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TRADE TRAP

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■ NATIONAL DEFENSE has been one of the major issues of the 1980 Presidential campaign. But the role of the American Establishment in creating the military-industrial complex of the Soviet Union has been ignored. That is not surprising since this transfer of American technology and capital investment has been encouraged by both Republican and Demo-

cratic Administrations. In fact the corporate and financial *Insiders* who have profited from this transfer are mostly nominal Republicans who are regarded by the mass media as "conservative."

What we are talking about here is the preeminent scandal of the Twentieth Century. Our country is spending \$150 billion a year to de-

fend itself from an enemy that the American Establishment has sustained and nurtured. And the ultimate irony may be that this Frankenstein monster could wind up destroying its creators along with the rest of us.

The transfer of American know-how is escalating, but it reflects a policy that is some sixty years old. To the extent that the U.S.S.R. has developed economically and advanced militarily, it has done so by feeding on the very capitalist system it has declared to be its mortal enemy. And this has been aided and abetted by the "capitalists" themselves.

There is wearily detailed proof of all this. Eighteen years ago the distinguished German historian Werner Keller published *East Minus West Equals Zero: Russia's Debt To The Western World 1862-1962* (New York, G.P. Putnam's Sons, translated from the German by Constantine Fitzgibbon). Keller's thoroughly researched and lucid history confirmed that the Russians had been almost completely dependent on imported Western technology for a hundred years.

More recently, Professor Antony Sutton of the Hoover Institution for War, Revolution, and Peace produced a three-volume work entitled *Western Technology And Soviet Economic Development*, the result of more than ten years of meticulous research of government files and previously unavailable records and reports of the companies and engineers involved. Sutton fully corroborated Keller's thesis with exhaustive reports on project after project, and his scholarly analysis has never been successfully challenged. *Western Technology And Soviet Economic Development* (Stanford, Hoover Institution Press) is the most thorough work on Western technological trans-

fers to the U.S.S.R. ever published. Volume One covers the period from 1917 to 1930; Volume Two, 1930 to 1945; and, Volume Three details transfers from 1945 to 1965.

In addition, Professor Sutton has written several other books in the field, including *National Suicide: Military Aid To The Soviet Union* (New Rochelle, Arlington House, 1973), which summarizes the Hoover series as it applies to military development, and demonstrates that the Soviet military-industrial complex was built with Western technology. This was published for a popular audience because of a news blackout on the earlier Sutton work. During the 1972 Republican National Convention in Miami, at the peak of the euphoria over *détente*, Antony Sutton had testified about the contribution made by American technology to the development of the Russian war machine. His testimony was given at a closed Hearing of the Platform Committee and was received with hostility by G.O.P. leaders. A press conference which had been planned for Professor Sutton was quickly cancelled.

When he returned to Hoover from Miami, Sutton was ordered to make no more public statements concerning the implications of U.S. transfers of technology to the Soviet Union. The White House had apparently pressured the Hoover Institution to muzzle Sutton. There was a war on, and Conservatives were demanding to know why we were trading with the arsenal of forces killing our sons in the field.

The earlier history of such trade was of course no secret. In the wake of economic disasters in Russia, Lenin had launched a "New Economic Policy" in 1921, the main features of which were abandonment of rigid collectivization and the offering of

At the end of the war the Soviets sent back to Russia entire industrial complexes, kidnapping the technicians, skilled workers, and scientists to run them. The booty included arms factories and German rocket facilities. This was added to the \$10 billion in military equipment we had supplied under Lend-Lease.

generous "concessions" to select capitalists of the West in exchange for the rapid industrialization of Russia. The great "betrayal of the revolution" which Trotskyites accuse Lenin's successor Stalin of presiding over was actually initiated by Lenin himself and was unavoidable if the Bolsheviks were to retain power. The only way they could survive was by obtaining trade and technological aid from the capitalist economies. Lenin's arrangements with Western businessmen were only the first of a continuing series of transfers designed to bolster the Soviet economy and bail out the Reds.

English, German, Italian, Swedish, Danish, and American businessmen rushed to provide the Communist nation with airfields, railroads, power plants, oil wells, refineries; with mining equipment for gold, copper, and iron; and, with ship, textile, auto, and aircraft factories.

The greatest contributions of technology came from the United States. The Cleveland firm of Arthur G. Mackee provided the equipment for the huge steel plants at Magnitogorsk. The John K. Calder Company of Detroit installed and equipped the tractor factories at Chelyabinsk. Henry Ford and the Austin Company furnished the materials for the automobile works at

Gorki. Colonel Hugh Cooper, creator of the Muscle Shoals Dam, designed and built the great hydroelectric installation at Dnieprostroi.

Through some four hundred concession and technical assistance agreements, Western firms got the Russian economy moving forward. The glorious "Bolshevik achievements" that our "Liberals" boasted about in the 1930s were the product of American and European technology and know-how.

