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Structural Adjustment Programs in the Middle East
The Impact of Value Patterns and Social Norms

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1. Cultural Disposition and Economic Performance

The painstaking process of structural adjustment evokes anew the old debate on behavioural patterns suitable to economic modernization ever since the seminal contributions made by McClelland¹, Lerner² and Hagen³. Countries like Egypt are looking back at four decades of development efforts ever since the revolution of 1952. Meanwhile, a substantial differentiation among Third World countries has evolved, with widely different development results, ranging from Far Eastern "tigers" to stagnation and even per capita income decline in Subsaharan countries.

This large-scale social experiment of development policies in some 180 countries during the past decades allows us to identify major elements of success:

- Full development commitment of the power elite,
- a sustainable political consensus as to speed, direction, and strategies,
- a broad support of the population irrespective of class, cast, ethnic or religious affiliations for maintaining effort and developmental momentum.
- combined with a fair distribution of benefits.

Exactly these components have been instrumental to the performance of countries like South Korea, Taiwan, Singapore, and are being successfully imitated by Newly Exporting Countries like Thailand or Malaysia.

When we talk about structural adjustment, the focus is on policy regimes on macro, sectoral and entreprise levels. The issue is a fairly substantial shift in general outlook, styles and strategies, that are in turn influenced by basic patterns of social and cultural conditioning. For instance, a general preference for inward rather than outward looking policies is

¹ McClelland (1953). McClelland (1961).

^{2 &}lt;u>Lerner (1958)</u>.

^{3 &}lt;u>Hagen</u> (1962). <u>Hagen</u> (1975).

⁴ Weiss (1992b).

deeply engrained in the various cultural webs. Individual initiative and efficiency may be unacceptable in the prevailing cultural pattern as a threat to the concept of cosmological harmony at large. Hence, we are faced again with the old theme of values, attitudes and their impact on economic behaviour at large. Even within individual Arab countries we observe widely different economic achievements according to distinct value patterns and social norms.

On the international level, such differences in economic performance have started to shift the balance of power and prestige within Third World countries. The Far Easteners started from similar initial conditions as many other developing countries in the early 1960s, but really managed a Rostowian text-book "take off". So far, they show little inclination to give a helping hand to their less fortunate competitors in many parts of Africa. Third World solidarity and the spirit of Bandung have faded away. Instead, a fierce competition is mounting among Third World countries.

2. Creativity as a Core Concept

Man-made comparative advantages are rapidly replacing traditional comparative advantages. The key to success has shifted to continuous technological innovation within an ever accelerating race between the front runners and their early imitators in terms of product and process technologies and the search for market outlets. The nation states and their economies are drawn into a global economic system with its inherent risks. The accelerating speed of technological innovation is linked with an increasing differentiation of ever more sophisticated market segments calling for flexible niche strategies.

Gone is a division of labor of the Ricardo or Heckscher-Ohlin type. Cheap, unskilled labor is no longer a "resource", let alone a "comparative advantage". Natural raw materials are subject to technological substitution. A viable adjustment to this

Cf. for Islamic Java: <u>Mulder</u> (1978), p. 39., <u>Geertz</u> (1961), p. 146, <u>Magnis-Suseno</u> (1981), pp. 37 f., Röpke (1982), p. 112.

international setting has to go beyond the toolbox of the economics profession.

Monetary and fiscal stabilization, privatization, liberalization of markets and trade regimes cannot be transplanted in a reductionist technical operation. The shift in perspective from factor proportions to factor creation requires a basic shift in emphasis on human skill development, technological competence, scientific and innovative potential, sophisticated managerial capabilities both at government and enterprise levels - irrespective of private, public or co-operative ownership. The major issue is not private ownership and laissez-faire vs. public control. All "Asian tigers" have heavily relied on state intervention.

The real issue is technological and managerial competence at large, linked with the adjustment of value patterns and motivation eventually translated into tangible benefits in terms of income, promotion and prestige, self-esteem and self-fulfillment. Such elements explain the Korean, Singaporian or Taiwanese success stories.

