

East-West trade mafias behind Moscow's economic warfare

by Laurent Murawiec

"The next country to suffer a debt crisis," said the official from the Brandt Commission who had just attended the Rome session held jointly with the Palme Commission on Jan. 20, "will be the United States. The dollar will collapse with a thump. We discussed that at length." In short, the twin KGB fronts were planning a common, East-West deployment of economic warfare capabilities against the United States and the Western Alliance.

Imperial Russia, the world's largest nation, with the third largest population, has one of the world's largest GDPs and extraordinary mineral and other raw-material endowments. The Soviet superpower, with its global strategic outreach, is a principal factor determining world markets. This has become evident in a few key areas, such as exports of petroleum, natural gas, gold, diamonds, strategic raw materials, and shipping. It is also the case with purchases of grain, machinery, advanced electronics, and other categories where the Comecon is a major importer.

Despite this basic strategic reality, a call to Brussels-based civilian bureaucracy of NATO yielded the following answer from the organization's Economics Directorate: "No, we have never studied either Soviet economic warfare capabilities, nor what you call 'who is doing what to whom in East-West trade.' We're not concerned with these things." Similar comments came from the British Conservative Party's Research Bureau, the Swiss Eastern Institute, and Radio Free Europe's research department, as well as a slew of bankers, think tankers, and journalists.

A key marginal role

Often, the argument is heard that "trade with the Comecon is not really that big, if you compare it to world trade." Looking at the figures, true enough, OECD-Comecon trade represents no more than 2-3.5% of OECD exports and 3% of its imports. Even West Germany, more heavily involved in trading with the East, ships less than 5% of its exports to

Eastern Europe, and imports slightly more than 5% from it. However, figures are deceptive. It is not so much volume that matters, but the relative impact of the exchange of goods on both economic systems. Eastern trade plays a crucial marginal role in both East and West, a role disproportionate to its statistical value.

For Moscow, the import of high technology means an invaluable "economy of scale." The cost of achieving production of those categories of goods which it has proven unable to develop in the required time, quality, and quantity would prove a fatal burden. Halfway-bankrupt Western companies who provide such technology as computers and electronics, advanced machine tools, and turnkey plants to the Comecon, are made dependent upon such markets. Reciprocally, countries that draw much of their primary energy, their raw materials, and strategic metals from the Eastern bloc incur a strategic dependence.

What the figures, furthermore, cannot take into account is the very large *illegal trade* between East and West. Periodically, the news media report that a group of Western businessmen were smuggling high-technology, sensitive goods into the Soviet Union through complicated channels, from Silicon Valley to South Africa, from South Africa to Sweden, with Swiss financial and commercial backing. The businessmen get arrested, or are simply fined. The effective turnover is chalked up nowhere. Nor is the massive Soviet involvement in illegal, criminal smuggling, from the cocaine of Latin America to the Golden Triangle's opium, to the large arms-for-drugs traffic between Eastern Europe, Western Europe, and the Middle East.

The Soviet Union, it appears, conducts its import-export operations, legal and illegal, through 175 multinational corporations, many of which might as well be included in any Fortune 500 listing. It runs a large banking empire, which includes fully owned banking houses in London, Frankfurt, Paris, Luxembourg, Zürich, Vienna, Singapore, Beirut, and

Isfahan. It has established thousands of joint ventures with Western firms, from the 50-50 partnership of the London-based Moscow Narodny Bank established in 1919 with the elite City merchant bank Morgan Grenfell, East-West Import-Export Ltd., to obscure, Liechtenstein-based shells formally owned by West German communist leaders.

This series will report on *EIR*'s investigation into the mysterious world of Soviet and satellite economic power. The paucity of published sources, and the reluctance, to say the least, of many Western sources to discuss such terrain, necessarily make this report a first approximation.

The brokers

Eastern trade depends to an inordinate extent upon intensely personal relations. Comparable to trade with various Middle Eastern countries, which requires the exclusive services of brokers who pocket huge bribes to "mediate" between the prospective vendor and his clients, and where a specific layer of merchants and intermediaries enjoys a virtual monopoly over trade relations, East-West trade is chiefly conducted through the personal intermediation of trusted Soviet assets, individuals whose family pedigree or political history has qualified as favorite interfaces of the Soviet empire.

