Want to buy a used perestroika?

by Scott Thompson

In the last year, there has been a growing chorus of Western financiers who want to help "bail out Gorbachov" by "financing *perestroika*." For anyone with a middling knowledge of history, this fantasy ought to be met with the level of hilarity of the rube who buys the Brooklyn Bridge.

Repeatedly, since the 1917 Bolshevik Revolution, the Soviets have run deliberate deceptions—e.g., the 1920s New Economic Policy (NEP) and the 1970s era of détente—to gain the credits, technology, and industrial re-tooling necessary for their military economy and "Third Rome" dreams of a world-spanning empire. While a significant faction among Western rentier-financier interests believes that by strengthening the Soviet Empire, it can then achieve global power-sharing arrangements, once the Soviet ruse has achieved its goals, these "useful idiots" (in Lenin's terms) discover that the Soviets really want tribute, not trade.

While there is some dispute as to whether Lenin ever said that these "useful idiots" would "sell the rope by which they will be hung," Lenin, whom Soviet Czar Mikhail Gorbachov claims to emulate, was most explicit on the underlying motives of the NEP-style deception, when he wrote to his Foreign Minister Chicherin before the Genoa Conference that was to arrange credits for the equivalent of a European "Marshall Plan" to rebuild the battered Soviet economy in the 1920s. Lenin steeled Chicherin to mount the NEP deception that the Bolshevik Revolution had run its course and the Soviet Union was slowly returning to the capitalist fold, because:

"They will open up credits for us, which will serve us to support communist parties in their countries. They will supply us with the materials and technology which we lack and will restore our military industry, which we need for our future victorious attacks upon our suppliers. In other words, they will work hard to prepare their own suicide."

Just as Lenin said, some three generations later, Western capitalists are preparing "their own suicide" with schemes like the Western European pipe dream that peace can be achieved through a $100 billion "Marshall Plan" for the Soviet bloc. Like the rube who once again buys the Brooklyn Bridge, there are "useful idiots" today lining up to buy a used *perestroika*.

This time around, there is an open faction fight that has erupted within the Reagan-Bush administration on the question of financing *perestroika*, which reflects the faction fight among Western financial interests. The hegemonic faction of the Reagan administration, which has been dominant since the Neville Chamberlain-style appeasement INF Treaty, is best known as a recurrence of the "Anglo-Soviet Trust." This group, which is led by Secretary of State George Shultz and Commerce Secretary C. William Verity, believes in unrestricted strengthening of the Soviet Union both economically and militarily, so that global power-sharing arrangements (a "New Yalta") settlement can be reached to rule the world through a condominium.

In Western Europe, this "Trust" faction, which takes its name from one of the most successful deception operations of Vladimir Lenin and Cheka chief Felix Dzerzhinsky during the 1920s' NEP, is allied with such figures as West German Foreign Minister Hans-Dietrich Genscher, Venetian-linked financier Carlo De Benedetti, and others who seek to mount a $100 billion "Marshall Plan" to build up the Soviet Union along lines of Gorbachov's "Common House of Europe" stretching from the Urals to the Atlantic—i.e., a Europe dominated by the Soviet Empire as happened with the 19th-century Holy Alliance, where Russia became the policeman against republicanism in Europe.

The dominant institution handling the economic aspects of the "Trust" deception in the United States is the U.S.-U.S.S.R. Trade and Economic Council (USTEC), whose president, James Giffen, was once asked if he desired to make the Soviet Union an "economic superpower." Giffen responded, "I see no reason why not." Commerce Secretary C. William Verity, who has traveled to Moscow to lift restrictions on the transfer of Western high technology to the Soviet Union, is a former chairman of USTEC, which had been founded by David Rockefeller, Armand Hammer, and George Shultz during the 1972 Nixon-Brezhnev Summit in Washington at the height of détente.

Secretary of State George Shultz, who has used his considerable clout against opponents of unrestricted loans and trade with the Soviet Union, outranks Verity within the Trust, since his father, Birl Earl Shultz, worked with the American International Corporation at 120 Broadway, New York which was then the financial center of the original Trust. Through his job with the AIC, Shultz's father engaged in cover treaties with the Bolsheviks, and he took part in preparing the entirety of the projects of the First Five Year Plan.

Faction fight erupts

There are a variety of positions in opposition to this Trust faction, which are most strongly coalesced at the moment around the question of untied, general purpose lending to the Soviet Union. Such loans, not tied to the purchase of any specific commodity or transaction, are believed by their opponents to be used for modernizing the Soviet military, financing KGB foreign operations, and toughening up the sinews of the Soviet empire when the sums are re-lent to less creditworthy states such as Cuba, Nicaragua, Afghanistan, Angola, Vietnam.