3. The Innovative Personality

Creativity is tied with values, attitudes and behavioural patterns engrained in basic cultural dispositions. Three decades ago Everett Hagen in his "Theory of Social Change" has drawn attention to major qualities that constitute human creativity:

- openness to experience,
- a world view perceiving interacting forces as explainable,
- constructive imagination,
- confidence in one's own judgment and evaluation,
- a sense of facing and attacking problems and resolving inconsistencies,
- a sense of responsibility and achievement motivation,
- intelligence and energy,
- an open and curious mind approaching new phenomena,
- and the perception that the world presents challenges and that one must strive perpetually in order to cope with it.

⁶ Hagen (1962), pp. 88 f.

Apparently, this pattern is fairly different from the authoritarian, non-creative personality where - still following Hagen

- the world is perceived as arbitrary,
- not amenable to analysis and not explainable within a cause-and-effect network.
- "Willful powers far greater than his ... serve their own purposes and disregard his unless he submits his will to theirs ...

These perceptions breed in him a fear of using his initiative, an uncertainty concerning the quality of his own judgment, a tendency to let someone else evaluate a situation in order to avoid frustration and anxiety". 7

- "Rather than rely on his own analysis to solve problems of the physical world or his relations to other individuals, he avoids pain by falling back on traditional ways of behaviour that his parents and other earlier authorities taught him, and by relying on the judgment or will of individuals superior to him in authority or power".
- "He finds it safer to rely on traditional rules or on the judgment of older, wiser, and superior persons"9.

This attitude is useless in research and development. Any new theory, technology, any new design or management concept needs the contrary: Young people rejecting traditional rules, questioning the views of the elderly, challenging the judgments of their superiors, holders of rank, title and bygone achievements. The successful researcher is a daring individualist, highly aggressive and convinced of his own ideas.

In enterprises new product and process technologies have to be put through against resistance, inertia and established routines. Continuous effort must be made even in internationally leading businesses to encourage and protect creativity against the heavy hand of vested interests within the entrepreneurial bureaucracy. Creative attitudes must be trained and encouraged early in life-time and must become a pattern of life-long learning and effort.

⁷ Ibid., p. 97.

⁸ Ibid.

⁹ Ibid., p. 98.

But what happens to the young lecturer in a developing country who has just got his Ph.D. from a prestigeous foreign university? The young colleagues bitterly complain that social norms back home would not allow to raise a scientific argument just for the sake of the argument, irrespective of the social context. Status and hierarchy carefully ought to be taken into consideration before expressing an academic opinion. Attempts at breaking new ground through provocative views tend to be ostracized. Arguing against elder colleagues, let alone people in power like the dean, is not done. In parts of the Arab world this cultural pattern has been reinforced in recent years by new orthodoxies. A number of countries have got under fundamentalist pressure — not in favor of independent critical thought.

As a visiting professor in a number of Arab universities, I was quite often exposed to such issues. In Jordan a dean told me bluntly: "I have used your lecture to provoke our fundamentalists to show the flag".

In the Sudan I presented a paper shortly after Mahmoud Mohammed Taha, the Islamic reformer, had been sentenced to death in 1985. I still remember a discussion on a roof of the University of Khartoum with distinguished Sudanese colleagues, one of them combining an international academic record with a deep commitment to Sufi Islam. He addressed the Arab past when knowledge was not separated from wisdom. Science and technology were related to a set of basic Islamic values: "Tawheed (unity), khilafah (trusteeship), ibadah (worship), ilm (knowledge), halal (praiseworthy) and haram (blameworthy), adl (justice) and (tyranny), and istislah (public interest) and dhiya (waste)". 10 This set of values linked scientific inquiry "with a system of knowing that is based on accountability and social responsibility". 11 This old wisdom is echoed in contemporary attempts at technology assessment and the call for re-embedding science and economics into a framework of ethics.

I may mention a third experience from Syria: The libraries

¹⁰ Sardar (1982), p. 21.

¹¹ Ibid.

painfully mirrored academic isolation from current international debates, inter alia perpetuated by a notorious lack of funds as a result of low overall budget priorities. Current international literature was non-existent. Teaching was based on manuscripts collected more than a decade ago in Moscow, Prague or East Berlin. Knowledge of foreign languages was weak even among faculty members, and students were unable to absorb non-Arabic material.

