

# Russia offers trade deals to Davos forum

by Konstantin George

For the first time in history, the annual International Management Symposium at Davos, Switzerland was addressed by a prime minister of the Soviet Union. The Davos forum was attended by 600 individuals, representing the *crème de la crème* of the international banking, financial, and business community, plus several heads of state and other leading government officials.

In a televised address on Feb. 5, beamed from Moscow via satellite, Nikolai Ryzhkov dangled before the assembled financiers and corporate chiefs the prospect of billions of dollars worth of trade orders with the U.S.S.R.—provided they agree to scrap restrictions on the sale of sensitive technology.

Ryzhkov emphasized that the biggest crisis in the world today is the international debt crisis currently afflicting the West. He contrasted to this the dimensions of the Gorbachov plan for the technological transformation of the Soviet economy, beginning in the current 1986-90 Five Year Plan, and running until the year 2000. The Soviet Union, he said, is embarking on “the technological reconstruction of basic industry,” with a planned 12% increase in labor productivity between 1986 and 1990, and a doubling of industrial production by the year 2000.

Ryzhkov stressed that “above all with the aid of new production technologies”—especially large-scale automation, industrial robots, and laser technology—the Soviet Union plans to free between 4 and 5 million members of its industrial work force for other newly created industrial jobs by the end of 1990.

These Soviet policy declarations stand in staggering contrast to the ongoing collapse of the industrial and agricultural production sectors of the U.S. and West European economies. The United States has become a “rentier” nation, living off of massive imports of goods from Japan, Europe, and the developing sector. As for the European Community, while Ryzhkov was proclaiming 4-5 million new industrial jobs through automation alone for the Soviet Union, the EC was issuing its latest employment prognosis, forecasting an additional 4 million unemployed by 1990.

## ‘Sell us the rope to hang you by’

The Davos address provided irrefutable confirmation that, under Gorbachov, Soviet trade with the West is a means toward achieving such a “technological transformation” of

the Soviet economy—and, by extension, boosting the efficiency and strength of the war economy. Soviet policy, as emphasized by Ryzhkov, prioritizes the acquisition of the most advanced Western technology, including those items banned for export to the Soviet bloc under the COCOM provisions: “We want only the most advanced technologies from the West, which means that there can be no linkages, through COCOM or other embargoes, in future trade relationships.” Ryzhkov called this “the new, pragmatic, non-euphoric approach by the Soviet Union concerning trade with the West,” adding that under these conditions, “We are ready to expand trade with the West.”

On the same day as Ryzhkov’s address, the technical phase of talks between Volkswagen and the Soviet trade mission to the Federal Republic of Germany concluded, concerning the construction by VW of an auto engine plant near Moscow with a capacity of 250,000-300,000 engines per year. The project, which would have a value of between 3 and 5 billion deutschemarks (\$1.3-2.2 billion) will soon enter the decisive phase of negotiations concerning price, credit terms, and financing.

The VW deal, which will probably be signed this year, represents Moscow’s intention to deliver on one big deal with West German industry, in order to encourage German industrialists to conclude other large high technology export deals. Moscow is prepared to grant Germany a big expansion in trade—but only if West Germany reciprocates by rejecting participation in the American Strategic Defense Initiative and making political concessions that will undermine the Western alliance.

Russia is openly using trade prospects as a blackmail pressure tactic on Bonn. Soviet journalists were quoted in the *International Herald Tribune* of Feb. 6, “explaining” that Ryzhkov, in his call for expanding trade with the West, was referring to “Great Britain, France, Italy, and to a lesser extent, West Germany.”

These were not empty words. On Feb. 6, the Anglo-Soviet Joint Commission on Trade signed an accord, expressing their desire for a massive expansion in trade, which, according to Commission spokesmen, could involve “hundreds of millions of pounds sterling” in orders for British industrial engineering firms, for chemical and other plant construction in the U.S.S.R. Alan Clarke, the new British trade minister, declared that the total potential value of the accord “could run into billions of pounds sterling.” He described the agreement as the fruition of efforts to increase Anglo-Soviet trade that began during Mikhail Gorbachov’s December 1984 visit to Britain. At that time, Gorbachov had called for a 40-50% bilateral trade increase.

The coming months will see an acceleration of Soviet efforts to sign high technology trade deals with nations of Western Europe and Japan, and in doing so, continually raising the pressure on West Germany to “join the bandwagon” and make accommodations with Moscow.