Rather than engaging in the hazardous, painstaking task of building up his own contacts in the East, the Western businessman is encouraged by Moscow to ingratiate himself with a restricted number of doorkeepers, the key-holders of East-West trade: The name of Armand Hammer for the United States immediately comes to mind, or that of W. Averell Harriman. Hammer's father Julius was a founding member of the Communist Party U.S.A. Ludwig Martens, the official representative of the Soviet government in the United States as of 1919 and a Bolshevik organizer, employed Julius Hammer as his commercial attaché. When Martens was deported to the U.S.S.R. and Julius moved into Sing Sing courtesy of Uncle Sam, young Armand was invited to the U.S.S.R. by top foreign affairs official Maxim Litvinov, where he met Lenin, who steered him to the new head of the Concessions Committee which was handing out trade opportunities to foreigners—Felix Dzerzhinski, head of the dreaded Cheka, the secret police! Hammer's New York-based Allied American Corporation became the sole import-export agent of the U.S.S.R. for the United States. By 1925, they represented 38 top U.S. corporations, including General Motors.

A similar pattern is to be found in the history of "successful Eastern trader" Averell Harriman, who, in the early 1920s, joined the Hamburg banking house M. M. Warburg—which had financed Trotsky, Bukharin, and the Bolsheviks before and during the Russian Revolution—to purchase Soviet bills of exchange from German companies. It was also with Dzerzhinski that Harriman's company signed the deal that gave it the right to mine the Chiatara manganese fields for 20 years. In 1926, after a stay in Moscow, Harriman went to Italy to meet bankers interested in jointly financing a hydroelectric project in the Soviet Union. He reviewed the matter with

Italy's Fascist dictator Benito Mussolini. From then on, he was to visit the U.S.S.R. twice a year.

The appearance of Mussolini in this story is no accident: It was Il Duce's Fascist regime that had been the first of all Western nations to recognize the Bolshevik regime, after long talks between Mussolini and the Soviet People's Commissar for Foreign Trade, Leonid Krasin. Fruitful trade relations went on between the two countries.

Krasin himself exemplifies the underlying nature of this pattern in East-West trade relations: The chief of Lenin's terrorist gangs in Baku before the abortive 1905 Revolution, this engineer came to Petersburg in 1905-08, dropped out of the party, removed to the Reich's capital of Berlin, and was immediately hired by the powerful electrotechnical firm Siemens & Schuckhart. In 1913, Krasin was sent by Siemens—to Moscow, as chief Russian representative! The czar's secret police, which had strenuously avoided arresting Krasin each time it was cracking down on Bolshevik leaders, did not object. When the 1917 Revolution consolidated, Krasin joined the regime in high standing, and was one of the chief envoys of Foreign Minister Chicherin, becoming in the process one of the architects of the Rapallo agreement with Germany.

Rapallo, and beyond

In 1921, the news shook the world that defeated Germany, crushed by the Allied reparations, had just signed a treaty with isolated Soviet Russia, after negotiations held in the Mediterranean resort of Rapallo, Italy. Was that the coalition of the "have-nots" against the "haves," as the press said at the time? That it might have been, but first and foremost, it was the product of long talks held in Berlin and in the Ruhr between the Comintern's special envoy Karl Radek and a score of Germans: proto-Nazi ideologues Arthur Moeller van den Bruck and Ernst Niekisch, who drew their "Third Reich" conception from Moscow's "Third Rome," as well as top industrialists Alfred Krupp and Otto Wolff.

A coalition of financiers, industrialists and the Imperial Army's monarchist leaders, such as Gens. Hans von Seeckt and Kurt von Schleicher, drew advice from Reichsbank President Hjalmar Schacht and secret service éminence grise Col. Walter Nikolai, and launched furiously into a "special relationship" with Moscow. The "Russlandszentrum der deutschen Wirtschaft" (Russian Center for the German Economy), the specialized body of the Reich Federation of German Industry, was run by Army Major Chunke and was under the direct control of the secret "R" division of the Defense Ministry. Krupp and the other steel magnates became a major factor in the Russian economy. Thousands of engineers and technicians flocked into Soviet Russia, along with thousands of officers and soldiers secretly trained by the Soviet Red Army.

In 1933, when the Nazis seized power, the steelmaker Otto Wolff was jailed—his old acquaintance with Radek was distasteful to the street-brawling SA. He did not languish

there too long. While senior Nazi dignitaries had demanded that trade with Russia be interrupted, one man intervened and successfully prevailed upon Hitler to continue, nay, expand trade relations. By 1938, 18% of Germany's exports went to Russia. This man was Hjalmar Schacht, Hitler's economics czar, the banker who had convinced the Anglo-American elite to place Hitler into power! One of Schacht's closest associates in the matter was Walter Nikolai, who was to "Go East" in 1945, at the age of 72. Schacht created a string of specialized companies with important Russian trade assignments: Wivupal, Gefu, Wifo and the otherwise famous Mefowechsel corporation.