Professor Sutton points out that the first Soviet "Five Year Plan" was utterly impracticable, with the result that Moscow embraced an industrial plan designed by the American firm of Albert Kahn, Incorporated, of Detroit. The second Five Year Plan involved bringing into production the tremendous capacity of the facilities built by the Western firms in the early 1930s. For example, the long aluminum sheets later used in Soviet aircraft came from a plant built by United Engineering. General Electric built a turbine electrical facility at Kharkov with a capacity two and a half times greater than G.E.'s main plant in Schenectady, New York. Other firms involved in building Russia's technological base during the 1930s were Standard Oil, Westinghouse, Ford, duPont, Douglas Aircraft, and R.C.A.

The factories built by the Western capitalists for the Soviets during this period were the largest and most modern in the world. Three huge tractor plants constructed in Russia by Western firms, the largest such facilities in the world, would soon be used to produce Soviet tanks. Replicas of complex American production facilities were shipped, assembled, and installed for Soviet Russia — like huge do-it-yourself kits. But even with this enormous amount of aid and trade, Russia remained an industrial dwarf. Its unskilled peasant population proved unable to operate and maintain the complex industrial facilities which had been transplanted from Western capitalism. Still the Western assistance continued.

The Soviets got a gigantic boost during World War II under the American Lend-Lease program. Between 1941 and 1945 a flood of further assistance was flown and shipped to the Soviet Union — including huge amounts of raw materials, entire industrial plants, tools, machinery, spare parts, textiles, canned goods, and an enormous array of purely military equipment of all kinds, including guns, tanks, trucks, aircraft, jeeps, explosives, radio stations, electronic gear, etc. You will find a full list of the military equipment in all categories sent to the Soviets under Lend-Lease in Chapter Five of Sutton's *National Suicide*.

This Lend-Lease aid was supposedly granted as an interest-free loan, but not one penny has ever been repaid. It amounts to a gift of more than ten billion pre-inflation dollars!

In addition to the technology that was directly given to the Soviets, an enormous amount of strategic material and technical information was simply looted while the Roosevelt Administration looked the other way.

Soviet Lend-Lease agents obtained technical blueprints, classified documents, machinery, military inventions, and special materials such as uranium and heavy water. Where authorities resisted, they simply put them in crates marked "diplomatic mail" and had them airlifted to Russia. "Nothing was done to stop the spies," writes Werner Keller. "The government watched the activities of the Soviet agents with incredible tolerance The Americans themselves provided the transportation in which the Russians carried away the fruits of the most spectacular campaign of robbery ever undertaken."

After the war, Russia looted the occupied territories which Roosevelt and Truman and Hiss had blocked out for their control at Yalta and Potsdam. This included almost all the heavy industry in Manchuria. From conquered Germany the Soviets looted whole iron and steel works, chemical plants, auto factories, shipyards, armament factories, railroad networks, electric power stations, and the V-2 rocket assembly plants. Wherever their armies marched the Soviets seized minerals, petroleum, machinery, and industrial facilities of every kind.

To be able to use this fantastic accumulation of stolen equipment and technical information, skilled workers were needed. So the Soviets also looted human beings: a million Poles, four hundred thousand Germans, and hundreds of thousands of the most able people in Central Europe. They were simply seized and sent to work as slaves for the Bolsheviks. Like the kulaks before them, these people were sacrificed for the "greater good" of Communism. As late as October 22, 1946, the Red Army kidnapped six thousand German scientists in a gigantic raid and deported them to Russia to work in

aircraft and rocket factories looted in their entirety from Germany.

While the U.S. began to disarm after the war, the Soviets worked feverishly to build up their military-industrial complex. Using stolen technology and kidnapped personnel, Russia first concentrated on creating a modern air force. On "Red Air Force Day" in 1948 the Soviets shocked the world by revealing their first long-range bomber. As historian Werner Keller remarks, "This inaugurated a series of demonstrations of new aircraft. Russia was threatening the West with the West's own inventions, exactly as Peter the Great had once threatened Europe with cannon forged by Swedes, Italians, and Germans, and with European-trained troops."

Having captured the advanced aviation and rocket technology of German industry, and transported it to Russia wholly intact, the Soviets adopted and worked on the plans which the scientists at Peenemünde had left behind. In 1957 the Soviets stunned the world by announcing that they had launched the first two artificial satellites around the earth.

But Leonid Vladimirov, the escaped Russian engineer who was editor of the Moscow technical journal *Znanie-Sila*, reports: "The Russians were never ahead in space . . . The Soviet Union's backwardness in space research is perfectly natural and inevitable, because the Soviet Union is a backward country and in particular is a technologically backward country." The Russian rocket and space spectacles were not Soviet at all, but the product of transplanted German V-2 technology used to fulfill plans already detailed by the German scientists at Nordhausen and Peenemünde.*

Professor Antony Sutton points out: "From the German V-2 rockets,

the associated German production facilities, and the all-important German reliability tests stem the contemporary Soviet ICBM and space rockets. In the 1960s there were four types of large liquid fuel rockets in the Soviet Union: the Soviet version of the V-2, the R-10 (a 77,000-pound thrust scale-up of the German V-2), the R-14 (a scaled-up V-2 with a 220,000-pound thrust), and a modification known as the R-14A (based on the R-14). The R-14 was designed and developed by a joint German-Russian team, until the Germans were sent home in the late 1950s."

