

# Moscow's industrial 'joint ventures' are a big joke

by William Engdahl

Last June, Moscow began enticing Western industry with promises of new economic reforms which would make industrial investment inside the U.S.S.R. extremely attractive. This rhetorical offensive has targeted Western European and especially West German industry. As threats of trade war and dollar collapse escalate from Washington, the Moscow market is being dangled before desperate German industry.

In recent weeks, suspiciously near the date of the Jan. 25 West German federal elections, the German press reported ongoing talks with the Soviets involving big German banks, industry, and the Bonn government on possible multibillion-dollar contracts to upgrade safety features on Soviet nuclear power reactors.

But the real attention in recent months has centered on possibilities for industrial projects inside the borders of the Soviet state, under terms of what Moscow officials claim to be impending new forms of cooperation, termed "joint ventures." Borrowing a leaf from the book of current Western financial jargon, to be more enticing to doubting Western firms, the deputy chairman of the Soviet State Planning Committee, Dzhermen Gvishiani, told a Vienna conference on New Initiatives in East-West Trade on June 18, that Moscow was "very close" to agreement with unnamed Western firms on "joint ventures."

Gvishiani, the co-founder of the zero-growth Club of Rome and a senior Soviet intelligence official, claimed that these "joint ventures" would allow Western firms to open the large Soviet internal market for the first time since 1917. In August, the Soviets initiated formal talks with the Paris-based International Chamber of Commerce to create a joint commission which should discuss rules and regulations for joint venture projects between prospective Western companies and the Soviets.

## Dismal prospects

West European business sources report that the prime target of the new Soviet propaganda is West Germany, the industrial heart of the 330-million person European Community, and the military-strategic linch-pin of the Western NATO alliance. But insiders in the process of negotiations of German firms with Moscow report a far different picture behind the shiny Potemkin village of new industrial openings presented by the Soviets.

"East-West trade will become more difficult this year and possibly next," emphasized an East-West trade analyst for the West German Industry Association. The Berlin economics institute, DIW, reports that for 1986, West German trade with the Soviet and other East Europe Comecon economies has plummeted. In deutschemark value, West German imports from the Soviets were down fully 29%, while German exports to the U.S.S.R. were also down 8%. Some 70% of the 8 billion DM (approximately \$4 billion) Russian exports to Germany are in the form of oil and gas. "There are no significant areas of improvement for the trade in the past year," a spokesman stressed. "We thought Moscow's new Five-Year Plan [adopted February 1986] would improve East-West trade. But it has yielded nothing," one German industry participant added.

The main source of Soviet export earnings in recent years has been raw-materials exports, especially oil and gas, for hard currency to finance imports of agricultural commodities and machinery. Because of the dramatic and parallel falls of the Western oil price and the U.S. dollar, Soviet export-earnings have plummeted. DIW estimates a combined total loss over 1985 of \$8.5 billion. These huge losses are "the main reason the Soviets are pushing for reform in foreign trade and introduction of joint ventures," a senior analyst at DIW noted to *EIR*. "The Russians want to restructure exports away from raw materials to industrial goods. They see 'joint ventures' as one way of doing this, but the problem is that they want to use them to earn hard currency, which is not attractive to Western companies."

## From the 'horse's mouth'

In the official weekly, *New Times*, of Dec. 22, the Soviet Central Committee's International Department organ for the first time admitted what the latest Moscow game is. In a detailed article titled "Joint Ventures—What They Will Be Like," attributed to one Genrikh Bazhenov, the Central Committee made clear that it is planning to run the operation strictly as a one-way street. The Moscow weekly defined the new term as "co-production and joint marketing . . . the Soviet share of which is to constitute a *minimum of 51%*" (emphasis added). It adds, enthusiastically, "Joint enterprises operating in Soviet territory will not only manufacture products under Western licenses, using Western know-how,

but also bring up to commercial level new items developed by Soviet scientists and designers. . . . The bulk of the joint ventures' profits will come from the sale of their products abroad. . . . Western firms intend the products of the joint enterprises for export because they expect to bring production costs down to a minimum." The last is Moscow euphemism for admitting they pay slave wages and plan to dump the production from these advanced factories onto already depressed Western markets!

As the London *Financial Times* of Jan. 13 put it, in talks between Soviet officials and Western firms in recent months, "The main obstacle to emerge is Moscow's wish to finance joint schemes through export to the West, while Western companies see joint ventures as selling to the Soviet market itself." Even industry sources at the institute of West Germany's most ardent booster of Moscow trade and political ties, underscore this point. A spokesman for the DIHT (Deutsche Industrie und Handelstag) of Otto Wolff von Amerongen, a Trilateral Commission founding member, said, "The joint ventures have been so far a lot of talk. But so far it has resulted in no contracts. The German firms have been holding talks on joint ventures in Moscow, but they report no progress."

The DIW in Berlin is blunter. "German industry so far has been very cautious in making joint-venture commit-

ments. Moscow has yet to open critical questions such as legal problems for repatriation of profits to the Western firms, protection of investments, guarantee of materials inside the Soviet economy. Until these problems are solved, I can tell you there will be no joint venture with German companies, other than, perhaps, a symbolic goodwill token done to get a better chance at some larger project."

The *Financial Times'* Moscow correspondent, Patrick Cockburn, in the cited Jan. 13 piece, reports "senior Soviet trade officials" saying that Moscow will "sign only 10-12" joint venture deals with Western firms. According to Cockburn, the differences between Western companies and Moscow are vast. "Soviet officials insist they want to earn hard currency directly through sales to the West of products made by joint ventures, while potential Western partners say. . . . joint ventures [should] make goods within the Soviet Union hitherto imported from abroad, the hard currency profit of the foreign partner being linked to the cost of imports saved." Moscow wants to lure desperate Western industry into a captive production situation and "then dump cheap products back into the West" to pay for it, using Western marketing outlets in the process, added a well-informed West German authority on the talks. "Why do we need to do this? We already do that in developing countries without the complications the Soviet state presents."

## Speak to Your Customers Anytime, Even When You're Asleep

The **Audio Info Engine** never needs to sleep, eat, or use the washroom. Let it speak for you to deliver information to your customers or clients at any time. This personal computer based system provides you with a powerful tool to deliver information through the telephone network.

Using regular telephones, clients call the **Audio Info Engine** to hear your recorded messages. Using the pushbuttons on a touch tone telephone, they can select from a menu of information which you can establish and easily change, even when you are away from the office.

Several cost effective **Audio Info Engine** hardware and software packages for a wide range of audiotex applications are now available off-the-shelf. From simple announcement services, to interactive order entry systems, and beyond, GRALIN has the experience and background to meet your information delivery requirements.

Members of GRALIN's staff work closely with all clients. They insure that the **Audio Info Engine** you purchase meets your present requirements and is sufficiently flexible for expansion.

For more information contact:  
**Graeme P. Watson**

**GRALIN** associates, inc.

(215) 297-8793

Box 145, 7010 Point Pleasant Pike, Point Pleasant, PA, 18950