



The Phyllis Schlafly Report



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What's Wrong With Red Trade?

When President Nixon startled the world with his announcement that he will go to Red China, the liberal establishment rushed to drum up support for his decision. What caused the tremendous propaganda push in favor of the Red China trip? No informed person believes that this trip will end the Vietnam War or save the lives of American GIs there.

Nor do most Americans think that Mr. Nixon's trip will cause the Chinese Reds to abandon their aggressive aims and stop acting like Communists. Indeed, even after the President's announcement, the Chinese Reds deliberately humiliated Mr. Nixon by telling the world that *he requested* the invitation. Radio Peking on July 15, 1971 blared out new insults to the United States: "People of the world, unite and defeat the U.S. aggressors and all their running dogs."

Some advanced the theory that the President made the announcement as a political move to win votes, possibly by diverting attention from economic problems. But much of the lavish praise heaped on Mr. Nixon for his Red China trip came from people and newspapers who would not care to help such a political move because they are not Republicans.

Where, then, does the momentum come from? It comes from the President's new liberal supporters who are planning to make a mint of money out of the Red China ploy in one of the slickest rackets ever devised to bleed the American taxpayers without their realizing it.

The whole scheme was made clear by a front-page news story in *The New York Times* on July 23, 1971 entitled "Expanded Trade With Red Nations Set by Conferees." The article led off like this: "House and Senate conferees agreed today to open the way for a further expansion of trade with Communist countries, including China, by authorizing the Export-Import Bank to supply credits for shipments to those countries. The action, still subject to approval by both houses, would repeal an outright ban on such financing that has been in the law for three years."

Earlier this year, the Senate had voted to eliminate the ban on Export-Import credits to Communist countries, but the House had voted by 207 to 153 to reinstate the ban. Then the bill went into a Senate-House conference committee where, on July 22, the House conferees caved in and accepted the Senate position. Obviously, the House conferees reversed themselves in the wake of the let's-do-business-with-Red-China propaganda that accompanied the President's announcement that he

will visit there.

The New York Times, which is very sympathetic to the financial interests promoting trade with Red China, predicted that "the conference version of the bill would prevail." On August 5, this prediction came true when Congress approved the bill which would permit trade with Communist countries, including Red China.

The new Export-Import bill will change the present law in three ways: (1) it will extend the life and tremendously expand the lending power of the Export-Import Bank from \$13.5 billion to \$20 billion; (2) it will make this money available to Communist countries, including Red China; and (3) it will remove the Export-Import Bank from the expenditure and lending limitations in the Federal budget. Henry Kearns, president of the Bank, said that budgetary restrictions were greatly hampering its operations.

Spokesmen for the Nixon Administration, when they appeared at House hearings, suggested that if the bill goes through, the Administration would grant credits first to Rumania, and then to other Communist countries.

Where the Money Comes From

Why is the Export-Import Bank so important? For two reasons. *First*, Red China has no money to buy goods from America. The Communist economic system is so inherently unproductive that Red China with 750,000,000 people exports only a little more than the Free Chinese on Taiwan who have only 14,000,000 people.

Second, even though certain U.S. businessmen are salivating at the prospect of doing business with Communist countries, these un-American profiteers are not stupid enough to trust their Red friends. They know that no commercial bank will extend its own credit to the Communists because they are such poor risks.

So the financial interests pushing "trade" have cooked up a clever racket. The Chinese Reds order U.S. materials and pay for them with money borrowed from the Export-Import Bank. Where does the money come from? From the U.S. taxpayers, of course. The financial interests who sell to Red China are paid in full -- and the long-suffering U.S. taxpayers are left holding the bag.

The U.S. taxpayers seldom find out how they are cheated because of the way the money changes hands through several "middlemen", and the way the whole scheme is surrounded by layer upon layer of

internationalist verbal gobbledegook and hidden in the Federal budget. The statute clearly states, however, that all loans granted by the Export-Import Bank are "backed by the full faith and credit of the Government of the United States of America."

