



Building the Evil Empire

Let's Stop Giving Aid and Comfort to the Communist Enemy

by James J. Drummey

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One of the big box-office hits of 1987 is *The Untouchables*, an old-fashioned gangster movie set in Chicago during Prohibition. Like the television series of the same name, the movie portrays the classic struggle between good and evil, between Treasury agent Eliot Ness and legendary crime boss Al Capone. The protagonists are sharply drawn, their conflict is vividly detailed, and, in the end, the good guys win out over the bad guys. There is no confusion of roles, no doubt in the mind of the audience who is right and who is wrong, and no surprise at the outcome of the film.

But suppose that Eliot Ness, instead of relentlessly pursuing Al Capone until he had put the gangster behind bars, decided on a different strategy. Suppose he tried to reach an accommodation with Capone, to sit down and attempt to resolve their conflict peacefully, perhaps to allow the crime lord to retain control over certain sections of the city provided he did not try to extend his influence beyond those boundaries.

Suppose further that Capone, like all criminals, failed to keep his promise and, in fact, made it clear that he would not stop until the entire city was his domain. But suppose that Ness, instead of forcefully resisting the expansion of evil, persuaded his superiors at the Treasury Department that the best way to curb Capone would be to sell his gang food at subsidized prices, to provide them with the equipment and technology to make faster cars and more accurate guns, to pressure local banks into loaning them the money, at low interest rates, to purchase what they needed, and to set up an exchange program for criminals to study law-enforcement techniques.

And suppose that, even when members of Capone's mob brutally murdered Treasury agents monitoring the Special Accord on Legal Toleration (SALT), after some harsh words and brief sanctions Ness resumed business as usual with the Chicago gang, although he had to ask for more and more funds to counter the growing threat that his strategy had created. Suppose finally that the movie came to an inconclusive end, with the bad guys spreading beyond the confines of Chicago and the good guys in retreat, pleading pathetically with the gangsters to acknowledge the pure motives and fine intentions of the Treasury agents.

What would the audience reaction be to a movie with that kind of plot? Some people would surely want their money back. Others would spread the word that the film was a bomb. There would be no long lines at the ticket counters. Why? Because the American people do not like stalemates. They like to see good triumph over evil when the opposing factions are clearly delineated. They



would not support a film that shows law-enforcement officers bowing and scraping before criminals. **Stranger Than Fiction**

Why then have the American people for so long put up with a foreign policy that is a carbon copy of the fictional Al Capone/Eliot Ness scenario just described? For 70 years, the U.S. government, under Republican and Democratic Presidents, has financed the economic and military development of the Soviet empire. We have created and sustained a Communist monster that has already gobbled up nearly half the world, that has made plain by words and actions that it intends to consume the rest of the globe, and that has forced the American taxpayer to come up with \$300 billion a year supposedly to defend ourselves against this ravenous creature.

But isn't it a contradiction and an absurdity to spend this huge amount of money on defense when at the same time our political-industrial-financial complex is providing equipment, technology, food, and loans to build up the enemy whose global designs require this vast expenditure? We have for decades been in the bizarre position of helping both sides in what ought to be as clearly defined a conflict between good and evil as has ever existed in human history. American political leaders have at times used rhetoric that seemed to indicate a cogent understanding of the Communist enemy, but their policies have seldom lived up to their words.

As a result of years of aid to and trade with the Communists, we are now confronted with what Antony Sutton has called "the best enemy money can buy." Mr. Sutton has meticulously researched and written five books detailing Free World assistance to Soviet dictators from Lenin to Gorbachev. It is a shocking story and one that is not well known by many Americans. The purpose of this article is not to review the history of the past seven decades — Sutton and others have done that very competently* — but to describe the situation today.

While much of the information about exports to Communist countries, as well as the names of the companies and business executives involved, is either classified or virtually impossible to get, there has been enough information in the media over the past few years to identify the principal alders and traders who are leading America into national suicide. They may have enriched themselves by putting profits ahead of patriotism, but they have gravely endangered the free society that enabled them to become successful businessmen. Their manipulations and machinations need to be exposed and halted before the darkness of totalitarianism blankets the entire world. **Knowledge of the Enemy**

At a news conference nine days after he entered the White House in 1981, President Reagan was asked whether he thought the Soviet Union was still "bent on world domination" or whether "under other circumstances détente is possible." Here is Mr. Reagan's reply:

Well, so far détente's been a one-way street that the Soviet Union has used to pursue its own aims. I don't have to think of an answer as to what I think their intentions are. They have repeated it. I know of no leader of the Soviet Union since the revolution and including the present leadership that has not more than once repeated in various Communist congresses they hold, their determination that their goal must be the promotion of world revolution and a one-world socialist or Communist state, whichever word you want to use.



Now, as long as they do that and as long as they at the same time have openly and publicly declared that the only morality they recognize is what will further their cause, meaning they reserve unto themselves the right to commit any crime, to lie, to cheat, in order to attain that ... I think when you do business with them, even as a détente, you keep that in mind.