The reaction of the students to my paper consisted in a meticulous repetition of what I had said without any individual comment, let alone criticism. Trying to provoke them, I insisted that technology as an outflow of science is neither simply for sale nor accessible through foreign aid, that it requires active participation in the international discussion process, free flows of communication, freedom of thought and dissent rather than memorizing a few textbooks. The students were stunned. 12

4. A Word of Caution

The concept of cultural disposition suitable to economic development, however, should not be abused. Irrespective of the cultural setting, in his struggle of survival, man acts as a rational being.

However, his rationality may be different from what structural adjustment programmers presume. Whatever the cultural setting may be, adjustment programs must fail if a transition toward market-friendly regimes is accompanied by arbitrary government intervention, deficiencies of the legal system and of jurisdiction, lack of public accountability and enforcement of civil rights. These are political obstacles which have to be eliminated, and should not be assigned to "cultural" factors. Individuals react rationally to such conditions.

13 Elwert, Gocht, Kornadt, Kuhnen (1992).

Weiss (1986), p. 389. Weiss (1990), pp. 219 f.

The general regulatory framework has an impact on the individual concept of what a "benefit" actually is, but hardly on the concept of its maximization, whatever the "benefit" may be. Institutional rules have an impact on the concepts of benefit. Spending on expensive ceremonies like marriages can constitute benefit maximization in terms of prestige. This may be a rational investment, if future income potentials are subject to social status rather than technical skills. Concepts of benefit have changed where confiscation has been an imminent threat. Life expectancy may favor short-term rather than long-term investment. Political instability and lack of proper jurisdiction may also harm long-term profit orientation. Within public enterprises, reinvestment for maintaining efficiency may be no relevant category within the still prevailing managerial incentive structure. 14

In other words, human action tends to be rational, but it is dependent on the general system of economic conditions, institutional arrangements, social rules, essential symbols of status and prestige, and - last not least - available and accessible options in incomplete markets.

Market development as a core element of structural adjustment programs requires mutual trust and sound legal enforcement. Without sanctions, public control and internalized norms this trust in the reliability of market operations cannot emerge.

The concept of culture should not be abused neither by governments denying fair chances to their populations nor by their foreign advisors underestimating the keen intelligence of people in their struggle for survival, particularly so at low income levels in agriculture and in the urban informal sector. Political deficiencies should not be confused with cultural conditions.

Foreign advisers have quite often underestimated the risks of their target groups. They have also overlooked essential sources of income beyond economic textbook categories such as cor-

¹⁴ Ibid.

ruption. Thus, from the perspective of the native farmer, pastoralist, small trader, entrepreneur or civil servant, they have often appeared naïve. Eventually, it was the foreign agricultural advisor who emerged as the "traditionalist" obsessed with the introduction of his foreign technology and promotion programs rather than his "target subject", the native farmer by far more informed and sophisticated in coping with the risks of nature and administrative rule. 15

5. Modernity vs. Identity?

Still, structural adjustment to the highly competitive international system requires particular values and virtues, but not necessarily new ones. We observe a renewed search for cultural identity, for reassurance in one's own roots and one's historical background. Japan has demonstrated how to build successful development on core elements of revered old values and virtues. Similar phenomena can be studied in other parts of the world. Their message is: Only if the timeless essence of creativity is tapped within one's own culture, modernity is not paid by a loss of identity. 16

The Far East is a case in point. Its value systems include a thorough sense of social discipline, respect of hierarchical order, Confucian work ethics, high esteem for education and learning, and the concept of a dynamic, ever changing Universe - contrary to the concept of a static clockwork as, for example, in the mediaeval European view of a world completed "on the seventh day".

Man is in search of reassurance and guidance, and particularly so in chaotic times. Buddhist, Hinduist or Islamic revivalism and many religious movements in other parts of the world share this movement "toward the source". Creativity is becoming a core concept. In Latin this is called re-ligio, i.e. "relinking" to the universal origin from where all creativity

¹⁵ Thid.

Zwiefelhofer (1980), p. 5.

E.g. the Afro-Bresilian "candomblé".

springs.

On the other hand, value systems and social norms themselves are subject to historical change and never-ending evolution, thus responding to the needs of survival in an ever changing environment.

Culture has never been a static concept. Its strength lies in its adaptive capacity. 18 Man is adaptive to technical and institutional innovations. The whole system of perceptions, institutions, arts and technologies is in permanent flux. Substantial agricultural innovations have been implemented by Sahelian farmers in recent years with practically no support from outside. 19 Nowhere has cultural transformation been so substantial as in the Third World during the last three decades.