These undercover foreign handouts have vastly increased in the last few years. In 1967, Lyndon Johnson saw to it that the lending authority of the Export-Import Bank was increased 50% from \$9 billion to \$13.5 billion. It just happened that the then president of the Export-Import Bank, Harold F. Linder, was the largest single contributor to the Democrats in the 1964 campaign. He gave \$61,300 to Democratic candidates that year. Now, President Nixon is about to achieve an even larger increase, from \$13.5 billion to \$20 billion.

The Export-Import Bank is not the only device by which costly foreign handouts are hidden in the Federal budget under the false category of "loans." There are numerous other international lending agencies into which Congress pours U.S. taxpayers' money year after year, including the World Bank (now headed by Robert Strange McNamara), the International Development Association (also headed by Robert Strange McNamara), and the Asian Redevelopment Bank. By these and other subterfuges, U.S. financial interests will secretly profit on "trade" with Red China.

In President Nixon's State of the World Message of February 25, 1971, he asked Congress to "double" the "soft (low-interest) lending capacity" of McNamara's International Development Association, and to increase our contribution to the Asian Development Bank. The International Development Association is the device by which Americans are taxed in order to give foreigners no-interest or very-low-interest-bearing-loans (euphemistically disguised as "soft" loans) which will never be repaid.

U.S. Trucks for Soviets

According to *The Wall Street Journal* of June 18, 1971, Mack Trucks, Inc. has signed a preliminary agreement to help build the world's largest truck plant in the Soviet Union. Mack will serve as both contractor and consultant for some \$700 million worth of facilities. The value of the plant, if built in the United States, would be about \$1.4 billion.

The Wall Street Journal pointed out the tremendous size of the plant which Mack Trucks has agreed to build. It is to be a plant capable of producing 150,000 heavy-diesel trucks plus another 100,000 diesel engines annually. The largest truck plant in the United States is the Ford truck plant in Louisville, Kentucky. It has an annual capacity of about 100,000 medium and heavy-duty trucks, and is currently producing about 80,000 units a year.

The agreement was conditioned on U.S. Government approval. In April 1971, industry sources said they did not believe the Mack Truck deal would ever be approved. On August 6, the *Wall Street Journal* reported that President Nixon approved export licenses for \$50 million of machinery for the proposed Mack Truck plant. *The Journal* implied that the plant itself would soon be approved.

The change that has taken place in the policies of the Nixon Administration can be charted by the truck deal. Last year, Moscow asked the Ford Motor Company for help in designing and constructing a giant heavy-duty truck plant. Secretary of Defense Melvin Laird then made a public statement opposing technological aid to the Soviet Union for a heavy-truck factory. He stated that many Russian trucks are shipped to North Vietnam and they then are used to

haul supplies down the Ho Chi Minh Trail.

Ford took the hint and rejected the Russian proposal, saying it "wasn't the thing to do now." The West German auto company, Daimler-Benz, then was approached and also rejected the Soviet proposal. The euphoria about Communists generated by President Nixon's trip to Red China apparently will permit Mack Trucks to do now what Ford was not permitted to do a few months earlier.

The Hidden Ball Play

The architect of U.S. foreign economic policy during the last ten years is a New York lawyer named George Wildman Ball. Just before John F. Kennedy was inaugurated in 1961, Ball headed a task force which wrote a secret Report urging that the United States "seek an accommodation with the Soviet Union." The Ball Report called for a "positive response to Khrushchev's high-sounding trade overtures." It specifically advocated a vast increase of U.S. trade with Communist countries and urged that we "persuade other free enterprise countries" to engage in East-West trade, even in strategic items. The Ball Report urged the repeal of the Battle Act and other laws prohibiting strategic war goods and credits to the Communist bloc. The Ball Report recommended granting authority to the President to suspend tariffs designed to prevent the import of cheap slave-made goods from Communist countries. These policies marked a 180° turn away from all previous U.S. policies.

President Kennedy then appointed Ball Under Secretary of State for Economic Affairs, and in November 1961 named him Under Secretary of State, the number-two position in the State Department. *The New York Times* hailed this promotion as "formal recognition... of the extreme importance the President is placing on a forward-looking foreign trade policy." Ball was thus in a unique position to implement his own Report.

