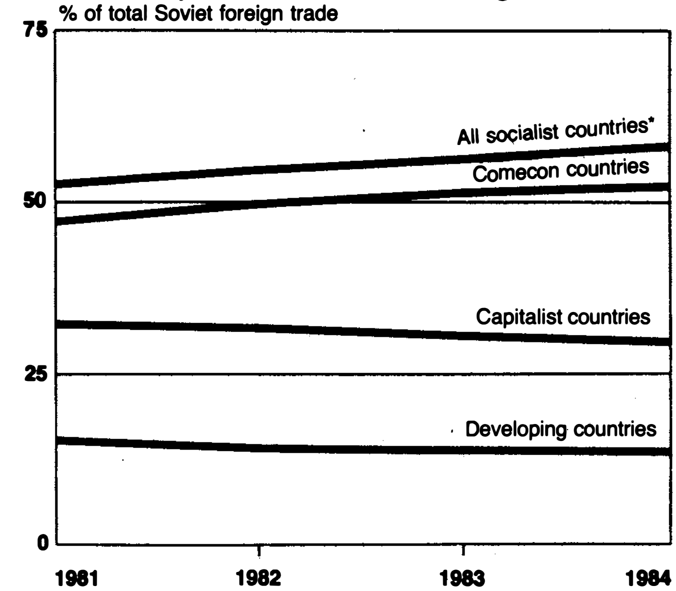
trade with the developing sector was 15% of Soviet trade. For 1984, this had fallen to a mere 13.2%. The decline would be even sharper if countries like Afghanistan, Libya, Syria, Angola, and Ethiopia, all included among the Soviet category "developing sector," were omitted from that grouping.

According to the latest DIW statistics on trade between West Germany and East Germany in 1984 and the first four months of 1985, East German policy has been to drastically reduce imports of machinery and equipment from West Germany. The figures are staggering. In 1983, East Germany purchased DM1.266 billion worth of capital goods from West

Figure 1
The composition of Soviet foreign trade
% of total Soviet foreign trade



* Includes Comecon

Germany. In 1984, this dropped by DM345 million to DM1.026 billion. Purchases of West German machinery fell by DM134 million to DM635 million, equivalent to the 1975 level. The prospects for 1985 look even worse. In the first four months of 1984, West German machinery sales to East Germany were DM146 million; for the first four months of 1985, the figure is down to DM132 million.

Overall, however, West German exports in 1985 to East Germany are up heavily, by 25% in the first four months 1985. Well-informed German trade sources insist that this rate will not last, and predict an annual increase rate of between 5% and 10%. According to these sources, the increase reflects Soviet-CMEA strategic purchase policy: "The increase is coming from heavy purchases of West German basic materials, especially from the chemicals sector [which last year accounted for 20% of West German exports to East Germany], and mining equipment for the East German lignite mining industry, the country's basis for self-sufficiency in energy."

Moscow's trade game in Western Europe

by William Engdahl

Late in 1984, Moscow began to intensify its use of industrial trade as a weapon, to build a lobby within trade-starved West European industry. It entered into a series of credit arrangements with West German, British, French, and Swiss banks, increasingly denominated in the European Currency Unit basket, the ECU, rather than the dollar. Now, the Soviets have renewed an initiative, through the Polish ambassador to Brussels, formally proposing talks between the Soviet-dom-

TABLE 1
Europe-Comecon trade contacts

Country	Date	Details	Value
I. Italy	8/84	Pirelli gets contract to build tractor parts factory in U.S.S.R.	U.S. $20mn
	8/84	Fiat signs via Comau S.p.A. contract to sell soldering material to U.S.S.R. Also outlined cooperation agreement on auto, tractor, robots for potential sales of U.S. $1.6bn	U.S. $40mn
	8/84	Olivetti renews 5-yr cooperation accord with U.S.S.R., covering office machines, factory automation equipment, but no firm contracts.	n.a.
	9/84	Snamprogetti contracts to build hydrocracking plant in Bratislava, Czechoslovakia	n.a.
	9/84	Cogolo contracts to build 3 shoe factories in U.S.S.R.	U.S. $300mn
	9/84	Montedison signs agreement on scientific-technical cooperation with U.S.S.R. State Ctte for Sci-Tech.	n.a.
	10/84	Selenia S.p.A. gets contract for electronic air-traffic control system for Moscow airport	n.a.
	10/84	Melegari S.p.A. contracts to sell 2 wine-bottling assembly lines to U.S.S.R.	n.a.
	1/85	Vettori-Manghi contracts to deliver 50 tomato-paste making machines to U.S.S.R.	n.a.
	1/85	Fiat contracts for $11 million of specialized Arctic mining equipment to U.S.S.R.	n.a.

inated Council for Mutual Economic Assistance (CMEA, or Comecon) and the 12-nation European Community.