Sutton explains how these copied German rockets were used in Soviet space vehicles: "The Soviets do not (or did not until recently) use single boosters — these use clusters of rockets strapped onto a central core. The strap-ons are the modified and scaled-up German V-2. Thus, for example, *Sputnik I* and *Sputnik II* had a first stage of two R-14A units, a second stage of two R-14A units, and a third stage of a single R-10 (the German V-2 produced in the Soviet Union). *Lunik* was a similar cluster of six rocket units. The *Vostok* and *Polyot* series are clusters of six units. The planetary rockets, *Cosmos* series and *Soyuz* family, are seven-unit clusters . . ."

Further Soviet deception in this area was released in 1958 by Lloyd Mallan in his *Russia And The Big Red Lie*, after he had completed a trip covering fourteen thousand miles of Russia, visiting thirty-eight scientists, and taking more than six thousand photographs. Mallan exposed to the world the Soviet need to illustrate their space-program with photographs from American scien-

*See Chapter 23 of Keller's *East Minus West Equals Zero* and Chapter 11 of Sutton's *National Suicide*.

Control Data's promoter of Red trade Robert Schmidt lashed out arrogantly at the Commerce officials, declaring: "Don't you ever call yourselves the government. We are the government!" And by we the détenteist Schmidt did not mean the American people; he meant the big multinationals and their powerful officers.

tific journals. For example, the Univac computer of Remington Rand Corporation was pictured as a Soviet achievement in an article in *Red Star* in the 1950s with the descriptive captions translated into Russian! In 1969, *Tass* released a photograph for use in the American press which the Soviets said showed a Russian space station with one Soviet space ship in orbit and another en route. In fact, the *Tass* photo was reproduced from *Scientific American* (February, 1962). It came from an advertisement run by Sperry Gyroscope Company of Great Neck, New York.

Professor Sutton commented: "In 1972 we did not hear so much about the Soviet space program, for its job had been done. Charged with providing the propaganda cover for Soviet technical backwardness, the program achieved its objective superbly. The United States got sucked into a multi-multi-billion-dollar extravaganza, using funds from American taxpayers propagandized into thinking there was some kind of race in progress. The only race was between the United States and its shadow. Today, without further Western help, the Soviet Union can make no dramatic advances. But help will be forthcoming from the United States in the form of 'cooperative' space ventures."

And of course it was. The same is true in other areas of development and production. The Soviets depend upon Joy Manufacturing Company for their mining operations. Their MiG planes are powered by Rolls-Royce engines. Throughout the 1960s, and especially under the policies of C.F.R. agent Henry Kissinger in the 1970s, vital petroleum technology was transferred to the U.S.S.R. Armand Hammer's Occidental Petroleum continues to play the key role in the Soviet chemical industry. The first Soviet nuclear reactor was a replica of the American Hanover reactor. And so it goes.

According to Professor Sutton, more than sixty-seven percent of the hulls of the Soviet merchant marine were actually built in the West. Eighty percent of the engines for Soviet ships were built in the West, and the twenty percent not built here were built in Russia under technical assistance agreements with Western firms. Communist computer technology is from I.B.M., R.C.A., and a British corporation called International Computers. But the American company which leads the pack in computer sales to the Communist bloc is Control Data Corporation — which has provided the Reds with more than fifty million dollars' worth of sophisticated computers.

The Soviet military-industrial complex has been built and maintained by the West, especially by firms in the United States. "Bolshevik-planned industry feeds on the industrial freedom of the rest of the world," just as Werner Keller said. "It would long ago have died a natural death had it not been for the repeated injections of fresh life-blood which are still being pumped into it."

After years of seeing articles denouncing this situation only in AMERICAN OPINION, *The Review Of The News*, and *Human Events*, we are now beginning to see some of the same type of material in other journals as well. *Commentary*, the magazine of the American Jewish Committee, carried an article entitled "Selling Them The Rope" under date of April 1979. Even the manic "progressive" *New Republic* has acknowledged the issue in an article entitled "Dollars For Détente: Communists And International Bankers — The Conspiracy Explained" (March 31, 1979).

In AMERICAN OPINION for September 1979, Medford Evans reviewed a new book on this theme by an author with whom we were not familiar. He is Charles Levinson, and the book is *Vodka-Cola* (Gordon and Cremonesi, London and New York, 1979). Mr. Levinson is described by his publisher as former Deputy Director of the European office of the C.I.O. and Assistant General Secretary of the International Metal Workers Federation. He now serves in the office of Secretary General for the International Federation of Chemical, Energy and General Workers Unions. Obviously Mr. Levinson is not a product of the Conservative movement.

