Bush, Baker plan huge Soviet economic bailout

by Scott Thompson

White House officials and U.S. intelligence sources have confirmed to *EIR* that the U.S. administration under President George Bush and the Soviet leadership under Mikhail Gorbachov have plans to unveil a huge economic cooperation package, whose ostensible aim is to "open up the Soviet market" for the West. All current restrictions on U.S.-Soviet trade are to be lifted, and the Soviet Union is to be granted Most Favored Nation trading status; immense quantities of Western credits are to flow into Soviet coffers in order to build up its industry and provide it with the most advanced production technology.

But in their euphoria over these prospective deals, the boys and girls on the Bush team seem to have forgotten one thing: It can not, and will not ever happen that way.

According to *EIR*'s sources, economic deals will be at the core of the so-called "Wyoming Accords," which Secretary of State James Baker will present to Soviet Foreign Minister Eduard Shevardnadze when they meet on Sept. 19-20 at Jackson Hole, Wyoming. This "new economic dimension" will overshadow every other item on the agenda for the U.S.-Soviet global power-sharing condominium, which includes arms control (i.e., streamlining the Soviet military command), regional matters agreements (i.e., ceding Western Europe and the Middle East to Soviet control), coordinating work on international terrorism, and so forth.

Sources point out that this new emphasis on economic deals is congruent with President George Bush's first major policy statement of his administration, during the late-spring graduation ceremony at the U.S. Naval Academy at Annapolis, Maryland. On that occasion, Bush called for the West "to move beyond containment" toward "the integration of the Soviet Union into global economic institutions." The President repeated this formula on several occasions during his later trip to the NATO summit in Brussels, Belgium.

Officially, the U.S. administration has been coy about admitting the existence of such an economic package. White House spokesman Marlin Fitzwater, when asked about it on Aug. 24, flatly denied it; but on the very next day, at a televised press conference in Kennebunkport, Maine, he had already changed his tune, telling a reporter for *EIR*, "We are working on cooperation with the Soviets on a number of issues. Secretary Baker is meeting with Foreign Minister Shevardnadze next month, but we won't discuss preparations for that meeting at this point."

A spokesman for the European Division of the State Department—a key player in the negotiations of the emerging "Détente II"—told *EIR* on Aug. 25 that his department did not expect to be briefed on the Wyoming agenda until some time after Labor Day, Sept. 4. What is being discussed, he said, is not simply the "Wyoming Accords" for Western economic development of the Soviet Union, but a gradual process toward a first Bush-Gorbachov summit meeting.

Some specifics of the deal

Although the actual scope of the agenda remains sketchy, former senior White House officials, supported by the statements of others in the U.S. national security apparatus, have provided *EIR* with the following aspects of the proposed package:

- Credits at the rate of $6-10 billion per annum initially are expected to be extended by the West. A key element of the new Bush administration program will be the extention of Export-Import Bank credits combined with U.S. government guarantees of other investments. While it is argued that Soviet Prime Minister Nikolai Ryzhkov has said that the current Soviet indebtedness of $56 billion is "dangerously high," well-informed sources note that after having waited for months, the Soviets are now rapidly drawing down the

$9 billion credit lines from Italy, France, and Germany extended last October, and they will be eager for new financing when these sources are exhausted.

- This is a "long-term" investment program, which in the words of one U.S. intelligence source, is to be oriented toward "the year 2000"—a sad reflection on the myopia of the plan's authors, since that's less than 11 years away. Apart from credits, part of the total package will be joint ventures in the form of major industrial developments of the sort that take years to go from the stage of a feasibility studies to actual production.

One source cited as exemplary of this sort of "long-term" investment, the American Trade Consortium, which, with the participation of Chevron Oil, has stated its willingness already to invest $10 billion in the U.S.S.R. in major joint ventures over the next decade. In a recent nationwide television appearance, James Giffen, who runs the Mercator Bank that is the catalyst of the American Trade Consortium, stated that it was his personal desire to transform the U.S.S.R. into "an economic superpower," not simply a military superpower.