After a Soviet pilot shot down a Korean airliner in 1983, killing 269 innocent persons on board, President Reagan said that the massacre confirmed what he had said in 1981. "I was charged with being too harsh in my language," he said on September 10, 1983. "Well, I hope the Soviets' recent behavior will dispel any lingering doubt about what kind of regime we're dealing with and what our responsibilities are as trustees of freedom and peace."

Speaking to a group of human rights activists in December 1985, Mr. Reagan declared that "human rights will continue to have a profound effect on the United States-Soviet relationship as a whole." He condemned the 120,000 Soviet soldiers in Afghanistan for having "slaughtered innocent women and children. They have employed poison gas. And they have loaded toys with small explosives in an attempt to demoralize people by crippling Afghan children."

One year later, on December 10, 1986, the President signed another Human Rights Day proclamation, assailed the Kremlin for "its systematic violation of human rights," and said that "we will continue to do our utmost to press for change." Casting some doubt on Mr. Reagan's sincerity, however, were events occurring around the same time. On December 5th, Secretary of Commerce Malcolm Baldrige announced that the Reagan Administration would end its three-year-old ban on imports of Soviet nickel and that efforts would be intensified to help American companies establish more business ties in the USSR.

The latter efforts moved ahead significantly during a trade conference in New York City on December 9th and 10th involving some 60 Soviet officials and 250 American business executives. Four U.S. companies — Archer-Daniels-Midland, Coca-Cola, Monsanto, and Occidental Petroleum — signed letters of intent or agreements to increase their business dealings in the Soviet Union. Then, on December 11th, the Administration returned to the Soviets-are-liars script, with Secretary of Defense Caspar Weinberger accusing the Reds of building three new radar receivers in violation of the 1972 ABM Treaty. "Their ultimate hypocrisy," said Weinberger, "is their recent statement that they continue to observe SALT II's limits, with their atheistic hands piously raised, proclaiming another Soviet lie."

These are only a few examples of the huge chasm that separates the words and the actions of the Reagan Administration in its dealings with what the President has correctly called an "Evil Empire." If the words are true — and 70 years of history demonstrate conclusively that they are true — then the actions are either foolish or, worse, sinister. America's political leaders know and understand the criminal nature of the enemy, and they support the annual expenditure of \$300 billion to defend their country against the enemy. Why then do they also support building up the enemy? As Senator William Armstrong (R-CO) has pointed out: "America's budgetary woes would not be nearly so severe if our economy were not groaning under the stress of financing two military budgets: our own and a significant portion of the Soviet Union's." **Technology Transfer**



In the same speech from which the previous quote was taken, Senator Armstrong told his colleagues on April 13, 1982 that “in the last 10 years alone, the United States and other Western nations have sold to the Soviet Union and its satellites more than \$50 billion worth of sophisticated technical equipment the Communists could not produce themselves.” He said that “this equipment has been used to produce nuclear missiles, tanks, and armored cars, military command and control systems, spy satellites, and air defense radars. In addition, the Soviets have been able to purchase entire factories, designed and built by Western engineers and financed in large part by American and Western European banks. Much of the production of these factories is devoted to the manufacture of military transport, ammunition, and other logistical items for the Soviet war machine.”

Two of the most outrageous examples cited by Senator Armstrong were authorized by the Nixon Administration in the early Seventies. One was the sale to the Soviet Union of 164 precision ball-bearing grinders manufactured by the Bryant Chucking Grinder Corporation of Vermont. These machines, 45 of which had been approved for sale to the Reds a decade earlier by the Kennedy Administration, enabled the Soviets to put multiple warheads on their giant missiles and to improve their accuracy tenfold. This strategic aid to the enemy may have exposed the United States to the danger of what Armstrong called “a nuclear Pearl Harbor.”

The other major contribution to the Soviet military arsenal cited by the Senator was U.S. participation in the construction of the world’s largest truck plant in the Kama River region of the USSR. This massive plant, which produced the vehicles that carried most of the Soviet soldiers into Afghanistan in 1979, “was built almost entirely with \$500 million worth of Western-supplied equipment, technology, and know-how,” said Armstrong, “and financed in part by loans from American banks.”

Some of the principal U.S. contractors at Kama River, according to Antony Sutton, were the Glidden Machine & Tool Company, Gulf and Western Industries, Honeywell, the Swindell-Dressler Company, Warner & Swazey, the Ingersoll Milling Machine Company, and the E.W. Bliss Company. The government officials responsible for this transfer of known military technology, said Sutton, included Henry Kissinger, national security advisor to President Nixon; George Shultz, then Nixon’s Treasury Secretary and now Ronald Reagan’s Secretary of State; and William J. Casey, then head of the Export-Import Bank, which provided \$153 million for the truck plant, and, until his incapacitation and death from a brain tumor, head of the CIA under President Reagan. Financing for the project was handled by David Rockefeller’s Chase Manhattan Bank.