This overture is part of a calculated political offensive which combines a "stick" of terrifying Warsaw Pact military maneuvers and provocations against NATO, with the "carrot" of potential industrial trade contracts for major European firms such as ICI, Courtalds, Davy McKee, Olivetti, Mannesman, Pirelli, Fiat, and others.

A detailed investigation by *EIR* shows how Soviet trade-negotiating policy functions as a closely coordinated adjunct of overall military-strategic policy. The following is a country-by-country summary of the process now unfolding.

West Germany: stagnation

On Jan. 18 of this year, a delegation headed by Aleksei Antonov, chairman of the Soviet Council of Ministers, came to Bonn to dangle the prospect of some 18 billion deutschemarks (about $6 billion) in export contracts for German industry over the 1986-90 period of the next Soviet Five-Year Plan. Discussions were tantalizing, but the only result has been more discussions.

Sources at the Deutsches Institut für Wirtschaftsforschung (DIW) in West Berlin, expect the volume and value of German-Soviet trade to decline or at best stagnate.

There has been much back-and-forth travel from the West German steel-belt companies to the East. As of this writing, a top delegation from Mannesmann Steel Export, the leading supplier for the controversial Urengoi Siberian Soviet natural gas pipeline, is in Moscow trying frantically to secure a new contract, for construction of a steel plant near Wolski. A spokesman for Mannesmann confirmed that, otherwise, the company sees "no spectacular new projects on the horizon."

West Germany historically has been the largest Western trade partner of the Comecon. According to the DIW economic research institute, the terms of trade between West Germany and Comecon countries of the East deteriorated in 1984, exports climbing by only 2.5%, to a total of DM20.2 billion, while imports from the Comecon, principally the

Country	Date	Details	Value
II. U.K.	2/85	Davy McKee contracts to build a chemical works in Tatar, U.S.S.R.	n.a.
	2/85	Shell International contracts to sell crop insecticides to U.S.S.R. Agriculture Ministry	Pd .7mn
	3/85	Foster Wheeler to do feasibility study to upgrade Hungarian oil refinery	U.S. $.7mn
	2/85	Fullwood & Bland to work in automation of livestock raising	n.a.
III. France	10/84	Technip signs chemical cooperation agreement with G.D.R. as France and G.D.R. sign new 5-year economic coop agreement that could lead to eventual FFr15bn trade	n.a.
	4/85	Rhona-Poulenc signs framework deal with Czechoslovakia for technical cooperation with the chemical co.	n.a.
	2/85	Olivier Co. sells tea harvester combine to U.S.S.R.	n.a.
	3/85	Rhone-Poulenc extends its cooperation agreement with G.D.R. 5 years to 1990. Trade with G.D.R. has doubled to FFr300mn/yr in last 3 years.	
	4/85	Technip and Lurgi contract to supply equipment to Soviet oil and gas industry	n.a.
	5/85	U.S. INOR contracts to sell 2.15 million tons steel for gas pipe and auto industry	FFr 4bn

Country	Date	Details	Value
IV. West Germany	4/85	Peter Zauer GmbH contracts to sell spare parts to Soviet-made motorcycles	n.a.
	1/85	A. Moksel GmbH barter sells 10,000 tons of pork to Poland for 80,000 tons of rye	n.a.
	1/85	Kruisk of Yugoslavia contracts to deliver 7,000 bathroom water pipes	Dm .65mn
	1/85	Hoesch Export contracts to deliver 48,500 tons large-diamter pipe	Cz 500mn
	12/84	Triumpf A.G. renews 5-yr cooperation agreement with Hungary to supply underwear, sports and leisure wear	Dm 8mn
	12/84	BASF A.G. contracts in joint venture in Hungary to build polyurethane plant	n.a.
	11/84	VW A.G. contracts to supply G.D.R. with auto-assembly equipment and vans	Dm 600mn
	8/84	O & K A.G. contracts to supply 9 heavy-duty hydraulic excavators to Yugoslav open-pit mines	n.a.
	8/84	Rowenta signs long-term cooperation agreement with Yugoslavia for household appliances	n.a.
	8/84	Belinda A.G. has contracted to supply production equipment and know-how for Hungarian clothing plant	n.a.

U.S.S.R., jumped 19%, giving Germany a deficit of DM3.28 billion. Most of this is due to the coming on line of Siberian gas and oil deliveries to Germany. Reportedly, Moscow is using the enticement of future trade contracts, to force Germany to take more gas.

Great Britain: computers for Moscow?