When the "pragmatic" Deputy CIA Director Robert Gates counseled caution on such untied lending to the Soviet Union in an Oct. 21 speech to an Air Force symposium, Secretary of State George Shultz reportedly went berserk, dressing the CIA official down. Gates had not only warned that untied loans made possible $1 billion in Soviet aid to Nicaragua and a whopping $7 billion per year to Cuba, but he said that Gorbachov needs détente today to obtain advanced technology and Western investment and to avoid higher military spending.

Reporters Rowland Evans and Robert Novak, who broke the story in a Nov. 9, 1988 article entitled "Shultz's Final Days," believe that the reason why Shultz was so harsh in his rebuke is "that the secretary of state fears he is losing control of policy during his last weeks in office." Shultz was further irked by the fact that, within a week of Gates's speech, "presidential spokesman Marlin Fitzwater publicly endorsed Gates's call for going slowly and not giving Gorbachov too much too soon. . . . The White House spokesman called the CIA official's appraisal 'totally consistent' with what the President has been saying about U. S. policy toward the embattled Soviet chief." Evans and Novak believe that Shultz's final drive for another appeasement START treaty, coupled with his "regional matters" settlements for a global "New Yalta," were becoming unglued because of Gorbachov's holding out for an even better deal at the last moment.

Gates's Oct. 21 speech had been preceded by one on Oct. 14, 1988 before the American Association for the Advancement of Science Colloquium on Science, Arms Control and National Security, which was titled "Recent Developments in the Soviet Union and Implications for U. S. Security Policy." Gates stated that the primary reason why "Gorbachov wants to establish a new and far-reaching détente for the foreseeable future [is] to obtain technology, encourage investment and trade, and, above all, avoid large increases in military expenditures while the Soviet economy is being revived." Although Gates betrayed little understanding of the NEP-style deception or that *perestroika* was itself an invention of the Soviet military strategist Marshal Nikolai Ogarkov, who recognized the need to modernize the Soviet war arsenal with a new generation of weaponry for global conquest, Gates was unequivocal on his stand against financing *perestroika*: "The question I am most frequently asked is whether it is in our interest for Gorbachov to succeed or fail. . . . We should ask ourselves if we want the political, social and economic revitalization of the historical and current Soviet system. I think not."

Former Deputy CIA Director Ray Cline, now head of the U. S. Global Strategy Council, takes an even stronger stand than Gates, who would permit "expanded business ties" (if there is no transfer of sensitive technology). In a June 1, 1988 editorial commentary appearing in the *Washington Times*, entitled "Eyes on a $100 Billion Prize," Cline announces the findings of a task force he launched—chaired by former Deputy National Security Adviser Richard Pipes—that sought to burst the bubble on declared Western European plans for a $100 billion "Marshall Plan" for the Soviet bloc.

This is the first major study to rip apart the strains of deception in the latest détente ruse, which the Cline-Pipes report acknowledges to include: 1) an extortionist demand that if the West "will only reduce its defenses and extend economic help," then "good communists in the Kremlin will prevail and all will be well"; and, 2) "Expanded trade and investment opportunities will be held out to market-hungry businessmen and farmers, provided, of course, credits are extended to the Soviet Union." Cline is very clear in his commentary on the historical nature of the deception: "Détente sounds great, doesn't it. Yet it is one big bear trap, the same kind sprung repeatedly on the free market democracies since Lenin's New Economic Policy of the 1920s. For the real goals of détente, Soviet-style, are simultaneously to cause the United States and its Western alliance to relax while the Soviet borrows money and technology to support the perpetually collapsing communist economy."

Former Treasury Secretary William Simon lines up with Cline in opposing any increase in credits and trade with the Soviet Union under *perestroika*, as reflected in a September 1988 *Reader's Digest* article entitled "Should We Bail Out Gorbachov?" Simon begins his piece by singling out the untied loans, like a $200 million loan syndicated by the First National Bank of Chicago, which was at only one-eighth percent over LIBOR (London Interbank Overnight Rate, i.e., the cost of funds): a loan on remarkably favorable terms. When an officer of the bank was asked whether the money could be used to purchase strategic missiles, he responded, "The loans could be used for the military, of course, but we would hope not. We can't control that." To develop his argument against untied lending, Simon turns to the work of Roger W. Robinson, the former National Security Council senior director for international economic affairs, who has mounted an international campaign on the issue of untied lending, while, as the former Chase Manhattan portfolio manager for the Soviet bloc, not opposing pursuit of more conservative business dealings with the Soviet Union.