But we have also noticed a reverse phenomenon: the so-called "invented traditions" in recent years which never really existed in history. They seem to be needed and are being used as a tool for producing identity for the people, and eventually to supply legitimacy for ruling elites.

Hence, structural adjustment strategies are faced with a double challenge: on the one hand to apply technological means to basic needs, including man's urge for a meaningful life within a culturally embedded economy²⁰ - Islamic, Buddhist or otherwise - and on the other hand to adjust inherited value systems and societal norms to the new requirements including the pressing ecological demands. The motto of the recent Olympic games - "higher, faster, wider" - is naïve.

Know-how has to be supplemented by know-why and know-whereto. Behind the technicalities of structural adjustment programming we have to face the question as to the viable direction: Adjustment to which sustainable global environment, to which sustainable consensus on common values vaguely emerging within

¹⁸ Cf. Elwert, Gocht, Kornadt, Kuhnen, op. cit.

¹⁹ Cf. <u>Krings</u> (1991), pp. 55 f. Cf. <u>Polanyi</u> (1978).

²⁰

the United Nations?

6. Values and Norms on the Operational Level

Value problems reappear on the level of technical implementation of structural adjustment programs. A tremendous effort is required in the process of, firstly, macroeconomic stabilization of the budget, the balance of payments and the monetary system, secondly, a reorganization of the markets for goods, services and factors, particularly labor and capital, thirdly, a change in the ownership structure of the enterprise sector, fourthly, the establishment of a legal and institutional framework suitable to a market-friendly economy including a social welfare net. 21 As both inflation and unemployment tend to rise and the real losses of a distorted industrial structure become apparent, old prestige hierarchies collapse and previous social norms are invalidated.

The major <u>actors</u> are requested to transform their outlooks and behavioral patterns: In the first place, the call is for the enterprises as producers of goods and services, secondly, for universities and research institutes as producers of ideas, thirdly, for parties and political institutions in charge of articulating a new social consensus, and, fourthly, for the development administration to translate strategic options into feasible programs and projects. Creative concepts are to be transformed into action. Again, what is needed is

- technological innovation and
- flexible and imaginative social organization
- within an adequate institutional setting.

Wherever structural adjustment programs have been initiated, former institutional patterns apparently have not been up to this task.

²¹ Cf. World Bank (1991), pp. 145 f.

7. Total Commitment of the Society

Michael E. Porter and co-authors in their seminal study on Comparative Advantages of Nations²² have presented substantial empirical evidence. They also stress factor creation with emphasis on human skills and technological innovation, managerial competence in the enterprises,

a reliable political framework of economic regulations supporting enterprise strategies while at the same time stimulating rivalry among them.

A fascinating finding is that selective <u>dis</u>advantages have often been instrumental in mobilizing effective factor creating mechanisms. South Korea is a case in point:

"The Korean people, companies and government have made major investments in factor creation, well beyond those of most other Asian NICs and other developing countries. This is a principle reason why Korea has been able to upgrade its economy and compete in more and more advanced industries. One of the most striking and important attributes of Korea is the commitment of Koreans to education."²³

South Korea has a high level of literacy, an extensive and efficient university system with particularly aggressive investments in engineering, an unusually high degree of post-graduates studying advanced technologies in top international universities, and generous funding for such studies both by Korean companies and government. Overall educational spending represents some 21 percent of the total government budget.²⁴

Korean companies above a certain size, as a matter of law, are required to provide training for their employees. Large Korean firms invest some US\$ 30 million annually in training facilities alone. The high level of technical education among senior management executives, many of them holding doctorates in technical fields, is essential to understanding the enthousiastic Korean attitudes toward technology as well as the ability of Korean companies to develop their own technology. Another ele-

^{22 &}lt;u>Porter</u> (1990), pp. 131 f.

²³ Ibid., p. 465.

²⁴ Ibid., p. 466.

ment was the whole-hearted commitment to international marketing.

The whole system is supported by a total commitment of all Korean parents to the education of their children - in line with the high esteem of Confucianism for learning. Such values and behavioral norms were the breeding ground for factor creation yielding Korea's man-made comparative advantages.

