1988: the year the Trust revived

by Scott Thompson

Despite having to leave New York ahead of schedule on Dec. 8, because of the earthquake in Armenia, Mikhail Gorbachov squeezed in a breakfast meeting with David Rockefeller and a consortium of U.S. bankers. The priority Gorbachov assigned to this meeting reveals a major new concern of the Soviet Union in 1988, namely to revive the sorts of financial and trade relations with the West that existed when Vladimir Lenin proclaimed the New Economic Policy of the 1920s. Though it was touted as a "retreat" from socialism, the NEP was an arrangement with Western rentier-financier interests, who agreed to undertake certain limited buildup of Russia's industry, not simply from the standpoint of expanded markets, but from the standpoint of a condominium for global power-sharing.

Among the deals that Gorbachov reportedly discussed with David Rockefeller concerning Chase Manhattan bank were: 1) a five-year industrial bond issue to develop Soviet automobile production and an export drive for these vehicles, worth some $6 billion, to be underwritten by Chase; 2) a trade agreement between the Soviet Union and the European Community for which Chase would provide 17% of the overall credit financing; and 3) a reorganization of the Soviet economy that will allow individual citizens to buy shares in major Soviet enterprises, ultimately leading to the establishment of a stock exchange in Moscow. Chase will serve as the prime adviser for the latter program.

As the latest deals with Chase Manhattan illustrate, 1988 was the year that the economic side of "The Trust" was revived. Although there was never any proof that the Zinoviev Telegram was not a forgery—the telegram that warned that the Comintern would carry out subversion of the British Empire under the guise of the 1922 Anglo-Soviet trade agreement—dozens of intercepted Comintern documents in the U.S. National Archives confirm that trade has always been a major front for Soviet provocation and deception operations, whose archetype is Cheka chief Felix Dzerzhinsky's "Trust" of the NEP period.

This relationship between trade deals and Soviet deception operations was rediscovered by the recently deceased James Jesus Angleton, former chief of counterintelligence for the Central Intelligence Agency. Angleton explored the peculiar dual position of Dzerzhinsky as both Cheka chief and chairman of the Supreme Economic Council, which, Angleton believed, had enabled Dzerzhinsky to recruit long-term, top-level agents-of-influence from among the NEP "concessionaires," such as Armand Hammer and Averell Harriman. It is also notable that Chase Manhattan, through its predecessor, National City Bank, had been represented on the board of the American International Corporation, at 120 Broadway, New York, which carried out major trade agreements with the Bolsheviks that included plans for all the major industrial projects of the Soviet First Five-Year Plan, and served as the first U.S. "back-channel" for secret treaty negotiations with the Bolsheviks.

Essentially, the Soviet deception of the West under the 1920s NEP was carried out by a faction of Bolsheviks, comprising the Left and Right Opposition to Stalin during the industrialization debate of the 1920s, which might be best known as "Parvus's Kindergarten." All the leading proponents of the NEP—including Bukharin, Trotsky, Radek, Krassin—were protégés of Alexander Helphand ("Parvus"), who was himself an agent of the "Last Doge of Venice," Giuseppe Volpi. Parvus, who helped engineer the 1905 Revolution in Russia, then the ignition of World War I in the Balkans, is notorious today mainly for his role in duping Germany into providing financial and logistical support to Lenin.

These Soviet agents-of-influence, whose activities as in the case of the octogenarian Armand Hammer have often spanned the careers of three generations of intelligence officers, have played a major role as a "back-channel" in bringing the Reagan administration into its post-INF Treaty "Détente II." While Angleton's analysis of the economic dimensions of this "Trust B" has been vindicated by recent history, U.S. intelligence officers today are either scared by the implications of this analysis, which they dismiss as "paranoid," or else they hide from taking a stand by claiming that the true story of the "Trust" is still classified.

Under Gorbachov, a small, but powerful faction of Western rentier-financier interests has contemplated a global "New Yalta," which will use the lure of major financial and trade deals to dupe other businessmen and politicians into agreements treasonous to their nations.

The economic Trust revives

The leading spokesman for restoring NEP-style economic relations within the Reagan administration has been Secretary of State George Shultz, who has also paved the way for a "global New Yalta" through his "regional matters" dialogue with the Soviet Union. Shultz's father, Birl Earl Shultz, was a partner in the 120 Broadway group's dealings under Lenin's NEP with the U.S.S.R., when he was personnel director of the American International Corporation.

In September 1987, Shultz gained a new ally on the Cabinet for his belief that expanded trade builds the basis for "peace," when Congress approved C. William Verity, Jr.'s appointment as Commerce Secretary. Verity's nomination was upheld, even though several conservative senators were alarmed by Verity's role as a founder of the U.S.-U.S.S.R. Trade and Economic Council (USTEC), officially launched in 1973 to take up the role during "Détente I" of the earlier 120 Broadway group, by then Treasury Secretary George Shultz during a Moscow summit.