Nevertheless, Levinson writes in *Vodka-Cola* of "quasi-clandestine, conspiratorial dealings between East-

ern politico-economic and Western economic authoritarians," and blasts such familiar elements of power as the Council on Foreign Relations, the Trilateral Commission, the Bilderbergers, the Rockefellers, and the Chase Manhattan Bank. Concerning Russian economic advancement, he observes:

"For the East, facing an age of technology and capital-intensive industry, the technology gap had become an unbridgeable chasm The only way out . . . was to shift economic priorities from ideological isolation . . . towards integration into the new science-based global economy of the capitalist international monopolies (as multinational companies are termed by Stalinist orthodoxes). The Soviets sought to repeat the Japanese experience of . . . incorporating foreign capitalist technology There was the added realization that self-generated catch-up was likely to prove impossible in any case

"Only the traditional impediments of the inconvertibility of Communist currencies and the inadequacy of simple barter deals as a basis for massive transfers of capital goods and services stood in the way of such integration"

Levinson explains how slave labor and new methods of financing trade were combined to overcome the earlier obstacles to increased exchange. He writes:

"It is the unprecedented and creative discovery of how to fuse this fund of cheap, skilled, strikeless labour into a new form of economic cooperation which made Communist-made profits possible for multinationals, and catalysed the détente. By innovating a new form of foreign exchange, permitting the multinational companies to earn exceptionally high profits in [borrowed] hard

dollars, marks, francs, sterling, and yen, the historical economic bottle-necks were broken and the West's political barricades against Communism dismantled."

Levinson explains how relations between the corporate socialists of the West and the Communist regimes of the East favor both a drive toward increasing monopolistic control at the international level and a strengthening of the tyrannical slave states under Communism:

"The more public and private credits that are advanced, the more 'investments' the multinationals make, the more the powerful interests tie into cooperation deals, the greater the political and economic pressure will be to expand commitment. The Western multinationals are, therefore, likely to use their already predominant strength over the political and economic policies of the nation state in support of the unhindered perpetuation of the Eastern regimes with whom they have an ever-growing financial and economic community of interests. Obviously, with investments in the \$50-100 billion range and debts on the same scale, the multinationals and the banks would definitely not be content at the prospect of a change in the Eastern regimes. In economic terms, such change would probably result in the repudiation of all external obligations and debts contracted by the present undemocratic, unelected oppressive regimes The multinationals and banks, therefore, have a vested, direct, financial interest in the perpetuation of these oppressive regimes and must be among their most solid, and tacit, supporters."

Levinson specifies the private organizations of our Establishment *Insiders* which are involved in using government policy to secure special

deals for the banking and corporate elite:

"In the USA . . . the Business Round Table lobby brings together 160 presidents from the largest multinationals whose job it is to influence government policy. Their president, Irving Shapiro, is one of the front-runners of Vodka-Cola colonization. Managing Director of Du Pont, director of IBM, he is also a member of the Trilateral Commission, of the US-USSR Trade Council, of the Bilderberg Club, and of the Council on Foreign Relations, all of which are agencies of the Overworld, maintaining control over economic affairs. This molecule of power dominates similar functions in many other capitalist countries of the West."

Discussing the Trilateral Commission and its dominance in the Carter Administration, Levinson acknowledges the central role played by the Rockefellers, observing that "the Trilateral Commission is the creature of the ubiquitous David Rockefeller. The symbol and the hyphen between the Vodka-Cola polarities, he controls the Rockefeller Foundation, the Rockefeller Brothers Fund, the Council on Foreign Relations, and the Bilderberg Society. Associated with the banks and the oil companies, he also holds sway with overwhelming influence, amid other Vodka-Cola organizations: the Ford Foundation, the Brookings Institute, MIT, Harvard University, Stanford University, Hudson Institute, Rand Corporation and the Russian Studies Institute. All the programs of meetings and discussions drawn up by these bodies include growing numbers of Vodka-Colanizers from Eastern Europe."

Using material developed by G. William Domhoff, Levinson de-

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scribes the Rockefeller network within the multinational corporations, especially those involved in the Vodka-Cola game. On the basis of this analysis, he concludes: "Fifteen members of Rockefeller and Associates alone hold 118 directorships in 97 different companies. The combined assets of all the companies listed add up to over \$640 billion."

Of vital consequence to these multinational conspirators is their maintenance of political control or, at minimum, avoidance of what Charles Levinson calls "serious confrontations capable of stopping the grand design."

Meanwhile the Rockefellers and the multinationals employ such instrumentalities as the C.F.R. and the Trilateral Commission to direct U.S. foreign policy toward *détente* and protect their "investments" and loans to the current Communist regimes. The cost of all this East-West collusion between elites includes the five million or so people in Soviet slave camps and other products of Communist totalitarianism. It naturally requires that the American Establishment downplay Soviet motives and largely ignore Russian aggression. Thus do the *Insiders* of the global aristocracy exploit slave labor. David Rockefeller and his co-conspirators have no qualms about acquiring more wealth and power through interventionist government policies or the exploitation of the enslaved behind the Iron and Bamboo Curtains. Levinson observes: "... the foreign policy establishment believes the Rockefeller credits should become the underpinning of the Communist elite in power and the buttress of the *status quo* against destabilizing forces such as dissidents and propo-

nents of freedom of speech, strikes, and voting."

