U.S.-U.S.S.R. Trade Council: the best enemy money can buy

by Scott Thompson

On the eve of an April 11 visit to Moscow, Commerce Secretary C. William Verity, Jr. sought Cabinet approval for an initiative to stimulate trade with the Soviet Union. The plan calls for the U.S. and the U.S.S.R. at meetings of the Joint U.S.-U.S.S.R. Commercial Commission, to form high-level working groups to spur exchanges in five areas—food processing, energy, construction equipment, medical products, and the services sector.

Mr. Verity sought approval for this plan after two months of Cabinet debate. The plan is strongly supported by Commerce and State, but the Pentagon opposes it, because of its fear that an improved Soviet economy would mean a stronger military adversary. Still, the new Secretary of Defense Frank C. Carlucci has taken a "pragmatic" stand on East-West trade issues compared with the Pentagon's previous chief, Caspar W. Weinberger, who objected to selling almost anything to Moscow on the historically correct grounds that this would enhance the Soviets' military capability.

In addition to the meeting of the Joint Commercial Commission on April 11, five hundred top corporate executives were scheduled to flock to Moscow for a meeting of the U.S.-U.S.S.R. Trade and Economic Council (USTEC) of leading American businessmen and Soviet trade officials. The joint meetings of the Trade Council and the Commercial Commission aim to widen, through economic measures, the sort of appeasement of Moscow begun by the Reagan-Bush administration through the "Neville Chamberlain" INF treaty. Mikhail Gorbachov was scheduled to address the USTEC conference, which he hopes will be able to mobilize U.S. business for the military-economic build-up of the Soviet Union that is the essence of his policy of perestroika (restructuring).

Commerce Secretary C. William Verity, a past chairman and current honorary director of USTEC, is leading both delegations.

The USTEC conference has been twice postponed. Originally scheduled to occur before the last Reagan-Gorbachov summit, the conference was postponed a second time, when Gorbachov was dispatched to Yugoslavia in mid-March. But both the Soviets and the American businessmen who were to attend the USTEC conference had great expectations. Informed U.S. intelligence sources project that plans have been laid to increase U.S. trade of critical technology and raw materials with the Soviet Union to the level of $10 billion annually within the next few years: a level that exceeds trade figures under the height of Henry Kissinger's détente policy with the Soviet Union during the 1970s. While Commerce officials are not as "optimistic," they note that at present there are 50-60 U.S. firms involved in negotiations for joint ventures with the Soviet Union, following a change in Soviet law on Jan. 1, 1987 which, they believe, would permit a return to the economic arrangements of the "Trust-period" epitomized by Lenin and Bukharin's New Economic Policy (NEP) of the 1920s.

While both USTEC and the Commerce Department under Verity stress the "non-strategic" aspects of this renewed trade bonanza with the Soviet Union, it is notable that some of the U.S. firms involved in joint ventures negotiations are ranking defense contractors—e.g., Dow Chemical, E.I. du Pont de Nemours, FMC Corporation, General Electric, and Rockwell. The Commerce Department, under Verity, has had a free hand in pushing trade between the United States and the U.S.S.R., and the meeting of the Joint Commercial Commission led by Verity is expected to remove further obstacles for the U.S. to increase exports of grains, chemicals, machinery, and equipment. While Commerce is clearly the lead agency in advancing trade in areas critical to the Soviet economy, the delegation of the Joint Commercial Commission headed by Verity also includes representatives from the Department of Agriculture, the State Department, and the White House's National Security Council.

The Joint Commercial Commission was given a charter for action by a senescent President Reagan and General Secretary Gorbachov at their summit last December, in which they directed the U.S. and U.S.S.R. governments to find concrete proposals for expanding trade.

Congress has gotten into the act as well through the new Trade Bill, that recently was worked out in a trade-off between House and Senate versions. According to the latest subconference version of the bill, everything will be decontrolled for export to the Soviet Union unless the United States is the sole producer of the product. White House negotiations to bring about multilateral embargoes on the trade of goods with the Soviet Union among Western allies, will be limited in duration by the new bill to a mere 18 months.

Since Japan and such European countries as Germany are already exporting critical defense-related high technology to the Soviet Union, this means that U.S. firms will also be free to do so. Many of the U.S. firms involved in joint venture negotiations with the Soviet Union have been waiting for just such a decontrol of U.S. technology, so that they could export whole plants and equipment to the Soviets.

