



The Phyllis Schlafly Report



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Why Brezhnev Came to America

Soviet boss Brezhnev blew in and out of America last month for what is now popularly known as the Champagne Summit. He didn't come, as some commentators suggested, to find out about Watergate. His espionage apparatus is fully adequate to give him all the necessary details about what is going on in our Government. It is unlikely that he believes, as others have suggested, that, since Watergate is concerned with lying, spying, cheating, and double-dealing, we staged it to make him feel at home.

Brezhnev came to America on a credit spree. He hoped to consummate the trade deals under which American taxpayers will finance Soviet purchases of computers, technology and machinery, explorations for gas and oil, and especially purchases of American food, because Soviet agriculture is so inefficient that it cannot feed the Russian people.

Food: The No. 1 Problem

Food has suddenly become the number-one problem everywhere in the world. The United Nations "early warning system" for famine has signaled a worldwide alert. The Food and Agriculture Organization lists 28 countries stricken by drought this year. The prolonged series of dry spells, the worst in 25 years, has killed cattle and reduced crops in wide areas of Latin America, Asia, Africa and the Middle East. Television news programs and the press are filled with pictures of starving Africans and East Indians. A New York *Times* headline on June 24 proclaimed: "6 Million Africans May Die in Famine by October." Russian agriculture remains consistently unable to feed its own people.

In the United States, every day brings new evidence of spiraling food prices and a rise in the cost of living. Now, consumers have a new worry -- shortages in basic food commodities. R. H. Uhlmann, president of Standard Milling Company in Kansas City, says: "We've got a worldwide food panic on our hands, and unless something is done we're going to have shortages in this country."

Iowa Governor Robert Ray predicted that "a meat crisis" could develop in 60 to 90 days. Robert Grant, chairman of the executive committee of American Bakeries, said, "If prices stay as high as they are or go higher, a big segment of the baking industry will go out of business." Other experts are predicting shortages of milk, chicken and eggs.

Summit Conferences on Food

Two national conferences on food took place last month with widely different objectives. One, sponsored in Washington by Congressman Jerry Litton, featured a special plea by Hubert Humphrey to continue our grain exports to Communist countries. The other, a conference of women leaders held at the Press Club in St. Louis, came out strongly against further commitments of American food to the Soviet Union. Here is the Resolution which this Women's Summit Conference on Food passed on June 5, 1973:

"Resolved, that this conference of women from ten states petition Congress for a complete priority investigation of the entire food problem in order to determine American requirements, the needs of friendly nations facing possible famine, and the unparalleled opportunities for the freedom of mankind presented by the failure of collectivist agriculture in the non-free Socialist and Communist countries;

"Resolved further, that this investigation determine how much the massive grain shipments to the Communist super-powers are costing American consumers in terms of higher bread and meat prices, costing the American taxpayers through loans to the Soviets and export subsidies, and costing the American farmers who have been cheated on price; and

"Resolved further, that our Government stop all further commitments to supply food to non-free Socialist and Communist countries until this investigation is completed."

We know that the Soviet grain deal of last year cost the American taxpayers three-quarters of a billion dollars in loans and subsidies, and cost the American consumers a couple of billion dollars in higher bread and meat prices. The principal purpose of Brezhnev's visit was to assure the uninterrupted purchase of American food on credit so that there will be no slowdown in the Soviet weapons-building program. The Soviet Union has already leased most of the world's ships capable of carrying grain so that Soviet food will be delivered first. The question Americans must consider is: Are we going to repeat the mistakes of last year?

The Wrong Target

The irritation of the American consumer at high prices is being misdirected at the wrong targets. We are told: blame the farmer, blame the supermarket, blame the middleman, whoever he is. The blame properly

belongs on the tremendous grain shipments to the Soviet Union which have depleted our former surpluses and driven up domestic prices.