So the conspiracy continues. If it were not for the West's propping up of the Soviet regime, there would have been neither a Red military menace nor a vast gulag of slave-labor camps since the Captive Nations would have been able to overthrow their Communist rulers long ago.

What we see as a Master Conspiracy uniting the Communist elite and the Establishment *Insiders*, Levinson refers to as the "Overworld elite." He details how the tax-exempt foundations finance their control agents in the think-tanks and universities, and he has devoted an entire chapter to discussion of the Trilateral Commission. While identifying the key corporate leaders behind the Commission, Levinson notes Rockefeller agent Zbigniew Brzezinski's crucial role in bringing Jimmy Carter to power. One of the most encouraging aspects of *Vodka-Cola* is that labor official Levinson does not shrink from using the word *conspiracy* in describing this macabre drama. Consider the following:

"The Carter Administration has, if conceivable, more corporate presence than any Republican Administration in recent history. From the perspective of the Vodka-Cola strategy, it clearly illustrates the consummate skill of the Overworld power brokers in promoting a Democratic president to replace a Republican president equally convinced and committed to Vodka-Colanization. For those inclined to a power-relations theory of history, generally discarded by establishment intellectuals and media-merchants as conspiracy-minded paranoiacs, the composition of the new administration lends elegant and rigorous support to theories of Overworld conspiracies. Even for

those who just as dogmatically insist that history is largely a sequence of coincidences and uncontinued accidents acted out by individuals of essential goodwill and integrity, and who refute all suggestions of extensive collusion and continuance among media merchants, foundation functionaries, and quasi-clandestine councils and commissions and power lobbies, the Vodka-Cola composition of the Carter Administration is proving embarrassingly difficult to ignore."

Under the Kissinger and Brzezinski Administrations of the past dozen years the U.S. Government has strongly encouraged export, transfer, and even gifts of new American technology to the Soviets and their European satellites. What are the Communists doing with all of this technology?

The massive technological transfers of the 1970s have put the Soviets on a new technical plane, permitting them to go beyond the level of development they acquired with Lend-Lease and their looting of Germany's rocket plants. And they are turning that technology to the further buildup of their war machine. Last year, computer specialist Daniel J. Sobieski told in the April issue of this magazine how the Soviets had briefly fallen behind the West in military technology because they could not obtain the new, advanced minicomputers and microprocessors. This Soviet problem was solved when Western firms cleared sales for our latest computers and integrated-circuit technology.

Control Data Corporation even tried in 1977 to sell Moscow its highest-technology computer, the Cyber 76. Upon learning that the Cyber 76 was a key element in the communication network used by the Pentagon, the National Security Agency, and

three other vital Defense agencies, Congress intervened. Meanwhile, Control Data operates a computer plant jointly with Communist Romania. And according to Control Data spokesman Ralph Sheehy, his company maintains seven installations inside the Soviet Union and has fifteen to twenty employees currently working there. In Moscow there are another three Control Data computer specialists who operate, maintain, and repair computers.

The I.B.M. corporation also keeps U.S. technicians at Soviet facilities. Even during Carter's "embargo" on high-technology trade, I.B.M. had from three to twenty of its people at the Kama River truck plant, helping to build the military vehicles which the Reds used in invading Afghanistan.

In *Human Events* for September 27, 1980, Washington-based journalist Thomas G. Gulick commented at length on the disturbing relationship between certain high-technology firms and the politics of *détente*. Mr. Gulick had interviewed officers of the American Committee on East-West Accord, a group which promotes aid and trade with the Soviet Union and its satellites. Looking over its membership list, Gulick observes:

"ACEWA boasts a number of prominent names. Until his recent appointment as secretary of commerce — Commerce being the agency which reviews applications for high-technology trade to Russia and other Communist countries — Philip M. Klutznick was a member. Another ACEWA man is Dr. Armand Hammer, chairman of Occidental Petroleum, who has made huge chemical deals with the Soviets, built chemical plants in the USSR whose by-products can be used to make explosives and who has done business with the Soviets since the 1920s."

Among A.C.E.W.A.'s founders and officers are Keynesian economist John Kenneth Galbraith; George Kennan, the former U.S. Ambassador to the Soviet Union and key member of the C.F.R.; Donald Kendall, chairman of Pepsico, which sells soft drinks to the U.S.S.R. and markets its vodka; the Reverend Theodore M. Hesburgh, the member of the C.F.R. who is president of Notre Dame; and, Robert D. Schmidt, executive vice president of Control Data and activist for *détente* and trade with the Russians. A self-appointed "ambassador" for Red trade, Schmidt has made more than forty trips to Russia, and travels there four or five times a year, according to Carl Marcy, who is another officer of A.C.E.W.A. Marcy, former chief of staff for the Senate Foreign Relations Committee and an assiduous advocate of *détente*, is of course also a member of the Council on Foreign Relations.

Thomas Gulick reports that a small group representing several major corporations operates in the Executive branch as the so-called Subcommittee on Export Administration. This body reports directly to the Secretary of Commerce, who in turn forwards the group's recommendations to the President. Gulick notes that "... of a total of 21 subcommittee members, at least eight have a known pro-Red trade bias." The chairman of this influential little group is Paul Lyet, a C.F.R. member, who is chairman of the board and chief executive officer of Sperry Rand Corporation, another big exporter of computers to the Communists.