'Trust' seeks return to NEP

Joint ventures reminiscent of the New Economic Policy period of the 1920s remain the leading item being promoted by the corporate appeasers involved in USTEC. As Anthony Sutton documented in his three-volume study of the economic side of the "Trust" for the Hoover Institution, titled *Western Technology and the Soviet Economy*, the Soviet Union under existing Russian culture has only been able to survive as a growing world economic and military power, because Soviet industry has been re-tooled several times since the Bolshevik Revolution by Western firms. It was these same Western financial interests, acting through longstanding relationships dating back to the Venetian joint stock companies, best known as the "Trust," who made the Bolshevik palace coup possible in the first place by acting in concert with a faction of the Russian oligarchy associated with the Okhrana (secret police).

The symbology of Mikhail Gorbachov's attempts to once again re-tool Soviet industry for military hegemony through inputs from the West, is highlighted by the recent visit to the United States (February-March) of Gorbachov's top economic adviser Abel Aganbegyan, sponsored by Esalen Soviet-American Exchange, to meet with top U.S. corporate executives. Aganbegyan, who has come under increasing attack by Great Russian chauvinists like the Politburo's Yegor Ligachov, is an advocate of a restoration of the NEP and is believed responsible for the change in Soviet law in 1987 to permit joint ventures with the West.

Under the new joint venture law, foreign firms are permitted to own up to 49% of a Soviet enterprise, if certain guidelines are met. Instead of financing their part of the deal with critically short hard currency, the Soviets propose to provide the land and infrastructure for Western firms to provide the plant, equipment, and management techniques. The chairman of the board of directors has to be Soviet.

The greatest sticking point for U.S. firms that have lined up at the trough so far, is that profits can only be repatriated from export earnings of the joint venture firm. While the U.S. firms have been seeking a way to open the Soviet market, the Soviets are seeking ways both to unlock bottlenecks in their economy and to produce products for hard currency export earnings on the world market. This means that U.S., European, or Japanese firms that build joint ventures in the Soviet Union will find themselves in competition with themselves for world markets.

Nevertheless, Armand Hammer's Occidental Petroleum announced with fanfares late last year, that it will join with ENI-Chem and Montedison of Italy and Japan's Marubeni, to sink $3 billion (49% of the capital) into a joint venture called Tengiz Polymer, to build a huge petrochemical plant in the U.S.S.R.

Since the collapse of world oil prices, the Soviets have been able to earn only $15 billion annually in hard currency, largely through the sale of gold to European banks. Credit for joint ventures is in short supply, although European banks, especially the Deutsche Bank and Landes Bank of Germany, have been willing to extend credits to the Soviet Union for this purpose. According to the Commerce Department, the main U.S. financial institutions lending credits to the Soviet Union for trade are: Citicorp, American Express, Bank of America, and Chase Manhattan Bank. American Express and Chase are both represented on the board of USTEC, and Chase has been operating in the Soviet Union since the original NEP period. Chase's David Rockefeller is a founder of USTEC in 1973 and USTEC's first director emeritus at present.

Despite their 100% ownership of six banks in Western Europe, the Soviets will be increasingly dependent upon Western banking partners like Chase for the expansion of trade that USTEC and the Joint Commercial Commission have planned. Similarly, the American International Group of USTEC board member Maurice "Hank" Greenberg, is planning further changes in Soviet law to permit it to provide insurance for the U.S. firms involved in joint venture negotiations.

What is USTEC?

The consortium of the economic side of the Trust headquartered at 120 Broadway during the original NEP, is today centered with the 500 top firms that compose the U.S.-U.S.S.R. Trade and Economic Council, founded in June 1973 during Leonid Brezhnev's first trip to the United States. The story of USTEC's founding is told by Joseph Finder in his book *Red Carpet*. During the trip, a meeting with 50 top bankers and industrialists was arranged by then-Secretary of the Treasury George Shultz at Blair House. There, Brezhnev announced: "The Cold War is over. And I ask you, gentlemen, as I ask myself: Was that a good period? Did it serve the interests of the peoples? No, no, no, and again, no."

USTEC was the brainchild of Donald Kendall of Pepsico and David Rockefeller of Chase Manhattan Bank. President Nixon seized on the idea for the 1973 summit, based upon a memorandum from Kendall who had met several times with Brezhnev following his vodka-for-Pepsi deal. David Rockefeller had raised the possibility of such a trade council with the Soviets through his Dartmouth Conference, a junior version of the Trust's Pugwash Conference, which was created by Bertrand Russell. Late in 1972, Kendall and David Rockefeller conferred about the Trade Council idea as well. Also present at the meeting was Helmut Sonnenfeldt, whom Henry Kissinger had employed as a special emissary for détente dealings.