The Phase 3½ price freeze is no answer to the problem. The Administration thinks it is the economic equivalent of putting a penny in a fuse box. But it isn't even that good. It is creating artificial food shortages as the farmers, and cattle and poultry raisers, caught between retail price ceilings and the skyrocketing price of soybean feed, are reducing their stocks in order to avoid losing money on every steer, hog, chicken and dozen eggs they sell.

It is easy to predict that meat prices this fall will be even higher by looking at the soybean market. This miracle food which is 44 percent protein, and is used as feed for livestock and poultry, is the principal cost factor in the meat we buy. A year ago, soybean meal could be bought for \$89 a ton; today it is up to \$500. When the Chicago Board of Trade, at the Government's request, recently halted all trading in soybean futures, this was an act of desperation to do something about skyrocketing prices.

When ceilings are artificially pressed on spiraling prices, the market will react in any way it can. The inevitable result is shortages. The Department of Agriculture predicted on June 21 that our country might run out of soybeans before the new crop is harvested in the fall. An Agriculture Department official was quoted in the *Washington Post* as saying, "The protein situation is real touch and go."

We can't blame the farmers, or cattle and poultry raisers, for trying to save what they can. They are reducing the size of their herds or not expanding them, selling unfattened cattle and pregnant sows, selling the feed they would have fed the newborn pigs because they will lose less money by selling the grain now than by feeding the hogs and selling them six months from now.

It's the same story with chickens. Poultry raisers are cutting back their flocks, taking them off feed, and killing tens of thousands of baby chicks.

It's about time that somebody in Washington recognizes that one government control always begets three more in an effort to disguise the economic disruption caused by the first control. The place to start is not with more controls, but with a policy to "Feed America First." If we are going to sell to the Soviets, let it be at a cash price at least as high as Americans have to pay. It makes no sense to tax Americans in order to send the cream of our crop to the Soviets, while food in our own markets is priced out of our reach.

The Occidental Deal

After food, the next item on Brezhnev's shopping list was U.S. credit to build a fertilizer plant and to explore and drill for gas and oil in Siberia. The Soviets had worked on this objective for months, with strategic assistance from Dr. Armand Hammer, chairman of the Occidental Petroleum Corporation. In Moscow, it was viewed as a key element in Soviet preparations for Brezhnev's trip. If you wondered why Brezhnev looked so happy as he said goodbye to President Nixon, the success of this effort was the reason.

Dr. Armand Hammer went to Russia in 1921 and became a friend of Lenin, under whose patronage he set about making barter deals in asbestos, hides, ermines, caviar and plundered Czarist treasures. According to an in-depth report in the *New York Times* on May 20, 1973, Dr. Hammer has taken several fortunes out of the Soviet Union and parlayed them

into personal wealth reckoned at \$125 million or more, including one of the world's great art collections and control of Occidental Petroleum.

In July 1972, Dr. Hammer announced that Occidental had made a \$3 billion technical assistance pact with the Soviets. Occidental's stock spurted up more than 50 percent and brought more than \$200 million in profits on sales of 5.7 million Occidental shares.

In April 1973, Dr. Hammer announced in Moscow that he had worked out an \$8 billion, 20-year deal to build a fertilizer-producing complex in the Volga basin southeast of Moscow to help overcome the country's continuing crop shortages. American correspondents in Moscow who covered the announcement complained that Dr. Hammer refused to answer questions about the deal.

Investors were more cautious in response to this announcement, and it caused hardly a ripple on the stock exchange. The interesting question was, how in the world could Occidental afford to invest \$8 billion in Russia when its own financial condition was shaky and it couldn't pay dividends last year? Standard & Poor's, in an April 26 report, cautioned investors that the deal is "still awaiting clarification" and that, in any event, it could not be expected to add much more than 30 cents a share to Occidental's business. The report added that Occidental, despite somewhat improved earnings, remains a highly speculative gamble to be undertaken only by "a hardened risk-taker able to live with its volatility."

