The Wyoming mirage

by Scott Thompson

On Sept. 8, a White House official confirmed news appearing first in *EIR* that when Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze hold their meeting at Jackson Hole, Wyoming Sept. 20-22, a major agenda item will be Secretary Baker's pet project to expand East-West trade and credits. But, what Baker, together with Kissinger clone Larry Eagleburger, had originally planned as a vast enterprise to bail out Mikhail Gorbachov's troubled *perestroika* economic policy, looks more and more like a mirage, because of the threatened economic collapse arising from the need to roll over the $20 trillion debt this fall.

Already, the White House official, who spoke on background at a breakfast of the National Association of Manufacturers on the subject of expanded East-West trade, tried to downplay reports from former senior White House officials and U.S. intelligence sources critical of the policy, that under Baker's so-called "Wyoming Accords," the Bush administration would mobilize sums ranging from the multibillion- to trillion-dollar level. Moscow has already reacted in anger to the Bush administration's reluctance to aid Gorbachov, who has signaled since the July 14 Group of Seven Summit in Paris that he is "out of time" to perform economic miracles and that the West must cut out the rhetoric to help prop up his "liberal regime." No sooner had word reached Moscow that a White House official reneged on the promised aid at the NAM breakfast, than on Sept. 11, Soviet Foreign Minister Shevardnadze was quoted in The *Washington Post* as warning that the West must stop equivocating and now deliver real consumer goods and industrial plant and equipment.

Inside sources report that, while Secretary Baker and Eagleburger remain committed to the "Wyoming Accords," it is economic reality, not sudden remorse, that has undermined their plans. Briefly, as *EIR* reported two weeks ago, highlights of the "Wyoming Accords" were to include: 1) waiver of the Jackson-Vanik Amendment, which currently blocks Most Favored Nation trading status for the Soviets; 2) waiver of the Stevenson Amendment, which further limits the extent of U.S. government backing for loans to the U.S.S.R. through the Export-Import Bank; 3) strong pressure upon the Germans and Japanese to greatly increase their own government-backed credit facilities to the Soviets, thereby mobilizing the yen and deutschemark on Gorbachov's behalf; and, 4) lifting opposition to the 30% ceiling upon Western European imports of East bloc natural gas and sale of 10-12 other strategic raw materials to the West, so the Soviets could profit from development of a major natural gas find in the Barents Sea at the expense of North Sea petroleum products, and thereby earn more hard currency. But facing the rollover of $20 trillion in debt, there will be no great amount of credits that the United States can mobilize, even with these measures.

What about the prospect of mobilizing the yen and the deutschemark? The Japanese, who do have significant liquidity, are unwilling to follow Baker's lead for several reasons. First, they are angered by the failure of the Soviets to return the Kurile Islands, captured after their last-minute intervention in the Pacific during World War II. Second, given the Japan bashing on Capitol Hill, the Japanese are leery of giving government backing to loans, so long as the Bush administration itself is hesitant to take this step, principally because the threatened financial blowout militates against any major new investment programs in the East bloc.

TABLE 1
Business debt
(billions $)

1	2	3	4	5	6
	3+6				4+5
Year	Total corporate and financial business	Corporate* business	Commercial banking business	Other** financial business	Total banking and financial
1970	747.0	670.3	12.7	64.0	76.7
1973	1,083.6	960.1	23.1	100.4	123.5
1979	1,928.4	1,662.6	76.4	189.4	265.8
1982	2,526.7	2,157.2	130.8	238.7	369.5
1987	4,335.6	3,517.6	186.8	631.2	818.0
1988	4,714.5	3,792.6	169.5	752.4	921.9
1989†	4,847.6	3,859.8	188.2	799.6	987.8

* Includes corporations, partnerships, and farms.
** Savings and loan banks, savings banks, and insurance companies.
† First quarter only.

Corrected version of the table which appeared on page 27 of our Sept. 8 issue, where some columns were out of place.