBMs) and two new types of submarine-launched missiles.

The authors concede that fear of Soviet ascendency in the strategic field is well-founded. But they contend that the threat of a Soviet pre-emptive first strike is clearly far-fetched. The "theoretical" increase assigned to Soviet hard-target kill capabilities (ability to destroy U.S. land-based missiles in their silos) assumes split-second timing and coordination. It is doubtful, they add, that the Soviet Union would risk 50 to 100 million casualties on the basis of war-gaming and computer simulations.

American diplomacy must display resolve in dealing with the Soviet buildup while refraining from costly weapon programs that may hamper arms control negotiations. The proposed M-X ICBM, for example, which would move along a track in a "hardened" trench, will cost $34 billion for 300 deployed units. Such missile systems greatly complicate verification of arms control agreements. The authors believe that the higher-yield Mark 12A warhead for existing Minuteman missiles, combined with a continued silo-hardening program, would provide a less costly counterforce.

The general level of U.S. defense preparedness remains high. The authors note that deployment of the new, low-altitude cruise missile, which can be launched from ship or plane, effectively adds a fourth leg to the U.S. strategic triad of ICBMs, submarine-launched missiles, and attack bombers.

Editor's Note. An annual analysis of military strength and defense expenditures throughout the world is prepared by London's International Institute for Strategic Studies under the title *The Military Balance.* The 1977–78 edition ($7.50, paper) is available from Westview Press, 1898 Flatiron Court, Boulder, Colo. 80301.

"The Andean Pact: A Political Analysis"

Washington Papers, Center for Strategic and International Studies, Georgetown University, 1800 K St., N.W., Washington, D.C. 20006. 72 pp. $3.00
Author: Roger W. Fontaine

Crippled by economic stagnation, lured by the elusive goal of Latin unity, South American nations have periodically tried to devise "common markets" to increase their leverage in world economic affairs. Most of these efforts, such as the Latin American Free Trade Association of 1960, have proved failures.

The 6-member *Pacto Andino,* the most ambitious attempt at economic integration to date, has shown some signs of success. Nevertheless, writes Fontaine, a Georgetown University Latin American specialist, factional squabbles and an inability to cope with economic emergencies threaten to make the Andean Pact a "hollow shell."

Organized in 1969 by Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela, the Andean Pact was intended to bring the "retarded but not hopelessly backward" economies of the Andes Mountain region into the 20th century. The goals of the Pact included trade liberalization between the countries, creation of a $100 million regional development bank, a common external tariff wall, and joint control over the terms of new foreign investment.

But for all its framers' good intentions, writes Fontaine, the Pact has been a disappointment. The common code prohibiting exploitative foreign investment has furthered the decline in foreign investment. In Chile, total U.S. investment dropped from $720 million in 1971 to $287 million in 1974; in Venezuela, from $2.8 to $1.8 billion during the same period. Regional industrial development has faltered, and the regional bank has allocated a mere $4.7 million for development projects.

The most striking illustration of the market's troubles came in 1975, when industrialized Chile withdrew from the Pact to protest the foreign investment policies and high tariffs of its less developed partners. While Fontaine expects the union to last at least five more years, he warns that serious problems must still be overcome: Bolivia, Chile, and Peru are involved in a long-standing border dispute; and the rise in oil prices has encouraged nouveau riche Venezuela to seek dominance over the Pact.

"On Further Examination"

Report of the Advisory Panel on the Scholastic Aptitude Test Score Decline, College Entrance Examination Board, 888 Seventh Ave., New York, N.Y. 10019. 75 pp. $4.00

Parents, educators, and high school students have been worried by the unexplained 14-year national decline in Scholastic Aptitude Test (SAT) scores. (SATs are used to help determine students' readiness for college.) Between 1963 and 1977, the average SAT score registered a 49-point drop (on a scale of 800) in the verbal, and a 32-point drop in the mathematical portion of the test. The College Board's investigation finds no single cause for the decline; major factors, however, include the "changing composition" of those taking the test and disruptive influences on society at large.

As opportunities for higher education increased in the mid-1960s more students (and therefore more students with lower test scores) were taking SATs and going on to college. The largest increases occurred among youths from poor families, among members of ethnic minorities (2 percent of those taking SATs in 1963 vs. 8 percent in 1972), and women (42 percent in 1960 vs. 47 percent in 1970).

However, since 1970, according to the report, changes in educational policy and in society as a whole have had a greater impact on test scores. These changes include the proliferation of easy "elective" courses in high schools with less emphasis on basic skills, easier textbooks and lowered standards, indiscrimate television viewing, and the social turbulence of the past decade and a half.

"Women and the Military"

The Brookings Institution, 1775 Massachusetts Ave., N.W., Washington, D.C. 20036. 134 pp. $7.95 (cloth); $2.95 (paper)
Authors: Martin Binkin and Shirley J. Bach

In 1976, women comprised 5 percent of U.S. military personnel (versus less than 2 percent in 1972), a proportion exceeding that of any other nation, including Israel. Whereas five years ago less than 35 percent of all military job categories were open to women, the figure today is 80 percent; and women recruits surpass their male counterparts in educational attainment. Nevertheless, argue Brookings analyst Binkin and Air Force Colonel Bach, discriminatory policies still keep the number of women in the services well below optimal levels.

