Vodka and Cola: détente on the rocks

by Konstantin George

On May 20 and 21, the U.S.-Soviet Trade Commission met for the first time since December 1978, with the Soviet Union hosting the talks in Moscow. Heading the delegations were U.S. Secretary of Commerce Malcolm Baldrige and his Soviet counterpart, Foreign Trade Minister Nikolai Patolichev.

Baldrige was also received by Soviet General Secretary Mikhail Gorbachov. This marked the first time since the Brezhnev "détente" era—not counting the funerals for Leonid Brezhnev and Yuri Andropov—that a Soviet General Secretary has met with an American cabinet official. These "firsts" have been played up in much of the British and American media, to build unfounded hopes for a "thaw" in Soviet-American relations.

Volumes of trade, in and of themselves, have as little to do with the prospects for war or peace, as do sunspots. Trade between adversaries does not in itself deter war, as the experience of this century shows: The historic highs in German-Russian trade directly preceded the two World Wars.

No grounds for euphoria

Baldrige delivered a letter from President Reagan to Gorbachov, expressing, according to TASS, "in general terms the wish for expanding trade betwen the U.S.A. and the U.S.S.R." That no breakthrough is possible, given Soviet confrontationist policy toward the United States, can be judged from Baldrige's words to Gorbachov. According to a U.S. embassy spokesman in Moscow, Baldrige flatly declared: "There probably can be no fundamental change in trade relations without parallel improvements in other aspects of the relationship."

Coming on the heels of Gorbachov's rude rejection of Reagan's offer for a summit meeting offer, no chance of a real change in Soviet policy exists.

Gorbachov was no less uncompromising in the talks with Baldrige. According to Radio Moscow of May 21, Gorbachov took the occasion to blast U.S. policy, calling on the United States to "alleviate the present tension in the world, stop the arms race, and the escalation of hostilities." He charged that the "United States is to blame" for the "unsatisfactory level of trade and strained bilateral relations" between the two countries. Bad U.S.-Soviet economic relations are the result of Washington's "discriminatory policies and interference in internal affairs."

Soviet-American trade in 1984 stood at nearly $3.7 billion. U.S. exports to Russia were $3.3 billion—nearly all of it accounted for by Soviet grain purchases. U.S. imports from Russia totaled a mere $350 million, and nearly all of that involved purchase of raw materials. Trade in industrial goods is practically non-existent.

Soviet interest in expanded trade, in line with Soviet prewar requirements, falls into three major areas: 1) large-scale grain purchases, for both consumption and wartime stockpiling; 2) acquisition of as much high technology as possible, including in the areas of electronics and computers; 3) acquisition of Western consumer products to alleviate the drabness of Soviet life, without heavy foreign-exchange expenditures.

Large-scale grain purchases are covered by the long-term agreement signed in Moscow in August 1983 by U.S. Agriculture Secretary John Block. Patolichev used the current talks to demand access to U.S. high technology, telling Baldrige, according to Radio Moscow: "U.S. businessmen should bear in mind that the Soviet Union has no intention of buying equipment and processes which are not up to present-day standards." Patolichev also demanded restoration of Most Favored Nation Status for Russia (as established in the Kissinger era, 1972). This would mean dropping heavy duties on Soviet imports to the United States.

Pepsi and vodka

Moscow will always sign major trade deals, when the terms are in its interests, and especially when foreign exchange costs are non-existent. One such deal is the doubling of the Pepsi-for-vodka trade, signed in Moscow May 20 by Pepsico chairman Donald Kendall—one of the bigshots of the Averell Harriman's U.S.-Soviet Trade Commission—and the president of the Soviet Export/Import Company, Yuri B. Zhishin. Under the accord, sales of Pepsi Cola in the Soviet Union, now at $200 million a year, will double to $400 million, from 1986-90.

This deal will cost Moscow not one penny in foreign exchange. Increased sales of Stolichnaya Vodka, marketed by Pepsico in the United States, will pay for the cola. This will take care of some of the U.S.S.R.'s vodka surplus, following the Kremlin's new decision to drastically curtail domestic vodka consumption, as part of the ongoing war against alcoholism. Ivan can drink more cola, straight, or mixed with his red wine (as is done in the East bloc), which contains less alcohol than vodka, to compensate for less vodka.

Finally, the deal provides a new use for the surplus of the Cuban sugar harvest—purchased annually by Russia—as well as for the forthcoming flow of Nicaraguan sugar, now that the U.S. market is closed to Nicaraguan sugar. That deal—Soviet oil for Nicaraguan sugar—has just been signed. The Soviet Union has announced that it will provide Nicaragua with 90% of its sugar needs in 1985.