The reason why the policies toward the Evil Empire don’t change, as you can see, is because the policymakers don’t change. They just move from one administration to another.

Although technology transfer to the enemy flourished under the Nixon, Ford, and Carter Administrations, things were supposed to change with the election of Ronald Reagan. The 1980 GOP Platform said that “Republicans pledge to stop the flow of technology to the Soviet Union.” There were some improvements in coordinating interagency efforts to block the export of critical technology to the Reds, thanks in part to men like Larry Brady in the Commerce Department and



Richard Perle in the Defense Department, both of whom are no longer in government. Perle frequently called attention to the scope of the problem, pointing out in 1985, for example, that “there would be no significant Soviet microelectronic capability today without acquisition of U.S. technology.” He said that the National Aeronautics and Space Administration (NASA) “has an extremely liberal publication policy, to the point where NASA has published information that has led directly to improvements in Soviet weapons systems.”

Former Secretary of the Navy John Lehman was another Reagan appointee who recognized the danger of improving the enemy’s technological proficiency. Speaking at Annapolis in May 1983, Lehman delivered a shocking indictment of technology transfer, telling the midshipmen that “within weeks many of you will be looking across just hundreds of feet of water at some of the most modern technology ever invented in America. Unfortunately, it is on Soviet ships.” **The Leaks Continue**

But on the whole, the Reagan Administration has enjoyed very little success in stopping technology leaks. According to a 1985 Defense Department report, “more than 5,000 Soviet military research projects each year are benefitting significantly from Western-acquired technology.” The Pentagon report said that each year the Soviet Union obtains 6,000 to 10,000 pieces of equipment, as well as 100,000 documents, about one-quarter of which are classified secret or restricted by export controls. These desired items, which are identified by a Military Industrial Commission in Moscow, are then stolen by KGB or GRU agents, purchased by dummy trading companies, or obtained legally from U.S. agencies by Soviet agents posing as trade representatives, scientists, or journalists.

In 1985 and 1986, at least \$11 million worth of highly sophisticated U.S.-made computers, high-capacity disk drives, and software were diverted through Western Europe to the Soviet bloc. Some 40 state-of-the-art engineering work stations, made by Tektronix Inc. of Beaverton, Oregon, went to the Soviet bloc via West Germany, Belgium, Austria, and Turkey. Tektronix representatives said they thought that a West German company was going to get the stations, which are vital in the design of advanced memory chips and microprocessors, military aircraft and missiles, and components of space-based weapons systems.

In June 1987, the *New York Times* reported on the sale to the USSR by Japanese and Norwegian companies of four giant milling machines, worth more than \$17 million and used to make quieter submarine propellers. The Soviets first requested the machines in 1980, possibly at the prompting of their secret agent John Walker, but were turned down under the rules of the Coordinating Committee on Multilateral Export Controls (CoCom), which is made up of the NATO countries and Japan. There is evidence that the machines are already making it easier for the Soviet sub fleet to avoid detection with the quieter propellers, and the U.S. Navy estimates that it might have to spend \$1 billion or more to improve its noise-detecting capabilities and undo the damage caused by the Japanese-Norwegian sale. **Support for Legal Exports**

If the problem of *illegal* transfers to the Soviet bloc remains a very serious one, the situation regarding *legal* exports is also growing steadily worse, not only in the quantity and quality of the



goods and technology sent behind the Iron Curtain but also in the enthusiastic support for this suicidal policy by high-ranking members of the Reagan Administration. The aiders and traders had the President's ear during his first term as they persuaded him to continue helping the Communist regimes in Romania, Yugoslavia, and Hungary; to lift sanctions against U.S. and foreign companies supplying equipment for the Soviet gas pipeline; to approve the sale of 200 pipelayers, worth \$90 million, to the USSR; and to sign a new five-year grain agreement with the Kremlin.

But the first year of the President's second term seemed to signal an all-out effort at appeasement and accommodation of the enemy. Under Secretary of Commerce Lionel Olmer got the ball rolling in January 1985 by proposing to the Communists in Moscow that the United States help the Reds market their products, just as it was already doing for Hungary and Yugoslavia. In the same month, Treasury Secretary Donald Regan rejected the attempt by Commissioner of Customs William von Rabb to bar imports from the Soviet Union that had been produced by slave labor. "Available evidence provides no reasonable basis in fact to establish a nexus between Soviet forced-labor practices and specific imports from the Soviet Union," said Regan. He disregarded a 1983 CIA report identifying 36 products for which slave labor was "used extensively."**Vodka Cola**

In March, several U.S. banks joined the Bank of Tokyo in loaning more than one billion dollars to the Communist regime in East Germany, which in turn loaned \$20 million to its comrades in Nicaragua. Secretary of Commerce Malcolm Baldrige visited the Kremlin in May to promote better U.S.-Soviet ties and heard a lecture from Soviet boss Mikhail Gorbachev about U.S.