Former Commerce official Larry Brady, who has testified in Congress about the sieve-like export control practices of the Commerce Department, used to attend meetings of this

Subcommittee. He says Control Data's Robert Schmidt, a member of the Subcommittee, once lashed out at Commerce officials by arrogantly declaring: "Don't you *ever* call yourselves the government. We are the government!" According to Brady, Schmidt did not mean the American people; he was referring to the big multinationals and their executives.

The July 1980 issue of *Industrial Research And Development* carried a report entitled "The Dark Side of Technology Export: U.S. Builds Soviet War Machine." The result of a three-month investigation, this analysis confirms the danger we are in as a result of allowing the U.S.-based multinationals to build up the military-industrial complex of our declared enemies. In a preface to the report, editor Robert Jones writes:

"The people of this nation, having fought in two world wars and in several other major wars in this century, know full well the dangers of military confrontation, the horrors of war. Then why, we ask — why are we letting this nation export technology with military potential to the East? Why be the arsenal of Communism? . . .

"Among the consequences of this bungling [*sic*] are Russian Army trucks carrying invading troops and supplies into Afghanistan — trucks fresh out of factories that were supplied by Western firms, using the latest Western technology. How can this happen? Our government did it, we are told, in the interest of *détente*. The same sort of situation was uncovered by our investigation in computers, lasers, machine tools, and instruments."

The report tells how, after eleven years of trying, the Soviets obtained 164 American-made precision ball-bearing grinding devices from the Bryant Chucking Grinding Company.

These "Centralign B" grinders produce miniature ball bearings to extreme tolerances. Those bearings are now being used in the gyroscopes and guidance systems of the Soviet's latest M.I.R.V. missiles. They provide accuracy for the inertial guidance systems of Red missiles that will allow them to hit Bryant Chucking on the nose.

Another example cited by the report is special machinery to produce drill bits in the United States for oil and gas exploration. Never mind that it can be used by the Soviets to make armor-piercing projectiles and warheads. Jimmy Carter cleared these sales by Dresser Industries, which you may recall was the key U.S. contractor at the Kama River project.

The new Dresser-built factory will be located near Kuibyshev. And the sale included a computerized, electron-beam welder that could be used in manufacturing jet aircraft as well as having nuclear and laser applications. Although the sale was opposed by Congress and a Defense Science Board task force, Jimmy Carter pushed the deal through anyway.

In opposing this deal, Dr. William Perry, Undersecretary of Defense for Research and Engineering, warned: "The sale of technology to the Soviet Union has been of relatively small benefit to the Western world, but of great benefit to the Soviet Union — both directly and indirectly assisting their military objectives." Senator Henry Jackson sums up the situation as follows:

"What we haven't sold the Soviets we have given away in educational, governmental, and commercial technical exchange programs. What we haven't sold or given away, they have stolen. A relaxation of controls on strategic trade with the Soviet Union has been a central principle of the policy of détente. A purported bene-

fit to be achieved was greater cooperation from the Soviets. But they have exploited détente to acquire the West's latest technology to fortify their military-industrial complex."

Dr. Miles Costick, director of the Institute on Strategic Trade in Washington, D.C., observes: "It is virtually impossible to identify a single industry in the USSR which manufactures only civilian goods. Every institute, every R&D facility, every educational institution, every factory has its 'first section' staffed by military and KGB representatives."

All of this is well known to the Administration. But it is naturally working very hard to cover what many Americans might regard as treason. "High-tech exports to the Soviet Union are miniscule," a Commerce official claims, and Commerce Department personnel estimate that high-technology exports to Russia will drop to "only" fifty million dollars this year because of President Carter's trade restrictions imposed in the wake of the Soviet invasion of Afghanistan. The truth is that Carter's "embargo" only applied to exports of "strategic goods," and what is considered "strategic" has been revised to include less and less. The Commerce Department has gotten around what remains of the alleged trade embargo by creating a "lower-end technologies" category, under which it has approved more than three hundred export licenses for a mountain of technology with clearly significant military value.

Besides, the Carter embargo applied only to the Soviet Union itself. As a result, Dr. Costick tells your reporter, "things which allegedly are barred from being shipped to the Soviet Union find their way to the Soviets via Eastern European countries." The embargo is such a farce, says Costick, that some two hundred

fifty commissions and groups continue to work on joint scientific and technical projects with the Soviets.

It is true that two export licenses for I.B.M. spare parts were cancelled after the Afghanistan invasion, but, an \$8.5 million Ingersoll-Rand Corporation contract to build an automated Diesel engine assemblyline plant on the Kama River was actively encouraged by the Carter Administration — even in the face of congressional opposition and despite the fact that the company itself had decided not to complete the transaction. Though the transfer obviously had great military application, the *détentist* Commerce Department wanted to clear the deal under a general (regular) license. When Congress flew into orbit the Carter team finally reclassified the deal as requiring a "validated" (special) license for export before the facility could be delivered, and decided such a license would not be issued at that time.