The Ball Report is the master plan of the foreign economic policy of the Kennedy, Johnson and Nixon Administrations. *Yet, the Ball Report has been kept secret all these years and has never been released!* When he was in the State Department, Ball flatly refused to make it available to the House Select Committee on Export Control.

There has been a great hullabaloo this year about the Pentagon Papers published in *The New York Times* and elsewhere in the name of freedom of the press and the public's right to know. But there is not one word from the liberal press calling for the release of the Ball Report. It is ridiculous to claim that the release of the Ball Report would harm national security or reveal anything to the enemy. The only thing that this secrecy protects is the reputations of the men involved and how they are toadying to Communist countries in an effort to make profits for certain financial interests at the expense of the American taxpayers.

Ball is an active member of the Council on Foreign Relations and is the most frequent U.S. participant in the highly-secret Bilderberg Conferences, held each year under the chairmanship of Prince Bernhard of the Netherlands. The press and the public are never permitted to know what goes on in these top-level international meetings, but we do know that they involve leading international financiers. The Bilderbergers are one of the transmission belts used by the international bankers. Ball has been a major link between this group and the U.S. Government.

By 1968, Ball had moved to the post of Chief U.S. Representative to the United Nations. On September 26, 1968, he resigned to "devote all my time and energy... to help assure the election of Hubert

Humphrey and the defeat of Richard Nixon." No campaign speaker assailed Nixon more viciously. Ball called Nixon "tricky Dick", a man with "no set principles," and accused him of "cynicism and irresponsibility." Ball described Agnew as "a 4th rate political hack." This hatchet act was not a new role for Ball. In the campaign of 1960, he had written a strong letter to *The New York Times* attacking Nixon's competence.

Republicans were shocked, therefore, early in 1969 to learn that President Nixon appointed George Ball as a part-time State Department "consultant" with the valuable fringe benefit of a "diplomatic passport." This meant that he could go in and out of the country with a sealed diplomatic pouch immune from customs inspection. Ball's tie-in with the international bankers is now obvious -- he is presently the senior partner of Lehman Brothers, New York investment bankers. In his spare time, he is making speeches advocating the recognition of Red China.

Apparently, the Ball Report is the foreign economic policy of the Nixon Administration just as it was during the Kennedy and Johnson Administrations. Congressional legislation has always levied higher tariffs on imports from Communist countries in order that cheap slave-labor goods from the Red bloc do not undersell goods made by free labor. The secret Ball Report recommended repeal of this provision. *The New York Times* of July 23, 1971 confirmed that the Nixon Administration has adopted this Ball policy. *The New York Times* stated that the Nixon Administration advocates "passage of legislation to apply normal, relatively low tariffs on imports from Rumania, instead of the higher tariffs imposed on goods from Communist countries generally."

The Eisenhower Years

It was back in 1958 that the Soviets made "East-West trade" a major part of their worldwide strategy. On June 3, 1958 Nikita Khrushchev sent a well-publicized letter to President Eisenhower stating that, although the Soviet Union had no money, the Russians wanted U.S. business immediately to supply machinery, machine tools, and even complete factories to the U.S.S.R. Sweetening up his proposal by the promise of "larger Soviet orders and purchases" in the future, Khrushchev boldly said that Soviet purchases would have to be paid for by "credits and installment payments" arranged and implemented by "intergovernmental negotiations." In other words, the Soviet dictator made it plain that the Soviets had no money to buy U.S. goods and expected the U.S. Government to subsidize Communist purchases!

This impudent line was immediately picked up by *The Worker*, *Political Affairs*, and other organs of the Communist press. *The Worker* repeatedly featured millionaire Cyrus Eaton as a spokesman for "East-West trade." There then began a succession of Soviet visitors to the United States, including Mikoyan, Kozlov, and "Smiling Mike" Menshikov, all peddling the "East-West trade" line.

Despite the avalanche of publicity connected with these visits, the Soviets got nowhere under the Eisenhower Administration with their push for subsidized trade. Secretary of State John Foster Dulles described the Khrushchev proposal as an attempt "to get credit from us so that it could more successfully pursue economic warfare against us."