"discrimination" against the USSR and the use of commerce "as a means of political pressure." Also in May, Pepsico signed a new five-year deal to exchange Pepsi-Cola concentrate with the Reds for the right to sell Stolichnaya vodka in the United States and, in June, U.S. and Soviet officials agreed to resume agricultural cooperation that had been halted when the Soviets invaded Afghanistan in 1979. There was no requirement that the Soviet Union withdraw its 120,000 troops from Afghanistan or that it stop the massacre of innocent men, women, and children in that occupied land.

In July, the First National Bank of Chicago announced that it was arranging a \$200 million loan to the USSR at a low interest rate, and a coalition of 15 American and European banks signed a loan and export credit package worth \$350 million to the Red regime in Angola. The package included \$129.7 million via the Export-Import Bank, the U.S. government's official export credit agency. That amount brought total Exim Bank credits and guarantees to Angola to more than \$261 million since the Communists seized control of the African nation in 1975.

In fiscal year 1985, it should be noted, the United States gave over \$300 million in direct aid to Communist countries under its foreign aid program, and assisted in the financing of an additional \$6 billion through the auspices of the World Bank and International Monetary Fund. The beneficiaries of this largesse included Afghanistan (\$44.7 million), Angola (\$116.2 million), Red China (\$2.3 billion), Hungary (\$1.1 billion), Mozambique (\$107.9 million), Nicaragua (\$36.8 million), Romania (\$768.3 million), Vietnam (\$110.8 million), Yugoslavia (\$1.7 billion), and Zimbabwe (\$293.6 million).



If it strikes you as bizarre that our government can allege its support for freedom fighters in many of these countries while at the same time providing huge sums of direct and indirect aid to the Communist regimes against which the anti-Communist forces are fighting, you are not alone.

In the fall of 1985, Senator Jake Garn (R-UT) introduced legislation to empower the President to limit loans to Soviet-bloc nations. “Already this year,” said Garn, “U.S. banks have shepherded a reported \$1.3 billion to these countries, including \$200 million to the Soviet Union. I can’t understand how U.S. banks can continue to financially support our adversaries with these low-interest loans. They will be used, directly or indirectly, to purchase sophisticated Western technology to the detriment of this nation as our foes use the funds to develop more advanced military weapons.” President Reagan, on the advice of his State and Treasury Departments, opposed the Garn amendment and it was never enacted.

November brought another announcement that four big American banks — First National of Chicago, Morgan Guaranty, Bankers Trust, and Irving Trust — plus a London subsidiary of the Royal Bank of Canada, had agreed to lend the USSR up to \$400 million at “unusually low interest rates” to buy American and Canadian grain. And in December 1985, Commerce Secretary Baldrige led a pilgrimage to Moscow of more than 400 American business executives, representing nearly 200 U.S. corporations, for three days of talks with Soviet officials.

Calling for increased trade between the United States and the USSR, Baldrige said that “peaceful trade benefits both countries.” His host, Mikhail Gorbachev, used the opportunity to attack U.S. controls on high-tech exports to the USSR, saying the idea that Soviet military potential depends on Western technology is “complete nonsense.” He said that as long as controls exist, “there will be no normal development of Soviet-U.S. trade and other economic ties on a large scale. This is regrettable, but we are not going to beg the United States for anything.” **The Deaf Mute Blindmen**

In his latest book, *The Best Enemy Money Can Buy*, Antony Sutton refuted the statements of both Baldrige and Gorbachev with extensive documentation of the U.S. role in building up the Soviet enemy. He summarized the evidence in these words:

When all the rhetoric about “peaceful trade” is boiled out, it comes down to a single inescapable fact: the guns, the ammunition, the weapons, the transportation systems that killed Americans in Korea and Vietnam came from the American-subsidized economy of the Soviet Union. The trucks that carried these weapons down the He Chi Minh Trail came from American-built plants. The ships that carried the supplies to Sihanoukville and Haiphong and later to Angola and Nicaragua came from NATO allies and used propulsion systems that our State Department could have kept out of Soviet hands — indeed, the Export Control Act and the Battle Act, ignored by State, required exactly such action. The technical capability to wage the Korean and Vietnamese wars originated *on both sides* in Western, mainly American, technology, and the political illusion of “peaceful trade” promoted by the deaf mute blindmen was the carrier for this war-making technology.

The phrase “deaf mute blindmen” was coined by Lenin 70 years ago to describe those



businessmen and bankers who would facilitate their own destruction in their mad race for profits. His words are just as pertinent today as they were when he pronounced them in the 1920s:

The Capitalists of the world and their governments, in pursuit of conquest of the Soviet market, will close their eyes to the indicated higher reality and thus will turn into *deaf mute blindmen*. They will extend credits, which will strengthen for us the Communist Party in their countries and giving us the materials and technology we lack, they will restore our military industry, indispensable for our future victorious attacks *on our suppliers*. In other words, they will labor for the preparation for their own suicide.