Efforts by experts to introduce declassified State Department documents that showed a third of the Soviet members of USTEC were known or suspected GRU and KGB agents were suppressed, as was the story of how Shultz had deliberately exposed U.S. counterintelligence agents monitoring Soviet espionage within USTEC. By 1988 this Shultz-Verity duo had set plans in motion for expanding trade dramatically, aided by the fall 1987 resignation of Defense Secretary Caspar Weinberger, who opposed any expansion of trade on the basis that such expanded trade freed Soviet capital resources for investment in modernization.

Verity not only revived USTEC, which had been in hibernation since the 1979 Soviet invasion of Afghanistan, but also the Joint U.S.-U.S.S.R. Commercial Commission that, like USTEC, had been founded during "Détente I." On the eve of an April 11 visit to Moscow, after two months of Cabinet debate, Verity sought and gained Cabinet approval for an initiative to form high-level working groups to spur trade in five areas—food processing, energy, construction equipment, medical products, and the services sector. Perhaps the most controversial of these areas was the energy sector, since Soviet hard currency earnings from exports had declined to $29 billion (one fourth the gross earnings of General Motors), because of declining raw materials prices on depressed world markets.

Apart from "crocodile funds" derived from drug-trafficking via such client states as Cuba, Syria, Afghanistan, and pro-Soviet forces in Southeast Asia, the four main sources of Soviet hard currency earnings have been oil, gas, arms, and gold. However, the Soviets had not only lost an estimated $8 billion in hard currency earnings because of the decline of oil and gas prices, but they also needed major new inputs of Western technology to stop declining production.

Starting in 1985, the Soviets turned increasingly toward Western bailout loans, preferably "untied loans" that represent cash-on-the-barrelhead, that is not tied to any specific purchase from the West. Where Soviet medium- and long-term indebtedness held steady from 1980 to 1984 at around $20 billion, it suddenly jumped to $41.2 billion by 1987 under Mikhail Gorbachov. Further, in just a 10-day period in October 1988, Western European nations and Japan jointly announced $9 billion additional loans and lines-of-credit to the Soviet Union, usually following visits by the heads-of-state to pay homage to Czar Gorbachov. For the first time since NEP, the Soviets experimented with their own bond issues to raise additional funds in West Germany and Switzerland. Fully 80% of the increased Soviet loans were "untied loans," and 90% of these new credits were supplied by Western Europe and Japan.

Joint ventures: the foot-in-the-door

It was USTEC that forced through new Soviet laws in 1987 that would permit joint ventures with the West. The Soviets could find few takers—mainly because of the provision that profits could only be repatriated from the hard currency earnings of sales on world markets outside Russia, which meant that foreign firms would have to create industries based in Russia that competed with themselves for world markets. The Soviets announced major revisions in the joint venture in October 1988. Soviet Prime Minister Nikolai Ryzhkov announced that it would now be possible for foreign firms to own 80% of a joint venture, instead of 49%.

Nevertheless, Soviet Trust agent Armand Hammer's Occidental Petroleum had already announced with fanfare that it would join with ENI-Chem and Montedison of Italy and Japan's Marubeni, to sink $3 billion into a joint venture called Tengiz Polymer, to build a huge petrochemical plant in the U.S.S.R. Altogether, some 110 joint ventures are being negotiated. Next to the Hammer-Oxy deal, the most interesting deal—announced after the April 1988 USTEC meeting when 500 top executives flocked to Moscow—was the formation of the American Trade Consortium by seven companies: USTEC chairman Dwayne Andreas's Archer-Daniels-Midland, Chevron, RJR Nabisco, Eastman Kodak, Johnson & Johnson, Ford, and USTEC president James Giffen's Mercator Merchant Bank. In October, the American Trade Consortium announced that the problem of repatriating profits from a host of joint ventures would be solved by Chevron sales of Soviet oil and gas abroad.

Despite the resignation of Caspar Weinberger, opposition to expanded trade with the Soviets has grown, especially since Italian financier Carlo De Benedetti and German Foreign Minister Hans Dietrich Genscher began to talk of a $100 billion "Marshall Plan" to finance Gorbachov's perestroika. Much of the bipartisan opposition in the U.S. has so far coalesced around the issue of "untied loans." Several bills have been introduced into Congress to block "untied lending" through 1988. In October, Deputy CIA Director Robert Gates, in three public speeches, counseled a policy of "watching perestroika, but not financing it." On Nov. 8, a George Bush foreign policy spokesman, Andrew Carpendale, told *Le Figaro*: "We don't want to see untied credits being given to the Soviets at this point in time. We want to put Gorbachov in a position where he has to make hard choices and pull back from defense spending. . . . So we don't want untied loans or credits."