Germany's foreign minister, Graf Brockdorff-Rantzau, of a powerful North-German and Danish family which to this day is one of the premier patrician families of Hamburg, had negotiated the Versailles Treaty that humiliated Germany. But he resigned in protest against this same treaty to launch a movement of the "Proletarian-National German revolt against capitalism." Brockdorff-Rantzau was a friend of Karl Radek, and became the ambassador to Moscow until 1928, and one of the "souls" of Rapallo.

Soviet goods continued to flock into Hitler's Germany even after the June 22, 1941 invasion! And after the war, as soon as West Germany's foreign trade was reopened by the Occupation powers, the Soviets were back, knocking at the door, and trade relations resumed in earnest in 1952—while several million German prisoners of war were still languishing in Soviet camps.

One of the prime movers was Otto Wolff, Jr., who had now taken over the large family concern, and was shortly to become the head of both the German Industry and Trade Chambers (DIHT) and the Ostauschuss der deutschen Wirtschaft, the successor organization of the prewar military-controlled unit. In countless trips to Moscow, Wolff established his present position of chief political respondent to the Soviets.

The other mastermind of the Osthandel was Berthold Beitz, a prewar employee of the Royal Dutch Shell Company, who had spent the war managing the Polish oil fields for the Nazis. The powers that be "sold" him after the war to the battered Alfred Krupp, whose controller he became, and that of the giant Ruhr concern, down to the present day. Beitz became "Khrushchev's friend, a German Armand Hammer," in the words of a German commentator, and the pointman for both Eastern industrial and trade representatives and West German businessmen who needed readymade contacts in Moscow, where old "Western hands" such as Foreign Trade Minister Patolichev—Stalin's secretary in 1939—and First Vice-President of the Soviet Chambers of Commerce and a KGB General, were pleased to receive friends of their friend Beitz.

The mammoth Deutsche Bank, whose present chairman F.W. Christians speaks fluent Russian as a result of 11 years of captivity; the Dresdner Bank and the other big banks; the large industrial corporations and the discreet Privatbanken;

the Hamburg, Frankfurt, Munich and Düsseldorf merchant banks; these entities reopened the traditional links. The Warburgs and the Muenchmeyers of Hamburg played a prominent role in the resumption of what former Chancellor Helmut Schmidt recently called "trading with Novgorod," an activity familiar to the Hanseatic merchants for the last few hundred years—one which Soviet plans for a global confrontation with the United States, and for a brutal surprise attack on a West German border city ought not to hinder.

The dependency—otherwise known as incipient "Finlandization"—of Germany stems not only from the size and quality of trade. Trade with East Germany amounts to DM 16 billion, which are tariff-free and must be added to the Comecon trade figures. In 1982, West Germany covered 7.8% of its primary energy consumption through imports from the East. In the late 1980s, the rate is expected to soar well above 10%. Of the natural gas and the coal imported by Germany, 25% comes from the East. Further, Soviet, East German, and other orders have literally saved dozens of German companies from bankruptcy in 1983—the best-known example being that of the devastated Saarland steelmakers who sold their products below production costs to East Germany and the U.S.S.R.!

West German Communist Party-run East German companies's subsidiaries in the Federal Republic—with headquarters having an address at a post-office box in Vaduz, Liechtenstein or Lugano, Switzerland—have an annual turnover of DM 4 billion, according to West German security services. The espionage, penetration and reconnaissance functions are of course well-served, for which reason all trade with West Germany is centralized in East Berlin under the CP Central Committee "Abteilung Verkehr" run by top special envoy Alexander Schalck-Golodkowski. In Bonn, director-general of the Foreign Office Andreas Meyer-Landrut, a chief negotiator of the Eastern Treaties of the early 1970s under Willy Brandt, cooperates with his appeasement-minded Minister Genscher and other Liberals, such as Economics Minister Count Lambsdorff—whose family is Baltic nobility of long-standing ties with the Russian nobility—to plan grandiose projects of further economic cooperation.

A call to the Ostauschuss, the Eastern Committee of the German Economy in Cologne, and a few questions put to its head, one Dr. Fink, on "who's who in Germany's East-West trade," elicited a surprising degree of hysteria and paranoia: "We are very mistrustful of anyone asking questions about that!"