Those were the years when the Battle Act of 1951, which forbade shipment of arms or strategic materials to any Communist-dominated country, was strictly enforced. Eisenhower's Secretary of Commerce Frederick H. Mueller opposed Red trade even in

non-strategic items, stating: "Soviet trade is a vital weapon in the cold war and nothing else."

Those were the years when the majority of Congressmen of both parties opposed East-West trade as helpful only to the Communists. The House Committee on Un-American Activities published an excellent report called "The Communist Trade Offensive" which clearly stated that "trade with the Soviet Union and other Communist nations is a one-way street that can lead only to the ultimate destruction of the United States economy" because (1) the Communists will buy one machine of each of the latest American inventions and then pirate the patented design; (2) the Reds send "buying commissions" which are really "spying commissions"; and (3) because they produce with slave labor, the Reds can undersell world prices and obtain American dollars to finance Soviet espionage, subversion and infiltration.

The Kennedy-Johnson Years

Beginning with the election of President Kennedy in 1960, there began a steady attrition of our former policy. Lenin has been quoted as having said that the capitalists are so eager for trade that they will sell him the rope he will use to hang them. It began to look as though the United States intended to fulfill this prophecy.

After President Kennedy's inauguration, George W. Ball, Walt W. Rostow, and dozens of others swarmed into high office who believed in trade with Communist countries -- even in strategic materials and even when subsidized by the U.S. taxpayer. Worse than that, these men believed in doing by bureaucratic decision and device whatever they couldn't do by Congressional legislation. The key factors affecting trade with Communist countries are (1) the issuance of export licenses by the Commerce Department, (2) the determination of what stays on the U.S. list of strategic materials, (3) the determination of what stays on the list of strategic materials restricted by COCOM, the international control system of the NATO countries (minus Iceland) and Japan, and (4) the approval of credits extended by the Export-Import Bank.

Trade missions began flying back and forth between Russia and the United States. In November 1964, Soviet officials gave American businessmen in Moscow a list of the highly sophisticated products and processes that the Soviets were eager to acquire from the United States. The list ranged from new highspeed IBM computers to processes for making polyurethane, a versatile chemical used in the production of rubber, fibers and leather substitutes.

Through lax enforcement of export controls, more and more materials formerly considered strategic were exported to the Communist bloc. Some Senate Internal Security Subcommittee members charged that the Kennedy Administration export policy "helped the Kremlin to overcome many of its most critical weaknesses in the field of military-industrial technology." The Commerce Department hid behind the claim of "executive privilege" rather than identify some of the firms granted export licenses. At least since 1963, the Export-Import Bank has been financing Yugoslav purchases of such items as rolling mill machine parts, electric motors, and other machinery for steel mills.

Occasionally an alert Senator would discover and stop a strategic shipment before it left our shores. Senator Thomas Dodd exposed and forced the cancellation of a license issued by the Kennedy Administration for the export to Russia of 45 ball

bearing grinding machines which were superior to any in the world and valuable in the construction of guidance systems for ballistic missiles. Senator Karl Mundt exposed and stopped the Johnson Administration from permitting the export to Red Poland of a unique military instrument made only in the U.S. called a Worden gravity meter, which was the most accurate gravity measuring device in the world and used principally to perfect the flight paths of guided missiles.

On October 7, 1966 when Lyndon Johnson gave his famous "building bridges" speech, the Khrushchev proposal of 1958 and the Ball policy of 1961 became the policy of the President of the United States. In this speech, Johnson urged increased "trade" with the Soviet bloc, even in strategic items, and he announced the removal of export controls on 400 heretofore strategic items. These items taken off the Export Control list included electronic computers capable of use by the North Vietnamese to shoot down U.S. planes.

President Johnson went on to say that the Export-Import Bank would be allowed to guarantee commercial credits to Communist countries. "This is good business," he said, "and it will help us to build bridges to Eastern Europe." The Export-Import Bank then announced it would finance the sale of about \$50 million worth of American machine tools, "sophisticated in design," to the Soviet Union for a new truck and automobile plant on the Volga.

Subsidized trade with the Communist bloc during the Johnson Administration was a blood-money betrayal of the 45,000 American servicemen who had given their lives in Vietnam and of the millions who have fought there because this "trade" enabled the Communist bloc to turn around and ship military supplies to North Vietnam.