As Robinson has repeatedly pointed out (see *EIR* Vol. 15, No. 20, May 13, 1988 "Soviets face 'scissors crisis,' " by Scott Thompson), before the latest orgy of $9 billion in loans from Western European nations during a ten-day period in October, Mikhail Gorbachov had overseen a rapid increase in Soviet indebtedness: the debt held relatively steady from 1980 to 1984 at around $20 billion, when it suddenly jumps to $41.2 billion for 1987. While Soviet hard-currency earnings have slumped to a mere $29 billion, because of the decline of gold, oil, and natural gas exports, the Soviets managed to secure 80% of the increased loans from 1984 to 1987 in the untied form.

Ninety percent of these new loans were supplied by West-

Stuart Lewis

A loyal, but outranked, asset of the Trust: Commerce Secretary Verity.

ern Europe and Japan. Simon attacks as bankrupt, the Western European fantasy that such loans "will somehow draw East and West closer." Actually, Simon notes, the untied lending of 1986 fulfilled 100% of Soviet requirements to sustain control of Cuba, Nicaragua, Vietnam, Angola, Ethiopia, etc.

Simon is explicit, quoting Soviet Admiral Vladimir Maslov, that the fundamental purpose of *perestroika* is to assure "that unless Soviet technology quickly improves, the country will fall behind the United States militarily 'in five to seven years.' " Simon notes that where Soviet Foreign Minister Eduard Shevardnadze places Soviet military consumption at 19% of GNP, other Soviet economists believe the figure may be as high as 40%: proving that one of the systemic problems of the Soviet economy is that it is war based. This coheres with a study of the House Armed Services Committee, which found that in 1986 and 1987, the height of Gorbachov's *perestroika* campaign, Soviet military expenditure actually grew at the rate of 3%, as opposed to 1.5% earlier. With this increase in Soviet military expenditure, it is clear that current increased lending, has either gone directly to the military or else been used to free up capital for military spending purposes.

Faction fight in the White House?

There are signs that Vice President George Bush may share the concerns of the "pragmatists," rather than the rose-colored-glasses view prevailing at the White House since the INF Treaty. An interview appearing in France's *Le Figaro* on Nov. 8, carried a policy statement of the Bush campaign, originating in an interview with Andrew Carpendale, the deputy foreign policy coordinator, who, when questioned about Bush's policy toward untied lending, said:

"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. That is supposed to be one of the hallmarks of *perestroika*. If we give him enough money, without stipulating how he is to spend it, we make it possible for him to avoid making this fundamental decision. So we don't want untied loans or credits."

Asked if Bush shared the European, notably West German view of Foreign Minister Genscher, that the West should "help" Gorbachov with *perestroika,* the Bush staffer replied: "It seems to me we don't know enough about the dynamics of the Soviet system to know how to help Gorbachov. . . . Since we're not certain we really understand the mechanism of change under way in the U.S.S.R., we should stick to the guiding principle of a reasonable foreign policy—that is, give priority to satisfying our own interests. My approach to Gorbachov is summed up in two words: hope and caution. . . . But we haven't seen what we'd like to see—the transfer of a significant part of the enormous Soviet military budget to civilian ends."

On the same election day that this interview with a top Bush staffer appeared, which is supposed to reflect the thinking of the President-elect, National Security Adviser Colin Powell announced in a speech before the American Stock Exchange that the recent $9 billion in European and Japanese credits are not likely to have a significant effect on Moscow's military preparedness or on Western security. Claiming that the loans appeared to be tied to the purchase of Western light industrial equipment and consumer goods, Powell said: "It does not appear that these relatively small amounts of borrowing, tied to the purchase of Western consumer goods, will have any discernible effect on Soviet military preparedness or on the security of the West."

One day after Powell's speech, the U.S. State Department announced the publication of an interagency task force report, which had concluded that the recent loans by Western European and Japanese banks to the Soviet Union are within the guidelines set by the U.S. to ensure that the West does not help fund a Soviet military build up. Essentially, the report, instigated by moves within Congress against expanded lending, used the same sophistry that the tremendous increase in Soviet borrowing was acceptable, because the loans were not "untied." Even former Chase Manhattan Bank employee Roger Robinson, who only opposes untied lending, questioned whether, given the secrecy maintained by the lenders, this was true.