A few weeks later, Dr. Hammer indicated that Occidental was still looking for sources of private financing for the deal. Another Occidental official was quoted as saying, "I don't know where all the money is coming from, but perhaps that's an insignificant detail." It is rather obvious that the money was expected to come from somewhere, but not from Occidental's bank account.

The Hidden Joker

The next act in the drama occurred on May 10, 1973, when Soviet Deputy Foreign Trade Minister Vladimir Alkhimov arrived in Washington and began meetings with VIPs including Secretary of Commerce Frederick Dent and Henry Kearns, President of the Export-Import Bank. The line Alkhimov peddled was that the Soviets wanted a "formal endorsement" by the Nixon Administration of the \$8 billion, 20-year fertilizer deal. Even though the U.S. Government had not participated in making the deal, Alkhimov asked for an exchange of letters stating that the fertilizer deal was "in accordance with the policies of both countries," in order to prevent any future "embarrassment" to the Soviets.

On June 2, his mission was successful. Secretary of Commerce Dent on behalf of the United States and Alkhimov on behalf of the Soviet Union signed identical letters giving political endorsement to the Occidental deal. It then became clear how the fertilizer plant is being financed: Occidental is putting up no capital, the Soviets are putting up 10 percent of the capital, and the other 90 percent will be financed by American credit, the keystone of which is an initial \$180 million from the Export-Import Bank -- which means out of the pockets of American taxpayers.

Flushed with the fantastic success of the fertilizer deal, on June 8, Dr. Hammer announced an even bigger deal with the Soviets: a \$10 billion, 25-year transaction for natural gas in Siberia, which would require Western loans of \$4 billion to finance a 2,000-mile pipeline, a gas-liquefaction plant, and a

fleet of 20 tankers to carry the gas from Siberia across the Pacific, beginning in about six years.

John B. Connally's law firm (Vinson, Elkins, Searls, Connally & Smith of Houston) represented Occidental in some of its Soviet dealings and other legal matters. A photograph in the May *Soviet Life*, taken during negotiations in Moscow, shows Dr. Hammer with another of his attorneys, Sargent Shriver, the Democratic 1972 Vice Presidential nominee.

No information has been leaked on how Occidental's \$10 billion natural gas production and transportation is to be financed, but it doesn't take a crystal ball to figure out what the Soviets and Dr. Hammer are counting on, namely, credits generously supplied by the American taxpayers through the Export-Import Bank and other subterfuges.

Meanwhile, U.S. Government policies and environmentalist agitation for four years have stopped American free enterprise from using Alaskan oil.

Questions for Brezhnev

While Brezhnev was here in America -- shopping for our food, fertilizer plants and technology on credit -- it would have been a very good time to ask him many questions. Here are some of the questions that we wish President Nixon had asked Brezhnev:

1. We want an accounting of our American servicemen who are Missing in Action in Southeast Asia. We want to know where they are held, and we want them returned home immediately. We feel sure,

Mr. Brezhnev, that you have ways of persuading Hanoi to be more cooperative, such as holding up your shipments to North Vietnam. Will you help us?

2. Will you allow people of all faiths -- Jews, Christians, and Moslems -- to emigrate freely out of Iron Curtain countries?

3. Will you take your troops out of Eastern Europe and let the captive peoples there breathe a little fresh air of freedom?

4. Will you order your fishing vessels to stop going up and down our Atlantic coast like huge vacuum cleaners, taking more than 50 percent of the total catch of our fish, and violating the rules against over-fishing which our own fishing industry must obey?

5. Will you tell us exactly *why* you are testing and getting ready to deploy powerful new intercontinental ballistic missiles, when Russia already has 564 more than the United States has, and we are not building any more?

6. Last October our State Department agreed to let you settle Russia's World War II debts to us for only 6½ cents on the dollar. Is it true that you have issued an ultimatum that the Soviet Union will not make even this small payment on your World War II debts until *after* Congress enacts legislation giving Russia "most-favored-nation" benefits?