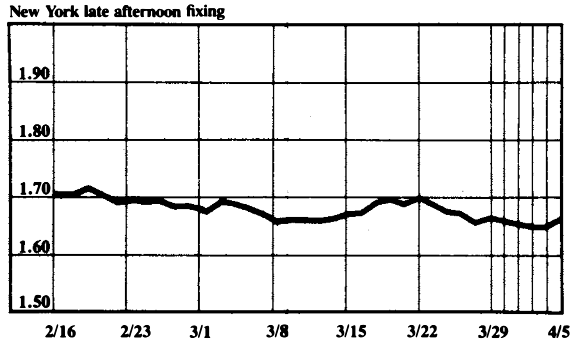
With Nixon's approval, Kendall came up with an initial U.S. board of 25, which was to have 25 Soviet counterparts added to complete the full board of directors. Included in the U.S. list were such figures as: David Rockefeller, whose Chase Manhattan Bank was the equivalent of the Export-Import Bank, granting major credits for the Soviet trade in the 1920s and 1930s; Reginald Jones of General Electric, which had been involved with the 120 Broadway complex led by the American International Corp. in the Soviet trade dating back to the original NEP period; C. William Verity, then of Armco Steel, whose then-executive vice president, James H. Giffen, is the current president of USTEC; and, Armand Hammer, an original Trust agent and friend of Vladimir Lenin and Feliks Dzerzhinsky, of Occidental Petroleum. Kendall was the first U.S. co-chairman of the Trade Council, and he also hand-selected his Soviet counterpart, Vladimir S. Alkhimov, with whom he had negotiated the Pepsi deal.

The Trade Council was inaugurated on Oct. 1, 1973 at a dinner in the Granovitaya Palata in the Kremlin. Earlier in the day, Treasury Secretary George Shultz met with Brezhnev to discuss the Nixon administration's strategy—which would prove unsuccessful—for squelching the Trade Reform Act of Sen. Henry Jackson. Shultz ended the day at a press conference to announce the launching of the Trade Council.

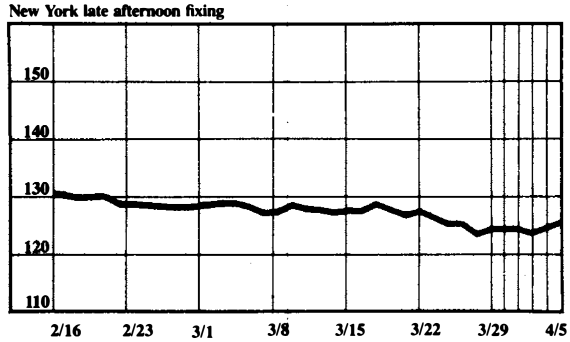
The current membership of USTEC is a "who's who" of the Fortune 500. Board members with terms expiring this year are: Lawrence A. Bossidy, vice chairman of the General Electric Co.; Edgar M. Bronfman, chairman of The Seagram Company, Ltd. and president of the World Jewish Congress; Maurice R. Greenberg, chairman of the American International Group; Richard E. Heckert, chairman of E.I. DuPont de Nemours & Co.; Thomas G. LaBrecque, president, Chase Manhattan Bank; Robert H. Malott, chairman, FMC Corp.; John J. Murphy, chairman, Dresser Industries, Inc.; John R. Petty, chairman, Marine Midland Bank; David Tendler, chairman, Tendler Beretz Associates, Inc. Board members with terms expiring in 1989 are: Gorbachov's pal Dwayne Andreas, chairman of Archer Daniels Midland; Trust agent Armand Hammer, chairman, Occidental Petroleum Corp.; Allen F. Jacobson, chairman, Minnesota Mining & Manufacturing Co.; Walter C. Klein, chairman, Bunge Corp.; Robert J. Lanigan, chairman, Owens-Illinois, Inc.; Whitney MacMillan, chairman, Cargill, Inc.; Richard J. Mahoney, chairman, Monsanto Co.; Ara Oztemel, chairman, Satra Corp.; James D. Robinson, chairman, American Express Co.; and, William P. Stiritz, chairman, Ralston-Purina Co.

Currency Rates

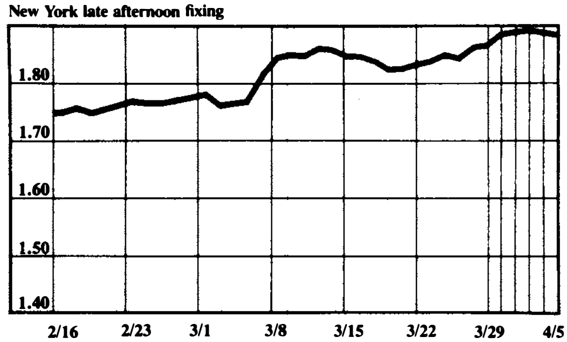
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing