

Soviets demand the West surrender 'excess wealth'

by Marcia Merry

A top-level Soviet policy speech was delivered in Moscow in July that marks a new phase of Soviet demands for Western food supplies. The tone of the speech made clear that what Moscow wants is "imperial tribute."

As drought devastation intensifies across the North American continent and in the Chinese rice bowl provinces and other major food-surplus regions around the world, Yuli Kvitsinsky, Soviet ambassador to West Germany, stated the view that the Soviet Union must now add "economic parity" to the "military parity" it has achieved, and arrogate to itself the food that it needs. He said, "We must strive to set up international controls over the use of economic power in relations between countries, and over the surrender of excessive wealth—too great for the needs of some states and citizens—for the benefit of the international community." By "international community," he meant the Soviet Union, and he repeatedly referred to the excessive, "unnatural" quantities of food present in nations other than the U.S.S.R.

Kvitsinsky spoke at the July 1 session of the 19th All-Union Party Conference in Moscow.

For the past 15 years, despite a temporary embargo in 1974-75, U.S. food commitments to the Soviet Union have been almost open-ended, covered by a veneer of "treaty" arrangements, and implemented through private contracts from the cartel company brokers (Cargill, Continental, Bunge, André/Garnac, Louis Dreyfus, etc.). After the scandal surrounding the famous "Great Russian Grain Robbery" of the summer of 1972, the Kissinger State Department used the episode to negotiate a grain and shipping "protocol" with the Soviet Union to assure them access to U.S. grain. The excuse was that this would help "stabilize" U.S. grain prices. In 1972, the Soviets bought at low prices. After this, the cartel companies made huge profits off subsequent price increases.

The same price pattern is unfolding today—but more dramatically, because of the drought. The Soviets have been acquiring huge amounts of grain, at subsidized, or mid-level prices, while the cartels are positioning themselves to corner the market on the remaining scarce stocks, whose prices will soon soar.

Following the 1973 Kissinger protocols, a series of Long Term Grain Agreements (LTGAs) were begun between the United States and the U.S.S.R., the first for five years beginning in 1976-77. This LTGA specified terms on which the Soviets would buy 6 to 8 million tons of corn and wheat (about equally divided) a year; but if supplies were short, there was an "escape clause" for the United States.

The second LTGA was negotiated in 1983, by the newly appointed Undersecretary of Agriculture Daniel Amstutz (a 25-year Cargill executive). Amstutz dropped the short-supply escape clause—asserting that there would never be scarce stocks—and set the annual minimum Soviet purchase at 9 million tons of U.S. grain a year. From 1985 to 1987, the grain and soybean totals shipped to Russia were: 5.92 million tons of wheat, 21.16 million tons of corn, and over 2 million tons of soybeans and meal.

Discount for the Russians

After the new 1985 farm bill, the "National Food Security Act," the Soviets were offered discount prices for their U.S. grain imports, under the new "Export Enhancement Program." The Soviets have received fully 12.8 million tons of subsidized grain under this program (which gives free government grain to the cartel companies to offer sweetheart deals to nations of preference). The Soviets are the largest beneficiaries of the program, and have received grain at \$35 to \$42 a ton below the market price.

As of May 6 this year, the U.S.S.R. has already fulfilled

and exceeded the minimum requirements for the fifth and last LTGA year, the 1987-88 trade year.

As the extent of the drought became clear in late May, prices for U.S. corn and soybeans rose dramatically, but U.S. State Department and agriculture and trade officials insisted that U.S. grain stocks were "adequate," and that the United States would be a reliable supplier to the Soviet Union. In mid-summer, grain and soybean prices leveled off at a temporary plateau (attributed to a few rainshowers), during which time the Soviets placed new orders for huge amounts of grain. The Soviets made a gigantic rush purchase of 1 million tons of U.S. corn—deliverable in August. At the same time, brokers arranged large sales of European Community food-stocks to Russia.