North Vietnam blossomed forth with 10,000 Soviet-armed missile pads, Czech anti-aircraft guns, Polish and Soviet communications systems, Czech computers, Soviet and Hungarian radar, supply trucks from the Wartburg Automotive Works in East Germany and from Russia, Rumanian gasoline, and Yugoslav food. Clearly, North Vietnam cannot pay for this very valuable materiel or its heavy transportation costs. Subsidized U.S. "trade" with the Soviet bloc means, in the final analysis, that the American taxpayers are financing the enemy which is killing our sons. This is not "good business"; it is "giving aid and comfort" to the enemy.

How trade with Communist countries provides a bridge to liberal Republicans is shown by the alliance between the Rockefellers and Cyrus Eaton. On January 16, 1967 the front page of *The New York Times* carried the sensational story of an "alliance" to promote trade with the Reds between a corporation organized by Governor Nelson Rockefeller and a corporation controlled by the Cyrus Eatons. *The New York Times* article said: "The joint effort contemplated by International Basic Economy (the Rockefeller company) and Tower (the Eaton company) is seen as combining the investment skills and resources of the Rockefellers and the special entree to Soviet-bloc officialdom that Tower enjoys, largely as a result of contracts cultivated over the last 15 years by Cyrus S. Eaton, Sr. The elder Eaton has been an outspoken advocate of closer ties between the United States and the Soviet Union. He has backed his convictions by visiting Russia and entertaining high Soviet leaders -- including former Premier Khrushchev."

The Nixon Years

Since President Nixon was inaugurated, trade with Communist countries has increased rather than diminished. The first straw in the wind was a small Associated Press Dispatch out of London on September 15, 1969 which revealed that U.S. officials had agreed with NATO countries to lower barriers on exports of strategic products to the Soviet bloc. Previously-banned items which the Soviet bloc then became able to buy included "certain types of computers, rare metals and their alloys, chemical and petroleum equipment, a wide range of industrial, electrical and transport goods, and certain categories of electronic and precision instruments."

Having set the stage by significant changes in the NATO list of what is and what is not "strategic", the Nixon Administration has rolled out a steady succession of announcements removing restrictions on trade with Communist countries. More than 1,300 commodities were removed from the U.S. list of strategic materials during 1970.

In May 1971, the Nixon Administration released a long list of materials which may now be shipped to Rumania without a validated export license. This list includes some steel products, machine tools, other metalworking machinery, truck parts, pipe and tubing, platinum-based magnetic materials, deep-hole drills, steam turbines, cycle engines, metalcutting and metalworking machines and machine tools. The Administration had previously approved a modern \$8 million petroleum refinery for Rumania over objections by the Defense and Interior Departments.

In June 1971, the Nixon Administration did an about-face in its view of what is in the national interest and approved exports of about \$90 million worth of machine tools for the Soviet Union.

The Associated Press reported on June 27, 1971 that the Nixon Administration had approved the sale by Britain of \$24 million worth of highly sophisticated 1906A computers to the Soviet Institute of High Energy Physics. The Nixon Administration overruled U.S. military experts who believe the computers will be used in the Soviet nuclear arms program.

Also in June 1971, President Nixon authorized a wide range of U.S. made goods for uncontrolled export to Red China. These included the following metals: steel, iron, tungsten, lead, zinc, tin, titanium, chromium and manganese; the following forms: ores, concentrates, non-ferrous scrap, ingots, castings, bars, plate, shapes, wire and pipe; the following metal manufactures: containers, cables, fencing and gas cylinders; automobiles and motorcycles; the following equipment: lifting, loading and handling machines, lift trucks and tractors, jacks, elevators, and moving stairways. No one ever asks the embarrassing question: Will any of these materials find their way into North Vietnam and be used to kill American servicemen?

Former Senate Minority Leader Everett Dirksen once summed up American opposition to Red trade in this eloquent paraphrase of Patrick Henry: "Is trade so sweet and are profits so desirable as to be purchased at the price we now pay in death and agony?" The overwhelming majority of Americans would answer "No!"

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