In December 1984, a political and trade delegation led by Mikhail Gorbachov, then already mooted as the successor to the dying General Secretary Konstantin Chernenko, met with the British government to discuss where British industry might fit into Moscow's next Five-Year Plan—and how to stop the Reagan administration's Strategic Defense Initiative. Elaborate outlines for sales of "home computers" to the Soviets were discussed, according to sources at the British Department of Trade and Industry. One says that the Russians were in secret talks with the British computer-maker ICL, to circumvent U.S. defense restrictions on high-technology exports to the Soviet Union by contracting for construction of a "personal computer" factory inside Russia, at an estimated value of £100 million.

But, as in the case of West Germany, British industry has yet to see hard results. A top spokesman told *EIR* that they do not expect to realize any trade from the new Five-Year Plan until at least December 1985 or even beyond. "Bonn, Paris, London—all are scrambling to get a share of these new contracts. We trust that U.K. industry will get its portion." But he acknowledged that trade for the first three months of 1985 has been disappointing. Apart from John Brown Engineering's completion of compressor stations for the Siberian pipeline, exports to the Soviets in 1985's first quarter are flat.

The fact that U.K.-Soviet trade increased somewhat from 1983 to 1984, is almost entirely explained by the massive Soviet grain import of last year (from £8 million in 1983 to £51 million), the completion of the three-year contract for the pipeline, and a dramatic increase in Russian purchases of nonferrous metals, primarily silver and tin.

At the annual March meeting in Moscow of the British-Soviet Chamber of Commerce, Sir John Mayhew-Sanders, president of BSCC, told *Pravda,* "I consider that new, important prospects are opening up for our countries in the field of economic cooperation. . . . Your country stands on the threshold of a new Five-Year Plan and . . . long-term programs of economic development, in which British firms can and would like to take an active part." A director of John Brown Engineering added that Soviet orders "not only guarantee us secure business, but also employment under conditions of economic crises in the West."

Moscow realizes this all too well.

France: a political target

Of importance for current Soviet strategy regarding Western Europe, is strengthening influence over the regime of President François Mitterrand. Discussions with officials of the French External Trade Ministry revealed that, despite high anticipation of exports to the Comecon countries, only one or two contracts materialized.

As with the rest of Western Europe, the vast bulk of Soviet exports to France come in the form of oil and gas. In return, 43% of French exports to the Soviet Union in 1984 were agricultural products. But the total value of French exports to the U.S.S.R. from 1983 to 1984 was virtually stagnant, going from FF16.9 billion to FF17.0 billion ($1.5 billion) last year. One significant contract has been signed, a deal which had been under negotiation for some time for oil equipment, with Technip and Lurgi, for a total value of $400 million.

With this notable exception, related to Soviet problems in the petroleum extraction industry, French industry has yet to realize a single franc from the Soviet Five-Year Plan. The large French state-owned steel firm Usinor, has just announced plans to open a Moscow office, in hopes of increasing its share of Soviet exports. That firm already exports 40% of its steel to supply Russian pipeline and auto industry needs. French agricultural exports are dominated by a small handful of firms, most notorious of which is that of "Red Billionaire" Jean Doumeng.

Italy: 'sensitive' negotiations

The most intriguing trade talks over the past year have taken place between a group of Italian industrialists and Soviet officials. Last October, Turin magnate Carlo de Benedetti, of Olivetti Corp., led a delegation of 40 Italian industrialists to Moscow, including Gianni Agnelli of Fiat, Mario Schimberni of Montedison, and Luigi Lucchini of Confindustria. A second round of talks was held at the annual meeting of the Italian-Soviet Chamber of Commerce in Moscow in May. According to the Milan financial daily *Il Sole 24 Ore,* Moscow bluntly told the Italians to import more Russian gas or forget about major new export contracts.

An official of the Italian-Soviet Chamber of Commerce told *EIR,* "We keep no data or statistics" on the value of Italian-Comecon trade, "because, you know, Italian companies are very secretive about their affairs." Nevertheless, certain conclusions can be drawn. In 1983, Italian exports to Comecon countries totaled approximately $4 billion, according to the OECD in Paris. But imports from the Comecon were valued at more than $6 billion. Italy is the third-largest Soviet trading partner in Western Europe, following West Germany and Finland. However, despite long-term industrial and technical cooperation agreements signed in April 1984, new export orders, excepting the "gas blackmail" type, do not exist.

Soviet trade discussions with Spain, Greece, and Belgium, have their own unique features, but the pattern is the same. From the standpoint of Soviet political-military strategy, it is most useful to have industrialists sitting at the edge of their collective negotiating chairs, hoping for an fat trade deal—and pressuring NATO governments to curry favor with Moscow.