Meantime in Vienna, talks have been under way between U.S. and Soviet representatives on the terms of the third Long Term Grain Agreement to begin in September. While these negotiations were proceeding, the U.S. Department of Agriculture issued a special assessment of the drought's impact on crops, on July 12, that minimized the forecasts of damage, and insisted that grain stocks were adequate to meet Soviet needs.

Without announcement, however, the USDA placed a temporary moratorium on shipments out of 11 states of corn and certain other grain stocks held by the federal Commodity Credit Corporation. The "surplus" corn is not there. But still, U.S. officials issued assurances to the Soviet Union that grain was plentiful. In contrast, Canada and other nations suspended grain exports pending review.

World shortages

Finally, as of mid-summer, the toll from the drought has become too obvious for the reassurances of the USDA to be credible to anyone. For example, instead of the July 12 USDA projection of a 25% reduction in the 1988 corn harvest, the reduction may exceed 50%.

In July, the United Nations Food and Agriculture Organization in Rome warned that annual world carryover grain stocks were sinking below even a nominal 17%, when 25% is considered the minimum necessary for security. The FAO reported that if the U.S. grain harvest fell by as much as 50% (the likely loss of corn), then world total grain carryover may sink to the catastrophic level of 11%. Annual world grain consumption has exceeded annual production for the last two years, and this year, grain output will fall catastrophically below consumption, to an estimated 1.4 billion tons.

On Aug. 2, the Worldwatch Institute, the malthusian population-reduction lobby, released a projection on the drought toll that said that world reserves of grain will drop to 54 days of supply, 3 days less than 1973, after the Great Russian Grain Robbery, when U.S. grain prices doubled. Harvest shortfalls will deplete carryover stocks by up to 150 million tons.

In the latest reports from China, the drought has been so

severe in the Southeast, that hundreds of people died from the 23 days of searing summer heat, and thousands of hectares of crops are lost. The *China Daily* July 29 quoted officials that up to 4.5 million people in Zhejiang province, devastated by floods, may go short of food. Some 350,000 tons of early rice were lost in the floods, which followed a severe heat wave and drought that had dried the soil to cement hardness. China has some reserve grain stores, he said, but the crops in Zhejiang province have been severely damaged, and the autumn crops are threatened. There is talk of China, a rice exporter, having to import as much as 20 million tons of rice.

Soviet agriculture, persistently unproductive, is itself hit by adverse weather. Floods have swamped much of the grain fields in the Ukraine. Food riots have broken out throughout Eastern Europe. Severe food shortages are reported in the Soviet city of Kharkov, and other locations.

The Russians demand food

It is against this backdrop that the speech by Yuli Kvitsinsky becomes menacing. In one of the few commentaries reporting and attacking the speech, Prof. Ewa Thompson, writing in the Aug. 1 *Houston Chronicle*, said that Kvitsinsky's presentation reflected a Soviet strategy "to institutionalize a process whereby Western democracies pay economic tribute to the Soviets in the form of credits, cooperative ventures, and giveaways."

Specifically, Kvitsinsky complained that Third World countries do not ship enough food to the U.S.S.R. He said:

"Our help [mostly military aid—ed.] paid for. . . . We in the Soviet Union are experiencing a shortage of coffee and tropical fruits at a time when the markets of Western states are bursting with them. Yet, we are investing billions in aid to those developing countries that can produce and traditionally always did produce those products.

"It is our duty to offer developing states selfless aid. This is indisputable. But the current situation is unnatural. It must be rectified in our own interests and in the interests of the states with which we cooperate."

The East bloc, Kvitsinsky said, should set the pace by carrying out "socialist integration," including, "setting up of a socialist community parliament."

Instead of Western opposition to the Kvitsinsky proposals, there has been silent acceptance, or even praise. U.S. Commerce Secretary William Verity urged the Soviet Union to proceed to absorb the Eastern European economies.

In the *Houston Chronicle* coverage, Professor Thompson observed that, with "Verity's urging the Soviets to integrate East European economies with their own, Kvitsinsky's 'reconnaissance platoon' has fulfilled its mission. It has found that a representative of the supposedly conservative Reagan administration applauds the taking of further bold steps to make the Soviet ascension to world hegemony irreversible."