On those few occasions where Commerce has been caught approving a questionable deal, and enough pressure from Congress has been applied, the Administration has usually backed down and rescinded the export license. But the problem, laments Dr. Costick, is how to catch them when the Commerce Department protects the firms involved by a veil of secrecy. The upshot is that while the Soviets know who is trading with them, the American people do not.

A defector from Soviet intelligence informed Dr. Costick that he and other Soviet Navy personnel were trained at the Geo Space firm in Houston, Texas. The former Soviet Navy agent reported that he had carried Geo Space array processors aboard Russian submarines and other vessels, and had installed the units alongside the ship's computers (also

products of Western technology). Costick explains that the Geo Space units are used "to assist the computer in digital processing and signal analysis which enables the computer to identify tiny differences in the sounds under the ocean's surface, a process which reveals the location of enemy submarines."

Computers are probably the most vital element in a modern military system. The Soviets obtain as many as they can. Recently, when I.B.M. officials visited East European countries, "they were stunned to find four to five times as many I.B.M. machines in East Europe as they thought were there," Costick says. "There's no doubt they were illegally diverted."

This brings up another aspect of the problem — illegal transfers. According to a document published by the investigations division of the Commerce Department, the Soviets have been illegally obtaining sophisticated U.S. computers, software, lasers, integrated-circuit technology, electronic instrumentation, and other hardware through third parties. And Congressman John Ashbrook (R.-Ohio) has stated that this illegally diverted technology winds up in Soviet "plants that build ICBMs and their launchers, laboratories that develop new chemical warfare devices, and plants that are turning out the next generation of super-weapons that the American public has yet to hear of."

Some of the items of military significance which have been illegally sent to the Communist bloc include: oscilloscopes and other instruments sent to the Austrian affiliate of an American exporting firm and then transshipped to the U.S.S.R.; computers and peripherals shipped to a U.S. firm's British subsidiary where they were incorporated into its own

equipment and then reshipped to Hungary; sensitive magnetic recorders and digital equipment exported without proper license via Polish and Norwegian vessels to the U.S.S.R.; technical data on advanced integrated-circuit technology transported to Austria legally, then illegally diverted to the East; precision laser mirrors, manufactured by Spawr Optical Research Company, which were exported to West Germany and Switzerland, then diverted from there to the U.S.S.R., probably to be used in the Lebedev Institute or the Physics Institute in Moscow; more than \$800,000 worth of data processing equipment exported by Information Magnetics of Goleta, California, to Bulgaria via its British subsidiary; and, sophisticated test instruments and analyzers provided to a West German national who, in turn, diverted it to the Eastern bloc.

A little Western technology goes a long way in the Soviet military-industrial complex. The Russians do not buy many units of the same kind of machine or device; where possible they get only one to use as a prototype, then by a process of "reverse engineering" they work to duplicate it. This saves Research and Development work, and allows them access to the military applications of Western civilian technology after appropriate modification. Sometimes very little modification is required. As one Defense Department spokesman observes: "The link between civilian and military production technologies is impossible to separate. Aircraft engines, computers, integrated circuits, telecommunications equipment, navigation systems and avionics are very similar in civilian and military aircraft."

Even so, the dollar volume for U.S. exports to the U.S.S.R. is not small. According to Dr. Miles

Costick, a report from Moscow states that the trade in capital goods from the U.S. will be one billion dollars this year. Where do the Communists get the money to pay for all this?

Most of the industrial goods "sold" to the Reds in recent years have not been paid for in hard currency but financed by loans from the U.S. Government or the major international banking institutions. The provision of Western credit to the Communist regimes has become so serious an issue that even a number of "Liberal" journals are expressing horror. It is almost as if they had been reading *AMERICAN OPINION*. For example, an excellent article by James M. Whitmire in the June 1980 issue of *The Washington Monthly* describes the Soviet debt as a weapon threatening the West:

"It could devastate the West without a shot being fired. Incredibly, it is not only a weapon we are constructing for the Russians — but paying for as well. The weapon? Debt. Quietly, assiduously, Western bankers since the mid-1970s have allowed the Soviet bloc to pile up \$60 billion to \$80 billion in outstanding debt, according to *The Washington Monthly's* sources. The magnitude of this debt is such that a Soviet default might spark a financial panic capable of collapsing the capitalist banking system."

We sell the Reds our advanced technology, and lend them the money to buy it! The money goes to the firms which export the technology or to the farmers who sell the wheat. But from where does the money for those loans come? It is created out of thin air by the federal inflation machine. Whitmire makes the crucial point in his excellent article:

"There is contention about whether our bulging grain exports serve to shore up the inefficient Soviet sys-

tem and strengthen the Kremlin elite's grip on power. There is strategic argument about whether transferring advanced technology contributes to our adversary's military power. But there's never been debate over the simple fact that the Soviet bloc, in effect, does not pay for what it gets. The West sends machines and grain, and receives *nothing* in return — except the illusion of prosperity for the farmers and firms being paid in funny money originating on the Federal Reserve's press."