The Russian-British Chamber of Commerce

It was only 18 months ago that the venerable, London-based institution changed its name to take into account the existence of a "Soviet" Russia. Since the days of the merchant-adventurers of the 16th century, the "Baltic Exchange" of London has been trading with Muscovy. As early as 1919, the great anti-communist Lord Lloyd George, who had launched the armed Western intervention against Lenin's

regime, who sent feelers to the Soviets, started negotiations for a resumption of trade relations. When Krasin visited Stockholm with the first Soviet trade delegation to go West, on that same year, and met there with 20 top Swedish industrialists led by the Wallenberg family, Lloyd George sent him a message and an invitation to Britain. In 1922, the Anglo-Russian Trade Treaty was signed. In 1924, the Labour government of Ramsay MacDonald opened diplomatic relations. Trade has survived the ups and downs of aboveboard political relations.

Was it not, after all, Harold Macmillan who opened the era of "détente" by going to Moscow and receiving Bulganin and Khrushchev in London? It was also the young Harold Wilson, then the president of the British Board of Trade, and a junior minister in the Attlee government, who went to Moscow several times, maintained open political channels during Labour's long period out of power, and, as H.M.'s Prime Minister, paid a major visit to Moscow in December 1975, which resulted in the opening of a £1 billion credit line, one of the largest trade agreements in history. Since his resignation, Wilson has been retained by numerous British companies as an "adviser" and contact-man on Eastern affairs.

Numerous Labour Party figures take part in this lucrative, and politically tainted business. The leader of the radical-left Tribune current of the Labour Party Ian Mikardo—whose *Who's Who* entry omits the birth place and name of parents—is also an important consultant—and has long been more than suspected by British security services of being an Eastern asset. Author Chapman Pincher has published, in numerous books, troubling evidence concerning the activities of the radical left groups inside Labour. Mikardo's associate in a consulting firm, MP Jo (Josephine) Richardson, is also the deputy head of Britain's pro-Soviet peace movement, Committee for Nuclear Disarmament.

Yet another door-opener is Czech-born Robert Maxwell, the publishing magnate, and Club of Rome executive member, whose Pergamon Press publishes glossy biographies of Leonid Brezhnev, East German leader Erich Honecker, and so forth, as well as Club of Rome literature. Maxwell, born Hoch, was the head of the Foreign Office Press section in Berlin in 1945-47, is a multimillionaire funder of the Labour Party, and often leads or accompanies British trade delegations in the Soviet Union or the satellite countries.

Beyond such individual promoters of trade, the British Foreign Office plays a crucial role in commerce with Moscow. The "Foreign Office's own bank," the powerful merchant bank Morgan, Grenfell, the interface between merchant banking and the foreign service, is the undisputed number one in Eastern trade. Foreign Office Russian desk head Quentin Davies joined the bank at the time it "had made a major decision to expand massively its activities with Eastern Europe," a British journalist reported. It has superseded such older hands as Hill, Samuel, the South African/British bank, and the Imperial bank Standard & Chartered, as well as the

clearinghouse banks, especially Lloyds and Midlands.

But London has also supplanted Zürich as the premier center for East-West trade financing with the establishment of direct banking subsidiaries of Comecon banks: Aside the older Moscow Narodny and the Czech Zivnostenska, the 1970s saw the establishment of Anglo-Romanian, Hungarian International, Deutsche Aussenhandelsbank (East Germany), Handlowy of Poland, the Bulgarian Bank for Foreign Trade, Havana International, etc.

A further layer of relations goes through extraordinarily quiet merchants ensconced in the City and often unnoticed by outsiders, often founded and run by Russian emigrés whose life history changes every time they care to recount it.

The politicians, the financiers, the merchants and the foreign service are the basis on which trade is prepared. The major companies that ship or buy the goods depend on them. Some, such as the chemical giant ICI, have highly developed operations of their own. John Brown, John Davy, and other engineering and chemical firms have large markets in the East, as well as Rank Xerox, which even offered one of its big machines for free to the latest session of the World Peace Council in Prague!

Some of the world's shadier business goes through the Soviets' London outfits. The Moscow Narodny Bank owned 5% of the "IOS of the Middle East," the main drug-financing bank of Beirut, the famous Intra-Bank. Bulgaria's Foreign Trade Bank, directly and indirectly, shares from London several joint ventures with Lebanese banks heavily involved in the financing of drugs, such as Camille Chamoun's family banks, the Litex Bank and the Bank of Byblos—part of the "Bulgarian Connection."

The sequel to this article will examine the East-West trade networks of France, Italy, Sweden, and Switzerland; the present situation and the perspectives of East-West trade; and the question of illegal technological transfers.



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