One of the most prominent “deaf mute blindmen” today is Dwayne O. Andreas, chairman of Archer-Daniels-Midland, a grain company. Andreas, who is also chairman of the US-USSR Trade and Economic Council, believes that “trade is the greatest promoter of peace and good will on earth. I feel pretty patriotic doing what I’m doing.” If trade is such a great promoter of peace and good will, how come seven decades of trade with the Soviet Union have produced so little peace and good will? Would Mr. Andreas have felt as patriotic trading with Hitler? Andreas is so caught up in the euphoria of dealing with Mikhail Gorbachev that he has lost all perspective and common sense. At least that is the most charitable explanation for his likening of Gorbachev to a “Methodist minister that I knew out in a little town in Iowa. He’s gentle. He looked me right in the eye — pleasant, good voice, smile — and after 10 seconds of that, the thought crossed my mind, ‘Well, the man has a sense of humor.’” Can’t you just hear the millions of suffering souls in the Gulag laughing right along with Mikhail? Or see the smile on the faces of the Afghan children who have been maimed by those clever little explosive toys that Gorbachev’s goons have planted in Afghanistan?**Waiving Wheat**

The period since the end of 1985 has also been filled with more crazy U.S. schemes to provide aid and comfort to the enemy. Consider, for example, President Reagan’s offer in August 1986 to sell nearly four million metric tons of wheat to the Soviet Union at subsidized prices. Bear in mind that the USSR had already violated a U.S.-Soviet grain agreement by not buying its quota of American wheat in 1985. So Mr. Reagan offered a little bribe in 1986 by making our wheat available to the Reds for \$25 a ton less than the prevailing U.S. price of \$105. The Communists refused the offer, however, bought wheat from the French instead for \$75 a ton, and violated the grain pact with the United States for the second year in a row.

The fact that 1986 was an election year had a lot to do with the President’s wheat proposal. Many farmers were hurting and the taxpayers were forking out \$700 million a year in storage costs for about \$8 billion worth of grain. But these ends did not justify the means.

“As badly as my farm folks hurt,” said Senator Malcolm Wallop (R-WY), “I do not think they want me subsidizing the Soviet Union so that it can put into practice yet another year’s violations of arms control treaties, yet another year’s aggression against the Afghans, and other things.” Senator Daniel Moynihan (D-NY), whose amendment to block the subsidized sale was killed (72 to 24) in the Senate, quoted Lenin as having said: “The raw necessity of capitalist overproduction will lead them to shower us with goods and services. They have no choice.”**Oil Change**



If you know that the Soviet Union is the world's largest exporter of oil, and that the hundreds of billions of dollars it has gained in oil revenues since 1973 have been used to gain leverage over its oil-dependent satellites and to fuel worldwide aggression and terrorism, then you would expect Free World leaders to avoid doing anything that would aid the USSR in this area. How then does one explain the Reagan Administration's decision in January 1987 to end an eight-year ban on the sale of oil and gas equipment and technology to the Soviet Union?

The official explanation given by Commerce chief Malcolm Baldrige was the "widespread foreign availability" of such products as drilling rigs, bits, and mud-removal materials and "significant" injury to U.S. companies. "I am convinced, despite our dissatisfaction with Soviet human rights efforts," said Baldrige, "that it is no longer in our national interest to keep these unilateral foreign policy controls on exports of oil and gas equipment and technology to the Soviet Union." The Secretary's perception of the national interest would seem to be as flawed as Dwayne's Andreas' characterization of Gorbachev.

Writing in *Commentary* magazine in July 1986 ("Petropower and Soviet Expansion"), Edward Jay Epstein showed how vital oil production and oil revenues are to the Soviet drive for world domination. He pointed out that from 1950 to 1973, combined Soviet military and economic aid to other countries averaged just under \$1 billion a year. That figure jumped to \$7 billion in 1974 (the year oil prices went from \$2 to \$16 a barrel), to \$10 billion in 1979, and to \$20 billion in 1982. It was still \$20 billion in 1985, not counting covert aid to a score of terrorist movements. The inflated oil prices allowed the Soviets to sell vast quantities of arms to Middle East countries in exchange for millions of barrels of oil that they then sold at a huge profit on the world market. The USSR was not just an innocent beneficiary of the jump in oil prices, according to Mr. Epstein, but helped to provoke the increase by sending arms and agitators into the Middle East. The Kremlin played a role in Egypt's attack on Israel in 1973, which triggered the first hike in oil prices; in the riots against the Shah that led to the closing of Iran's oil fields in 1977, which boosted prices to \$30 a barrel; and in Iraq's invasion of Iran in 1980, which sent oil up to \$40 a barrel.