Vladimir Ilich Lenin is reputed to have said that "the capitalists will compete with one another to sell us the rope with which we will hang them!" If Lenin said that he was wrong. We are *giving* it away! Since the loans are being financed either through more taxation or inflation, the American people are being forced to finance their own destruction.

Western credits extended to COMECON nations — the Soviet Union and its satellites — have increased from about eight billion dollars in 1972 to \$67.7 billion at the end of 1979, according to the *U.S. News & World Report* for October 6, 1980. But the debt has been piling up so fast that officials cannot even agree on how much credit we have extended the Reds. Whitmire reports: "The most conservative estimate is that the debt has increased from less than \$10 billion in the early 1970s, to \$18 billion in 1974, to \$48 billion in 1977 — a pace many times greater than inflation. It hovers between \$60 billion and \$80 billion today — an amount equal to the total assets of Exxon and General Motors combined." We don't know the exact level of these Communist debts because many loans are confidential and never made public.

It is clear that as the Soviet military machine grows with the help of

Western technology, the Reds will decide they don't have to pay these loans. Concern is growing among Western financial institutions as some of the satellites are having trouble paying even the below-market interest charges on the loans they have already secured. Poland alone owes the West some \$19.6 billion. Two months of strikes by Poland's workers have greatly hurt production, and the promises of more food and higher wages for the workers will further drain the already weak economy. To help Poland out, German banks made loans to the Warsaw regime totaling \$677 million in August. Other Western banks, led by the Bank of America, followed by granting a loan of \$325 million. Good money after bad is being loaned because the international bankers of the West have an increasing vested interest — as pointed out by Charles Levinson — in seeing that the current Communist regimes continue to remain in power.

As you would expect, the institutions extending the loans are the *Insider* banks of what Levinson calls the Overworld elite. Citicorp is the largest lender to the Reds, followed by Morgan Guaranty Trust, Chase Manhattan, and Hanover Trust. Other loans to the Reds have been secured through the Export-Import Bank of the U.S. Government.

The Soviets know they will never be forced to pay. The bankers cannot tow away the Kremlin in case of default. The Communist leaders, therefore, are virtually certain at some point to use the threat of default to obtain concessions from the West. If they simply cancelled their debts, this might precipitate economic collapse. Having a vested interest in continued East-West trade and fearing that curtailing more loans would cause the Reds to announce

default, the banks continue to pay for the rope. In fact, says Whitmire, "lending to the Soviet bloc continues at a furious pace, despite the loans' questionable merit from either a political or a financial point of view. Western bankers, caught in an 'undertow syndrome' of sending good money after bad, seem determined to make our position even weaker."

How much of an effect would massive Communist defaults have on the economy? A small indication was provided when Iran defaulted on its debts to U.S. banks last November. The Iranian debt was two billion dollars and the default was the largest in financial history, according to a bank officer interviewed by Whitmire. The Iranian default put the banking system "to its most severe test in recent times." But, says Whitmire: "... Fortunately, the shock was absorbed with minimal funk, largely because the Iranians were so careless as to have left \$8 billion in assets in American banks."

James Whitmire thinks the problem might have been worth the lesson. "This episode had the salutary effect of stimulating some thought on the consequences of large defaults," he writes. "If Iran's net default of \$2 billion put a severe strain on the system, what might be the impact of a Soviet-bloc default involving amounts 30 to 40 times greater? (The Soviets are not so careless as to leave much money in our hands.)"

For the Soviets, *détente* has been a

golden opportunity to bleed American technology and become a serious military threat to the West. From the standpoint of Western bankers, it has meant the prospect of interest on fat loans and profits on multinational sales. To assure this it has been necessary to help keep the Communist regimes politically safe and economically stable. And, if default comes, the banks expect to fall back on the fact that most of their investments are insured by an agency of the U.S. Government. Which means that *you* will pay the bill.

Any solution must involve at least three main elements: 1) stopping all transfers to the Soviets of U.S. technology, thus freezing the Reds at their present level of development; 2) cutting off all insurance to institutions making investments in, and providing loans for, the Communists, letting the *Insider* banks know that if default occurs the government will let them go down; and, 3) establishing a gold standard for the U.S. dollar, abolishing the Federal Reserve, and serving notice on the world that the bleeding of America is over.

Banking and trade should be returned to private enterprise operating on the free market, with no government privileges granted to anyone, but with strong emphasis on assuring our national security. An Administration that will dare to do this will at once secure our safety and prosperity. To fail to do it is to invite economic and military holocaust. ■ ■

CRACKER BARREL

- Because of poor land use and changing rainfall patterns, the Sahara has spread sixty miles south since 1960.
- Some men are graduated from college *cum laude*, noted William Howard Taft many years ago. Others are graduated *summa cum laude*. And then there are those who are graduated *mirabile dictu*.
- Can you imagine what would happen if the anti-nukes attempted to stage a demonstration in Soviet Russia?
- Robert Kidd, an official with the Agency for International Development, reports that Mauritania has not produced even fifty percent of its food requirements for the last five years.