- Another crucial aspect of the Wyoming Accords will be the soonest possible waiver, or else repeal of the Jackson-Vanik and Stevenson Amendments. The former denies granting the U.S.S.R. Most Favored Nation trading status, so long as the Soviets impede free emigration of their citizens, while the latter puts a ceiling of $300 million upon the Export-Import Bank credits that can be released for any specific project.

Although some observers believe that a waiver of these laws must await the passage of special laws permitting freedom of emigration which are expected to be voted up in the Soviet Union in February 1990, others, such as Edgar Bronfman of the East-West Forum and the U.S.-U.S.S.R. Trade and Economic Council, have argued that based upon projections of Jewish emigration from the Soviet Union for the year to date, the minimum emigration of 50,000 Jews yearly, which would trigger the repeal of Jackson-Vanik, has already been reached.

- In exchange for Western credits to buy plant and equipment from the West, at least some of which would have "dual use" for the current Soviet war production mobilization, the West expects to receive 10-12 strategic raw materials which are now scarce because of Soviet-steered disruptions in Africa and other supplier nations. A large contingent of 150 Soviet geologists showed up at a recent conference in the Washington, D.C. area, and some of the papers presented talked about just this possibility of expanded Western purchases of strategic raw materials—and natural gas—from the Soviets. Currently, petroleum energy products are the Soviet Union's major source of hard currency.

- The deal is to be made directly with the Soviet Union, with Western institutions agreeing not to do special economic favors for any of the Captive Nations of Eastern Europe, since such treatment might encourage them to bolt from Soviet control.

One of the most important rationalizations, which sources around Washington present for pursuing the Wyoming Accords, is that they would have a "counter-cyclical" impact upon the financial downturn—they avoid the more appropriate word "collapse"—which some major bankers expect to occur as early as this fall. The East bloc, so the argument goes, has a vast population that represents a potential major market for Western exports—even if those exports include "turnkey plants" that open new areas of military technology for the U.S.S.R., such as cybernetics.

What these wishful thinkers conveniently ignore, is that the coming financial catastrophe in the West will throw Western credit institutions into utter chaos, at precisely the time when inexorable economic and cultural forces are forcing the Soviet Empire into a drastic shift into military expansionism and brutal repression of its Captive Nations and its own population. Economic expansion can not occur under those conditions.

It were better if President Bush learns certain lessons from the experience of his father, Prescott Bush, who, as a partner of the Harriman interests in the 1920s, apparently got suckered into Lenin's New Economic Policy "retreat from socialism." During the NEP, Wall Street interests centered at 120 Broadway significantly rebuilt a Soviet economy shattered by "War Communism," only to be rebuffed by Josef Stalin, who purged the Russian adherents of the "Anglo-Soviet Trust," such as Leon Trotsky and Nikolai Bukharin.

The President might also do well to recall the fate of the Hitler-Stalin Pact, whose huge economic cooperation deals were a prelude to war, not to peace.

According to a former senior White House official, the U.S. *troika* developing the Wyoming Accords includes Secretary of State James Baker, Deputy Secretary of State Lawrence Eagleburger, and Undersecretary of State for Political Affairs Bob Kimmitt. As *EIR* warned when Eagleburger was nominated earlier this year for the number-two slot at the State Department, he already has a major conflict of interest on the question of East-West trade, since many of his former clients at Kissinger Associates had been involved in projects that, for example, meant the transfer into Soviet hands of the "crown jewels" of American chemical warfare technologies, according to congressional and Pentagon sources.

A former member of U.S. intelligence also points out, that when Eagleburger was Assistant Secretary of State for European Affairs at the start of the Reagan administration, he had been strongly influenced by Felix Bloch, the recently uncovered alleged Soviet agent who fought a long battle through the Reagan-Bush administrations for precisely such liberalization of trade and credits to the U.S.S.R. Thanks partly to Eagleburger's support, this source said, Bloch even took part in shaping NSO-3 and NSO-4, the key documents of President Bush's reassessment of East-West policy.