To field an all-volunteer force of 2 million now requires 365,000 male recruits a year—or one out of every 11 qualified and available men between the ages of 17 and 22. Declines in the U.S. birthrate and, possibly, in unemployment will make this goal increasingly hard to achieve. One solution—raising military pay and benefits—could add as much as $14 billion to the defense budget by 1982. A more desirable alternative, suggest Binkin and Bach, would be to expand the role of women in the services.

Yet unless current policies are changed, enlistment of women will soon peak at a level of about 7 percent. The ban on women's participation in combat units, the authors contend, remains unnecessarily broad. In 1948, for instance, Congress prohibited women from sea duty except on certain auxiliary vessels, such as hospital ships. Most such vessels are no longer used in today's fleet. Even work to which women have been traditionally assigned is reserved for men. Of 540,000 jobs for enlisted personnel in the professional, technical, and clerical categories, only 11 percent are filled by women (compared to 55 percent in the civilian sector).

Bach and Binkin propose policies that could bring the proportion of women up to 22 percent. For example, allowing Navy women to serve on support ships—replenishment and auxiliary vessels—would open up 40,000 jobs. Beyond this, the women-in-combat issue will have to be resolved. Congress is in the best position to address the question: It could begin by making legislative changes to permit women in potential combat assignments (in missile-launch squadrons, aircraft crews, and front-line units) on an experimental basis.

"Analysis of the Proposed National Energy Plan"

Office of Technology Assessment, U.S. Congress, Government Printing Office, Washington, D.C. 20402. 243 pp. $4.00 (Stock no. 052-003-00420-8)

"Synthetic Liquid Fuels Development: Assessment of Critical Factors"

Prepared by the Stanford Research Institute for the Energy Research and Development Administration, Government Printing Office, Washington, D.C. 20402. 89 pp. $1.85 (Stock no. 060-000-00027-1)

The Carter administration's National Energy Plan, announced last April, is sound in principle, but its oil, natural gas, and coal production targets represent the upper limits of U.S. capacity and are "not likely to be achieved."

According to the congressional Office of Technology Assessment (OTA), domestic oil production could fall 1.5 million barrels a day (mb/d) short of the 10.6 mb/d goal; coal may lag by 200 million tons a year; nuclear power by as much as 15 percent. The reasons: restrictions on development of oil and natural gas deposits in the outer continental shelf, environmental curbs, and shortages of investment capital and manpower.

The Carter plan calls for coal production of 1.3 billion tons annually by 1985, double the current level. While U.S. coal reserves total more than 400 billion tons, much coal is inaccessible. Converting power plants from oil to coal is expensive, with pollution control equipment alone costing an average of $4 million per installation. Mechanization of the coal industry has stagnated since 1969, when productivity peaked at 16 tons per miner per day. By 1976, production had dropped to 9 tons per miner per day.

OTA also faults the administration's failure to consider synthetic coal-based liquid fuels as a replacement for petroleum. The estimated 200 million cars and trucks on U.S. roads in the year 2000 will consume the equivalent in oil of 6 mb/d.

However, in its separate analysis, the

Energy Research and Development Administration (ERDA) finds that the development of domestic synthetic fuel faces "constraining factors" while lacking "strong economic incentives."

Syncrudes (crude oils produced from coal and shale) have long been technologically feasible. Nevertheless, they are not yet cost-competitive with natural crudes—even with expensive OPEC oil imports. Capital investment is enormous, and processing plants require large amounts of water. (ERDA fears that a syncrude industry might cause severe water shortages in Western agricultural regions.) Moreover, the agency warns, researchers have as yet been unable to "revegetate" spent shale residue, the chief by-product of syncrude manufacture.

"International Debt, the Banks, and U.S. Foreign Policy"

Report to the Subcommittee on Foreign Economic Policy, Senate Foreign Relations Committee, Government Printing Office, Washington, D.C. 20402. 68 pp. $1.80 (Stock no. 052-070-04235-4)
Author: Karin Lissakers

While most industrialized Western nations have so far been able to bear massive oil-induced trade deficits, many poor Asian, Latin, and African countries have had to go heavily into debt since 1973 to pay for higher-priced OPEC petroleum. The debt issue, writes congressional aide Lissakers, will dominate U.S. relations with the Third World until well into the 1980s.

The International Monetary Fund and other lenders have provided emergency assistance to less developed countries (LDCs), but the West's private commercial banks constitute the major source of balance of payments credit. The banks, most of them American, hold deposits from the oil-producing nations in excess of $100 billion. (The largest depositors are Saudi Arabia, Kuwait, and the United Arab Emirates.) These "petrodollars" have been recycled as loans to developing nations to alleviate external trade imbalances and maintain domestic consumption levels.

But increased borrowing, coupled with failures to undertake energy austerity programs, is making it increasingly difficult for such countries as Brazil, Turkey, Zaire, and Mexico to repay their debts. (Brazil and Mexico together owe $39 billion to private banks; Turkey and Zaire are having trouble even meeting interest payments.) While precise figures are unavailable, LDCs may owe as much as $200 billion on oil purchases alone—half of it to commercial lenders. These countries are now spending an estimated 20 percent of export earnings just to service their debts. For Brazil and Mexico, the figure may be as high as 40 percent.

If one or more LDCs find it useful to default on Western loans, the result may be a domino effect, leading to worldwide financial panic. Unfortunately, Lissakers notes, there is no evidence that the industrialized nations themselves are prepared to reckon with the "underlying cause" of the present distress—excessive dependence on the OPEC cartel for energy.