Since 1983, the price of oil has been cut in half and a decline in its oil production has hurt the Soviets badly. Ironically, they were helped out by Vice President Bush when prices fell to \$10 a barrel in March of 1986. Bush said publicly that the United States might urge Saudi Arabia to cut back on its oil production, and the price climbed to \$15 a barrel. Keeping oil prices and Soviet production down is clearly in the political and economic interest of the Free World. So why is the U.S. government heading in the opposite direction by making vital oil and gas equipment and technology available to the Reds? **Leave Them a Loan**

In 1986, Soviet sales of oil, gas, arms, and gold brought in about \$26 billion in hard currency. But this was not enough to sustain the Evil Empire's seven mutual defense treaties, 11 military assistance pacts, and 18 arms deals. So where did the Kremlin get the extra billions it needed? Why, the Communists borrowed the billions quietly, at low interest rates, from the interbank market. The Soviets own seven banks in the Free World — Eurobank in Paris, Moscow Narodney Bank in London, Ost-West Handlesbank in Frankfurt, and institutions in Zurich, Vienna, Luxembourg, and Singapore.



These banks give Kremliners access to large amounts of hard currency at an interest rate below the U.S. prime rate, and they can use the money for any purpose they wish — war, terrorism, espionage, etc. Roger Robinson, who once had responsibilities for Chase Manhattan's loan portfolio in the USSR and Communist Europe and who worked at the National Security Council from 1982 to 1985, has estimated that Western deposits in Soviet-owned banks may total \$5 billion. He has said that more Free World billions may be in the Soviet Bank for Foreign Trade, the State Bank of the USSR, or in banks in the satellite nations.

Also concerned about Free World loans and credits that give economic and financial vitality to the Soviet Union were 18 members of Congress who wrote to President Reagan prior to the June 1987 economic summit in Venice and urged him to persuade U.S. allies to put restrictions on untied Western loans to the USSR. In a letter to the President, the seven Senators and 11 Representatives said:

Over the past year, Western commercial banks have made nearly \$4 billion in untied loans to the Soviet Union, loans not linked to any specific trade transaction or project. Another \$2 billion in other loans have been made, which in addition to interbank deposits are sources of hard currency to the Soviet Union and its allies.

It is likely that the Soviet Union will soon seek to enter the Euro-bond and other security markets, attracting capital from Western pension funds, insurance companies, and other corporations.

These untied cash loans free up scarce Soviet resources, or make available funds that can be directly diverted to finance aggression abroad and oppression and the military buildup at home.

If the subject of untied loans was discussed at the Venice summit, it was not mentioned in the official communiqué issued by the seven leaders at the end of the three-day conference. It ought to be mentioned, however, to the administration and to the Congress until this financial loophole is completely closed. Not only is it wrong to lend money to an avowed enemy; it is financially stupid to grant loans to a bloc of nations that is already more than \$100 billion in debt.

Trading with the enemy advanced to another level early in 1987 with Secretary Baldrige urging an easing of export restrictions on shipments to the Soviet Union and other Communist countries. Arguing in February 1987 that export controls had hurt U.S. competitiveness abroad and damaged America's "defense industrial base," Baldrige proposed 11 changes in the export control system that he hoped would cut the processing time for license applications and reduce their number by 20 percent. The Commerce Department had been processing about 120,000 applications a year.

The changes suggested by Baldrige included no licensing requirement for low-technology products; a speedier process for determining whether a product is available on the international market from non-U.S. sources; bulk licensing procedures for shipments to Red China; improvements in the way disputes between Commerce and Defense are resolved over what should and should not be exported; and an end to the requirement that the United States be notified when a product exported to one CoCom nation is re-exported to another. Disagreeing with Mr. Baldrige was Pentagon official Richard Perle, who said that the changes would harm U.S. security and that the control system should be strengthened, not weakened.



If you want to engage in a futile exercise, try to get Commerce to tell you the names of the deaf mute blindmen and companies who are doing business with the Soviet Union. The department refused in 1985 to identify the more than 400 executives who accompanied Secretary Baldrige to Moscow, and it continues to refuse to make public the names of their businesses.

The *Arizona Republic* filed suit under the Freedom of Information Act in 1985 to obtain the names, but has been unsuccessful as of June 1987. The federal government has eight attorneys in Phoenix, Washington, and San Francisco working to keep the names from the public, no doubt because public reaction toward the aiders and traders might not be too favorable.

On May 28, 1987, the Commerce Department did send members of Arizona's congressional delegation a printout of commodities approved or denied export licenses for shipment to the USSR in calendar year 1986. Of the 1,079 licenses sought, 576 with a total value of \$296.5 million were approved; 279 with a total value of \$1.1 million were returned to the companies; and 24 with a total value of \$1.7 million were rejected. Presumably the others were still being processed. Some of the items rejected for export were underwater detection equipment, laser systems, electronic computing equipment, and technical models. **“Defense-Feedback”**

Writing in the *Wall Street Journal* on October 1, 1985, former Commerce Department official Larry Brady cited a study showing that, if the United States had not rejected some 79 export license requests by Soviet-bloc countries, the Kremlin would have saved as much as \$13.3 billion in 1983-84 in direct improvements in military production. Furthermore, the study said, the United States and its allies would have had to spend about \$14.6 billion to match the technological advances the Soviets would have made had the licenses been granted and the technology transferred.