Or maybe the most important questions are the ones we should ask our own Government.

Excerpts from Testimony of Congressman Ben Blackburn to the House Ways and Means Committee, June 14, 1973

The Costs of the Soviet Grain "Deal"

The huge grain sales to the Soviet Union resulted in a wide variety of costs which can be classified into the following categories:

1. Costs to the Consumers.
2. Costs to the Taxpayers.
3. Costs to the Economy as a Whole.
4. Political Costs to the United States.
5. Costs to the Free Economies.

Costs to the Consumers

According to the figures supplied by the Comptroller General, Elmer B. Staats, the massive grain sales to the Soviet Union raised domestic prices of wheat from about \$1.63 per bushel in July of 1972, to \$2.49 a bushel in September of the same year. CBS News has computed the total cost to the American consumers for the 9-month period starting July 1972, and according to these figures, the total costs to the consumer for the purchase of bread and other flour-based products as a result of the Soviet wheat deal, will be at least \$300 million, and that is a conservative estimate. As far as beef and pork (and beef and pork-based products) are concerned, the additional cost the American consumers will have to absorb during the same 9-month period is \$1.2 billion in order to eat the amount of meat that we have been consuming. However, the actual increase in food prices imperatively adds an additional 12 per cent to the combined figure of \$1.5 billion.

The cost of feed grain plays a large role in determining the price of poultry, eggs, and dairy

products. The increases in those prices vary from 12 to 25 per cent, and that adds—for the 9-month period—an additional cost to the consumer of about \$800 million.

Costs to the Taxpayers

The direct subsidy for the Soviet grain deal, at the expense of the American taxpayers, exceeded \$300 million. The subsidy for the transportation of grain, so far, has amounted to over \$400 million. This figure coincides with that estimated by CBS News.

Costs to the Economy as a Whole

These are the most difficult to estimate because they reflect a variety of costs and factors which are extremely intricate in nature. Some of them, such as market distortions, transportation tie-ups, and loss of good will with established customers for agricultural products (for instance, Japan) are almost impossible to measure.

The grain deal has been financed with a credit of \$750 million by the Commodity Credit Corporation (CCC) at 6 1/8% interest, repayable in three years. The interest rate is lower than what it cost the U.S. Treasury to borrow in the market place. By contrast, the Treasury is paying 6½% and 6 5/8% on recent market borrowings. [The Treasury is now paying 7½%]

The freight rates on the railroads increased by about 10% and, in addition, the economy experienced the most acute railroad car shortage in the history of the American railroads. This shortage in the Midwest resulted in the shortage of some rail carried products, such as fuel oil. The overburdening of the

transportation system with transportation of grain for the Soviet Union, resulted in delayed deliveries of numerous industrial products from steel and machinery to various component parts for a variety of industrial commodities.

Another cost to the economy resulting from the Soviet grain deal is the increased price of agricultural machinery. The increase has been reported to be about 10 per cent.

National and independent bakers are complaining because wheat shipments to the Soviet Union have resulted in a price surge at home. The price surge at home resulted in the increase of the price of flour the bakers buy. This resulted in a large number of bankruptcies among the independent bakers which, so far, have cost ten thousand people their jobs. For example, the added annual cost of one particular enterprise—American bakeries—is estimated at \$9.2 million over the 12-month period starting August 1972.

For the farmers, the cost of the Soviet grain "deal" was at least \$120 million by September 1972—both because they sold wheat too early (spring of 1972 which is usual) to benefit from higher prices and, more importantly, because the higher prices cut the subsidy available to many Southwestern farmers.

If we sum up the cost of the Soviet grain deal to the American public, then we reach a sum which for the 9-month period exceeds \$3.2 billion.

Political Costs to the United States

The lack of any political trade-offs in regard to the Soviet Union could be clearly defined as a political cost.

