Eye on Washington by Nicholas F. Benton

U.S.-Soviet joint fantasy

Plans announced for building a Moscow Sheraton underscore pathetic response to Soviet collapse.

The gilded main hall up the staircase at the Soviet embassy was the site for an announcement of a joint economic venture between the U.S. and Soviets Oct. 24. Dignitaries from throughout Washington, and a sizable press contingent, gathered to hear Soviet Ambassador Yuri Dubinin and U.S. Commerce Secretary Robert Mosbacher hail the new deal as a breakthrough toward the kind of future cooperation the U.S. can enjoy from its new Soviet economic partner with its "new political thinking."

Mosbacher intoned, "President Bush has said that he wants to see *perestroika* succeed, and this is an example of what is needed to make it succeed."

What was it? A new Marshall Plan to revive the moribund Soviet economy, in time to save Mikhail Gorbachov's political hide before winter sets in? Hardly. It was a $75 million deal to build a Sheraton Hotel in downtown Moscow.

It was like a sidetrip to Disneyland in the middle of World War II. Up the street in one direction, on Massachusetts Avenue, the Johns Hopkins University Advanced International Studies Center was holding a forum on whether or not Gorbachov would be overthrown by a workers' revolt from below. Down the street, at the National Press Club, Gen. Paul Albert Scherer, the former head of West German Military Intelligence, was giving a briefing to over 40 representatives of embassies and the media on the likely demise of Gorbachov this coming winter or spring.

But none of this reality penetrated the thick walls and heads at the Soviet embassy. Ambassador Dubinin was cautious to call the deal "symbolic," rather than substantive, and to hail its positive "psychological" impact. When asked by this reporter, after his formal remarks, about the enormous needs of the Soviet economy, Dubinin brushed off the question with the same formulas given by the Soviet delegation to the Baker-Shevardnadze meeting in Wyoming in September. "We don't need aid from the West," he said. "All we need is the establishment of normal trading relations, such as the granting of Most Favored Nation trading status by the U.S."

When I told him that U.S. State Department spokesmen downplay the value of Most Favored Nation status for the Soviets, he sharply disagreed, and said that "it is more than symbolic." He pointed out that every case of Soviet vodka that comes into the U.S. is slapped with a $15 duty that other nations do not have to pay.

But on the deeper troubles facing the Soviets, the ambassador was unwilling to concede any problems that were not under control. He pointed to the speech given by U.S. Secretary of State James Baker III at the Commonwealth Club in San Francisco, which stated that U.S.-Soviet relations were now better than they have ever been in the postwar period. He added to that Soviet Foreign Minister Eduard Shevardnadze's speech to the Supreme Soviet in Moscow the same day, when Shevardnadze conceded that the Krasnoyarsk radar in the Soviet Union was, indeed, a violation of the 1972 Anti-Ballistic Missile treaty. Shevardnadze also said that the U.S. and Soviets "are now moving in fundamentally the same direction."

It was the near-simultaneous speeches by Baker and Shevardnadze which made the announcement of the joint venture for the Moscow Sheraton so "symbolically" significant, Dubinin said.

According to Dennis Maguire, Sheraton senior vice-president for development, the deal had other facets for the Soviets. The kind of things that Maguire told me in remarks after the formal speeches, when the champagne was flowing, suggested that the Soviets used the Sheraton project to test their ability to cut their own Red tape. The deal fully by-passed the Soviet tourist ministry, Intourist, said to be one of the most obstructive Soviet bureaucracies. Also, arrangements were made to ship in concrete from the West, again to evade internal Soviet production bureaucracies and bottlenecks.

From that viewpoint, it would be seen as an experiment destined for much broader applications once the flow of larger sums of Western capital started. The deal was one of the first in which the old Soviet law requiring at least 51% Soviet control of a joint venture did not apply. This was a straight 50-50 deal, but Western companies are being invited in even if they want 100% of the action.

Also, the tedious negotiations which led to this deal trained a team of Soviet legal experts, led by Dr. Alexander Brylov of Aeroflot, on Western corporate law, so that future joint venture deals and efforts to attract capital can occur much more swiftly.

But it all smacked strongly of wishful thinking, in the face of the grim onset of the Soviet winter.