8. Output Orientation within the Public Administration

Major requirements as to attitudes, values and social norms clearly emerge. An efficient implementation of the ongoing structural adjustment efforts cannot function without an administrative overhaul. Authors from Morroe Berger²⁵ to Elsayed Yasin²⁶ have drawn attention to particular styles of political administration in the Arab world. The issue is not the introduction of Westminster parliamentary democracy, as can be learned from East Asia. However, what is needed is operational efficiency. Here, the general organizational theory tends to argue for decentralization. Again, East Asia fared well with their own hierarchical styles in line with their social traditions.

Indispensible, however, is full commitment in terms of results, and administrative routines and provisions suitable to achieve such results. There must be a mechanism of monitoring, evaluation, readjustment and learning, i.e. emphasis on output orientation, linked with the possibility of public criticism protected by civil rights.

Berger's study on "Bureaucracy and Society" in Egypt's 1950s has delineated striking dilemmas of civil servants between responsible action and a bureaucratic culture punishing any initiative²⁷. The same pattern is echoed in a study of 1988

^{25 &}lt;u>Berger</u> (1957).

Palmer, Leila, Yasin (1988).

²⁷ Berger, op.cit., p. 156. Weiss (1964), pp. 77 f.

reiterating the old evils of bureaucratic apathy 28 , concentration of authority 29 , lack of flexibility 30 , low productivity 31 , and general avoidance of responsibility 32 .

Another major bottleneck within the political and administrative setting is the gap with regard to program and project identification and implementation.

This aspect was already addressed in the reform proposals of 1977 presented to President Sadat³³ by a German Consultative Mission headed by former Finance Minister Alex Möller. Hardly any of its policy recommendations were implemented. In fact, most of them are almost identical with the recent reform proposals presented 15 years later by the World Bank and the IMF within the current Egyptian structural adjustment program³⁴.

Palmer, Leila, Yassin, op.cit., p. 59. <u>Tuma</u> (1988), pp. 1185 f.

²⁹ Palmer, Leila, Yassin, op.cit., p. 75.

³⁰ Ibid., p. 73.

³¹ Ibid., p. 48.

Jbid., p. 82: "Subordinate officials in Egypt are reputed to shun responsibility. The avoidance of responsibility by Egyptian officials takes a variety of guises, three of which are particularly prominent.

First is the reputed tendency of officials to send all matters, large or small, to their supervisor for clearance ... A lack of time is not their problem.

Second is the reputed tendency of subordinate officials to hide behind the rigidity and complexity of Egypt's bureaucratic codes. Demands that do not fit a clearly specified regulation tend to be either ignored or, more probably, set aside for further clarification ...

Finally, subordinates ... may find themselves preoccupied with other priority tasks that would have to be delayed for the sake of the new request. Subordinates may plead inadequate skill to accomplish the task delegated. Or, technical and legal complications may arise that require clarification. The possibilities are endless.

If the avoidance of responsibility by subordinate officials is as severe as our consultants suggest, it must also be considered a major factor limiting the flexibility and, ipso facto, the development capacity of the Egyptian bureaucracy. The reluctance of subordinates to assume responsibility reinforces tendencies toward the excessive concentration of authority by supervisors" (my italics).

Möller, Billerbeck, Heimpel, Hillebrand, Taake, Weiss (1980), pp. 111 f.

³⁴ Cf. Weiss (1992a).

9. Building Consensus on Social Values

Parties and other political groupings are supposed to mould a sustainable political consensus. However, even in Western democracies political parties find it increasingly difficult to translate pressing social demands into political options in the face of shrinking budgets and mounting risks. Civil protest groupings are mushrooming, and nationalist, ethnic or religious separatism is on the rise, particularly in Eastern Europe.

In the Arab world it is hard to see - and certainly so for a foreign observer - which forms of social articulation on values and social norms may eventually emerge from the ongoing internal debate³⁵ and particularly so under the pressure of structural adjustment and eventual redistribution of income.

10. Entrepreneurial Management Styles

What definitely matters is managerial competence within the enterprises. Irrespective of different ideological inclinations, public, private, mixed or co-operative ownership, the challenges of process and product technology must be met and market outlets must be found.