The fight against inflation failed primarily because of increases in food prices which are directly associated with the Soviet grain deal. While the increase in the Consumer Price Index was at the annual rate of about 5%, the increase in food averaged (for the same period) some 25%. This is a clear indication that the fight against inflation might have been completely successful had it not been for the Soviet grain deal. The increase in food prices is primarily responsible for the present inflation hysteria around the Congress and the country as a whole. The consequences of it for the welfare of the United States and its economy are not difficult to foresee; distorted markets; large economy fluctuations; and all this due to irrational behavior on both the supply and demand side.

Costs to the Free Economies

The cost to the free economies primarily takes the form of distortion effects on the market forces, both within the financial market and markets for agricultural products. In financial markets the market interest rate is suppressed by Soviet absolute demand monopoly and ability to use political power for the purpose of coercion. In agricultural markets, strongly fluctuating and suddenly exaggerated demands for the grain stuff, and playing competitors on the supply side against each other, resulted in tremendous distortions on prices and supply. And both elements, distortions in financial and agricultural markets, are responsible for highly negative influence on the World economy....

Conclusions And Recommendations

Fifty years of trade with the Soviet Union suggest that "peaceful trade" with Communist Governments is a pipe-dream. In 1918, the Bolsheviks occupied only part of Russia. They needed western supplies to consolidate and extend their control. Edwin F. Gray,

Chairman of the U.S. World Trade Board, argued for trade. "Economic isolation would not bring stable government in Russia" said Gray, and "if the people of the Bolshevik sections of Russia were given the opportunity to enjoy improved economic conditions, they would themselves bring about the establishment of a moderate and stable order." How this line, 50 years later, in spite of all historical experience, still flourishes, is one of the absurdities of the age in which we live....

Careful scrutiny of Soviet internal and external policies clearly suggests that there were no significant changes in Soviet long established practices. The Soviet Union is still a police state and its long-term objective is to establish the Soviet Union as the unparalleled world power. In fact, the Brezhnev strategy is designed to use Moscow's new relationship with America as a double-edged sword toward that end.

The Kremlin needs and wants the help of American know-how in solving Soviet problems of industrial backwardness and its lag in technological advance. The Soviets are anxious for assurance that they will be able to get American grain when their abysmally inefficient agricultural system failed again. Politically, they would like to have the U.S. support in neutralizing their Communist adversary, Red China, and in stabilizing East Europe....

In the area of international economic relations, the Soviet Union bases its present strategy on three objectives, namely, to obtain from the United States and developed nations of the West, advanced technology, industrial know-how and massive credits.

At the same time, its own policy with regard to its gold reserves is based on Lenin's formula: "We must save the gold in the U.S.S.R."....

This formula adequately explains a strange paradox being presented to the world and the American people. A country rich in gold reserves, the Soviet Union, is seeking loans from a country, the United States, whose currency is under sustained attack and whose gold reserves are woefully inadequate. The authoritative studies about the Soviet gold reserves set the latter at \$7 to \$8 billion. Inasmuch as there are no rubles outstanding which can be presented for conversion to gold, it is fair to say that the Soviet gold reserves are free and clear. It is estimated that approximately \$80 billion (U.S. dollars) are floating in the Eurodollar and other financial markets. What possible logic can be urged to support the concept that the gold-rich nation should be financed and subsidized by the nation which is experiencing a currency crisis and serious problems arising out of its inequilibrium in the balance of payments?....

Congressman Blackburn's full testimony appears in the *Congressional Record*, June 15, 1973, pages H4820—H4826.

Phyllis Schlafly is the co-author of three books on nuclear strategy, *The Gravediggers* (1964), *Strike From Space* (1965), and *The Betrayers* (1968), and has testified on national security before the Senate Foreign Relations and Armed Services Committees. She is now a commentator on *Spectrum* for CBS radio and television. Her 1972 series of interviews with military and nuclear experts was aired on 70 television and 50 radio stations. Her first book was *A Choice Not An Echo* (1964), and her latest book is a biography entitled *Mindszenty the Man*.

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