This reflects what one writer has called the “defense-feedback” syndrome. “When U.S. allies trade with, overtrade with, and subsidize the Soviets,” said Melvyn Krauss in his book *How NATO Weakens the West*, “our enemy gains economic resources which they can — and do — use to augment their military machine. The United States in turn must counter the Soviet military buildup with one of its own to maintain the military balance. The increase in the U.S. defense budget by comparison with what it otherwise would have been — made necessary by the enrichment of the Soviet Union by its allies — can be called the ‘defense-feedback’ costs of the détente policies of America’s allies.”

Other signs of lowered barriers in 1987 included the opening of joint business ventures in the USSR by American firms and the Soviet regime, with the Reds holding a 51 percent interest in each venture and the foreign company 49 percent; the exempting by the Reagan Administration of Soviet-bloc countries (Commerce calls the Red dictatorships “non-market economies”) from countervailing duty penalties imposed on other nations that dump cheap, subsidized imports into the American economy; and the opening in Moscow in June of an American consumer electronics exhibit that will travel to eight other Soviet cities in 1987 and 1988.

The electronics show, which came out of a “cultural exchange” agreement reached in Geneva in 1985, was the first major American exhibit in Moscow since the Afghan invasion of 1979. The



exhibit was opened by U.S. Information Agency chief Charles Wick, who was a little disturbed about an article sent out by the Novosti syndicate asserting that the CIA had developed a lethal gas that kills black people but not white people. Wick got nowhere with his protest of the article and the show went on. Far be it for the man in charge of presenting a truthful image of the United States to do anything that might really send a message to the Reds, such as calling off the exhibit and shipping the products of 100 American companies home.

During the 1980 presidential campaign, Ronald Reagan was asked if he would send weapons to the Chinese Communists. "No," he replied, "because ... they could turn right around and the day after tomorrow discover that they and the Soviets have more in common than they have with us." Since entering the White House, however, Mr. Reagan has treated the leaders of the world's largest concentration camp as if they were the most reliable of allies. He has visited the Communist mainland himself, as have numerous governors and mayors seeking deals that will bring trade and jobs to their states. After controls on exports to Red China were relaxed in 1983, the number of licenses approved jumped from 2,020 in 1983 to 8,637 in 1985, and U.S.-Red China trade topped the \$8 billion mark that year.

U.S. military installations have rolled out the red carpet for Chinese Communist military officers, including General Yang Dezhai, who commanded Red forces against U.S. troops during the Korean War. A Red Chinese Navy officer and six technicians were given training in torpedo maintenance at the Naval Training Center in Orlando, Florida, to help them service the \$1 million worth of Mark 46 anti-submarine torpedoes we sold to the Peking regime in 1986. And the Reagan Administration in 1985 approved the sale of a \$98 million package that included the design and equipment for a factory that would produce 155mm artillery shells.

The most flagrant breach of candidate Reagan's 1980 promise came in 1986, when the administration announced its intention to sell the Reds 50 avionics kits, worth \$10 million each, that would allow the Communists to modernize 50 of their F-8 jet fighters with sophisticated detecting, tracking, and firing equipment. The sale was approved on the grounds that U.S. foreign policy and security would benefit "by helping to improve the security of a friendly country which has been an important force for political stability and economic progress in Asia and the world."**How Friendly Are They?**

How friendly to the United States are the Chinese Communists? Well, in July 1985 they signed a \$14 billion trade pact with their comrades in Moscow under which the Kremlin will help Peking modernize its industry by providing machinery, machine-tool equipment, chemicals, cars and trucks, building materials, and raw materials. In April 1986, their ambassador to the United States, Han Xu, denounced the U.S. bombing raid on Libya as "a kind of state terrorism to a certain extent." And in September 1986, the Red regime granted a \$20 million, interest-free loan to Nicaragua. "We have signed an economic agreement that is broad-based and provides for over \$20 million in assistance so that Nicaragua will have more resources to alleviate the situation made grave by the aggression of the United States," said Nicaraguan Communist dictator Daniel Ortega in Peking.



But still the buildup of totalitarian Communism continues. Hundreds of millions of dollars flow to the Red Chinese from the International Monetary Fund, the World Bank, and the International Development Association. The U.S. Agriculture Department in August 1986 announced the sale of its entire sugar stockpile (145,850 tons) to Red China for 4.75 cents a pound, well below the prevailing world price of 6.5 cents and almost \$40 million less than what the Commodity Credit Corporation originally paid American sugar producers under the government's price support program. And in March 1987, Senator John Kerry (D-MA) sponsored a measure to spend \$25 million to train Red Chinese technicians at U.S. manufacturing plants on equipment that the Communists might eventually be interested in buying for use in their own country.

