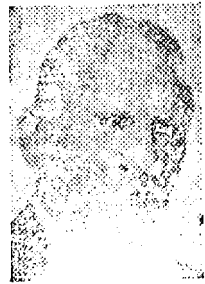


*Arg. Institute for Defense Analysis*  
*Analysis*  
*Good 3 16/10/64*  
*Good 16/10/64*  
*Yes Fertig's Assurance*

## Fertig's Way



Lawrence Fertig

# Who Gains From Red Trade?

The founders of Communism—Marx, Lenin, Stalin—always were confident that capitalists would sacrifice their principles if profits were dangled before them. It begins to look as if there is some truth in this shrewd assessment.

The U.S. Chamber of Commerce—which in the past has often courageously advocated measures in the national interest without regard for short-run profits for business—now proposes “liberalization” of trade with the Communist bloc. The Chamber says, “U.S. controls on shipments of goods are discriminating against U.S. businessmen with no accompanying disadvantage to the Soviets but to the great advantage of our world competitors.”

So it advocates more trade with the Soviets. The Chamber is right, of course, in pointing to the soft position of our allies. That being the case, the more logical and principled position of the Chamber should be to insist upon more rigorous action by our State Department in limiting trade by our allies. But it is hardly high principle to assert that American businessmen should get some of the gravy.

The crux of the matter is the word “trade.” Most people think of trade as the free exchange of products between the producers of various nations for the mutual advantage of both. This is true of normal trade. But this definition has very little to do with the Soviet concept of trade. To them trade is a powerful political, propaganda and military weapon. It is turned on and off depending upon the needs of the Politburo at a particular time.

When Communists talk of increasing trade with us they really mean that we should send them products valued at hundreds of millions—without any current payment. They want American long-term credits. They ask us to finance a basic improvement in their economic, political and even military power. Last year we shipped to the Soviets a little over \$20 million of goods—a mere drop in the bucket of international trade. Compare this with the \$900 million to Western Europe, or even to the \$120 million that goes to little Netherlands.

The fact is that the Soviets can send us very little in return for our products. They have some rare metals like platinum, palladium, rhodium, etc. They would like to send us a lot of vodka of course but we have plenty of that and can make more easily. Practically all goods manufactured in the Soviet Union is shoddy and unfit for export to any civilized market.

As for agricultural products, they are in dire need of our wheat, but we need nothing they produce. When the Soviets approached us on the wheat deal last year this country was assured by President Kennedy that sales would be for dollars. That was not the case. They have

demand and received wheat on credit.

Furthermore, this wheat deal undermined our basic position vis-a-vis the Soviet. When we protested the British sale of buses to Cuba they said in effect, “You sell the Communists your surplus wheat, we sell them our surplus buses. What’s the difference?”

It should be noted that the Communists could send us one of their most important products in return for our shipments. They could send us more of their hoarded gold. Soviet gold stocks are estimated at anywhere between \$4 and \$9 billion. Soviet gold could greatly assist the U.S. Treasury and the West in stabilizing currency and in ameliorating the U.S. deficit payments balance.

But the Soviets are too wily to promise shipment of gold in payment for increased trade. They are hoarding this gold for some future crisis. They merely promise to send us their i.o.u.’s to be collected—perhaps—in the future.

This raises the question of the more than \$11 billion still owed to the U.S. for lend-lease shipments during the war which saved the Soviets from Hitler. The U.S. Treasury has unofficially suggested settling this debt for something like 10 or 15 cents on the dollar. But the Communists refuse to make any offer.

They received our goods and now we must whistle for our money. Is this procedure likely to be repeated in the case of credits for the increased trade which they are now proposing?

Increasing the flow of U.S. products to the Communists is one phase of a much broader plan which is so radical that it is hardly believable. Yet it is a fact. Studies by the Institute

for Defense Analysis—a semi-official body supported by U.S. government payments—reveals this. Its recommendations have become semi-official, and eventually official policy.

The Institute issued five papers in the so-called Phoenix Study which lays down in plain language the proposals which these policy-makers think necessary for U.S. security. Bluntly stated the Phoenix study argument is that the U.S. must use all its resources—food, trade, credit, etc.—to fatten up the Soviets and make them our equal.

We must destroy our military superiority to get on an even basis with them. Only then, the Phoenix Study argument runs, will we be safe from a nuclear confrontation and war. Hard to believe? It sounds impossible, but there it is in black and white, issued in June and July, 1963.