Widely divergent management cultures have been feasible to arrive at satisfactory earnings. European management concepts are quite different from American ones, and both are at odds with Japanese outlooks. Taiwanese, Singaporian or Korean management styles are in line with Confucian values and in turn worlds apart from business practices in the Middle East or Latin America. Nevertheless, many of them succeed in complying with the essentials: technological competence, innovative capacity, fast transformation of know-how into marketable products, continuous organizational development to cope with external

Cf. Magdi (1992), p. 5-7, Ben Jelloun (1992), pp. 189 f., Adonis (1992), p. 205. Zakariya (1992), pp. 242-245. Al-Azm (1992), pp. 249-251. Arkoun (1992), pp. 269 f. Krämer (1986), pp. 33 f. Pawelka (1985), pp. 80 f. Hubel (Ed.), (1988), pp. 34 f. Bugat, Leca (1990), pp. 14 f. Duclos (1990), pp. 52 f. Makram-Ebeid (1989), pp. 423 f.

change.

Large public enterprises in Arab countries have often been unable to earn profits as a result of corporate cultures favoring fairly rigid top-down control. 36 A reform of the enterprise sector is at the core of any structural adjustment program, and it requires profound shifts in prevailing organizational values and outlooks. Delegation of responsibility down to the shop floor level is a major issue.

Manual work has to be appreciated - a concept alien to traditional Arab Bedouin society and not easily being accepted even in countries with a long handicraft tradition. Quality circles - essential to an adequate market performance - require competence and self-respect up from the shop floor level and adequate appreciation and remuneration. People must feel authorized and encouraged to venture into independent judgment and responsible problem solving. Efficiency and income must be linked. Upward social mobility is an essential.

Does the social system allow for prospective thinking and role playing of ambitious women and men in terms of personal careers irrespective of class, cast, tribal or religious affiliation? Does Daniel Lerner's shepherd still exist who would rather die than dare to think what he would do if he were President of the Republic? Lerner's finding was that perspective thinking was blocked by fear: "The constricted peasant can more easily imagine destroying the self than relocating it in an unknown, i.e. frightful setting"37

11. Budget Priority for Education

Educational policies are decisive: in terms of budgets, personnel, research capacities, rules of examination38 and promo-

³⁶ Cf. Muna (1980).

³⁷

Lerner, op. cit., p. 25. Cf. <u>Tuma</u>, op.cit., p. 1190: "Exams at all levels are supposed to be based literally on the 'ministry textbooks'".

tion. Primary, secondary and tertiary education obviously have a decisive impact on the patterns of thought and action. This is where structural adjustment should begin. The contrary, though, is the rule. When budgets are to be balanced, long-range educational gestation periods have a weak bargaining position. Quality concern is of vital importance. Again, the argument is not new.

A striking feature of the Arab educational scene is the lack of a number of top Arab Technical Universities competing with international schools on an equal footing: the prestigeous universities of Europe and the U.S., the Indian Institutes of Technology, the Asian Institute of Technology in Thailand and others. Petrodollar funding would have been available. Personnel could have been drawn from a long list of distinguished Arab scholars abroad.

Abdus Salam, Nobel laureate in physics of 1979, has reiterated the complaints as to inadequate working conditions in the Middle East in terms of funds, libraries, laboratories, research communication, travel allowances for participation in international congresses, and inadequate social status as compared to the higher ranks of civil service: "I had a stark choice, to stay in physics or in Pakistan".

12. Prospects

At the same time, Abdus Salam is an example for searching the roots of modernity within one's own culture: he has attributed his work on Unified Field Theory to the concept of Unity in Islam.

So we are back to the basic values. In an environment of rising international turbulence people search for direction and meaning. Values and societal norms shape ongoing trends and are in turn subject to further evolution.

Between the "All is One" and the "World of Ten Thousand Things", as the Easterners say, individual and collective efforts toward achievement and development will have to find a socially and ecologically viable form. Creative minds will be the crucial resource as the evolution of man's economic organization seems to approach another historical threshold. As usual, unavoidable change is perceived as crisis.

Values and social norms have always been a mirror of the historical situation. Structural adjustment in the economic sphere is just one aspect of a much wider process of global transition. Hence, the renewed search for core concepts allowing for coping with a creative chaos hopefully spelling - with Prigogine - a new "order through fluctuations". I am aware that the Arab World is particularly sensitive to this search.

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