More than 430 American companies are members of the National Council for U.S.-China Trade and many of them are doing business in the so-called People's Republic. Over 8,000 contracts have been concluded, with more than \$20 billion in foreign investments at stake. But all is not rosy on the Red mainland. In May 1986, American Motors announced a halt in production of jeeps at a joint-venture plant in Red China because the Reds had failed to pay \$11 million for jeep parts. AMC expected its planned output of 4,000 jeeps to be cut in half. **Changing the Rules**

According to an article that appeared in the *New York Times* on June 16, 1987, the problems facing U.S. firms are even more severe than that because the Chinese Reds keep changing the rules. Foreign investment in Red China had dropped 50 percent in the previous year, said a report by two international lawyers from the New York firm of Paul, Weiss, Rifkind, Wharton & Garrison. They charged the Reds with concealing the true cost of labor, raw materials, utilities, and land-use fees from investors and then jumping costs to exorbitant levels; soaking foreigners for the cost of hotels, airline and rail tickets, and telephone use; never abiding by the original terms of a contract but always seeking to renegotiate; imposing new fees or conditions in the middle of a contract that affect its profitability; and making it very difficult for companies to convert their earnings into foreign exchange for the repatriation of profits.

No American businessman would put up with this nonsense in his own country, but he seems willing to go along with it in Red China because his government is trying to make a group of Communist thugs and extortioners look respectable. Even the two attorneys mentioned above toned their criticism down with careful language. "Foreign investors coming to China," they said, "are faced by an increasingly complex web of tax legislation, regulations, and rulings that appear to lack consistency in their interpretation and implementation from one locality to another, and allegedly arbitrary taxation is frequently mentioned as a deterrent to investment." *Appear to lack consistency? Allegedly arbitrary taxation?* C'mon, guys, you wouldn't let an American entity off that easy.

To those who think Red China is the promised land, Senator Jesse Helms (R-NC) has warned: "Red China is not a reliable ally. The West will rue the day that it did anything at all to strengthen China's Communist government."

There have been many arguments advanced over the years to justify aid to and trade with the Communist enemy. One argument is that aid and trade will mellow our "potential adversaries,"



the latest euphemism for avowed enemies. Seven decades of Communist aggression, terrorism, and slaughter of tens of millions have disproved that theory over and over again. Another contention is that, if we don't sell goods and technology to the Reds, someone else will. Senator William Armstrong provides the answer:

This argument is, of course, morally flawed. Just because there are dope peddlers who sell dope to small children does not mean we have to install vending machines in the school cafeteria to dispense marijuana, cocaine, and amphetamines. But this argument is also practically flawed. In a number of highly critical areas, computers and microprocessors in particular, the United States has technology which is unavailable anywhere else. And in many areas where hardware as capable as our own can be obtained elsewhere, the software that makes the hardware go cannot be.

Finally, what makes a great nation different from simply a large nation is its ability to lead. All the nations with technology comparable to ours in the West trade much more with us than they do with the Soviet Union, and rely on us rather than the Soviet Union for their protection. Through a combination of the carrots and sticks at our disposal, we ought to be able to persuade these nations — most of which are allied to us — to tighten up their own technology export policies. **Total Boycott Needed**

There are those who say restrictions on trade with the Communists will hurt American businesses. But should American firms make profits selling goods and technology to an enemy that has used and will continue to use both to kill Americans? How plausible would this argument be if we substituted Nazis for Communists and Hitler for Gorbachev? The Communists have killed ten times the number of people the Nazis killed, so why are they considered by some to be less of a threat to our survival than Hitler's hordes were? Lysander Spooner, a 19th century writer, put it well when he said that "the men who loan money to governments, so called, for the purpose of enabling the latter to rob, enslave, and murder their people, are among the greatest villains that the world has ever seen."

Even those who think that exporting food to the USSR is a good idea are wrong. Not only does American grain never get to those most in need of a better diet, but it frees up domestic resources that can then be used to produce more tanks, planes, and missiles. This in turn imposes a "defense feedback" cost on the United States, which must spend more money to counter the increase in Soviet military hardware that would not have been possible if the Reds had to incur the cost of agricultural production. Aren't we concerned about the huge grain surpluses piled up by American farmers? Sure we are, but the solution is not selling wheat to the enemy, which it won't even buy at subsidized prices some of the time. The answer is to get the federal government out of agriculture and let supply and demand determine how much grain should be planted and what its selling price ought to be.

As for the argument that offering trade and other inducements to the Soviet Union will lead to human-rights concessions and release of dissidents, experience indicates otherwise. Soviet Jews have become a bargaining chip because the Reds know they can be exchanged at a profit. Such a policy only encourages the Communists to take, torture, and trade other prisoners in the future.



Bribing the Soviets for decent behavior not only enriches them, but it leads to more human-rights violations, said Melvyn Krauss in the *Wall Street Journal* on June 24, 1986. For every dissident released, the Reds will arrest someone else to take his place.

U.S. policy toward the Evil Empire should be a total boycott — no aid, trade, “cultural exchanges,” or any kind of assistance that would help the Communists achieve their goal of world domination. The Free World has sustained its most dangerous enemy for 70 years. We had better reverse that process before it is too late. “The Soviets are depending on us to continue to supply them with ‘the rope’ until they have enough to hang us,” said Senator Armstrong. “But there is still time to yank the rope away.”