PS1 for 12/29/88#GUIDELINES FOR U.S.-U.S.S.R. TRADE

It is imperative that we stop U.S. banks from giving preferential loans to the Soviet Bloc. We must make sure that U.S. businesses are not subsidized in their trade with the Soviet Bloc.

First, it is intolerable for U.S. banks to give better rates and terms to Soviet Bloc nations than to creditworthy Americans. There is something drastically wrong with a banking system that ""reschedules'' foreign Communists' loans that are in default while foreclosing on farmers' properties that have been owned by their families for generations, and on businesses that failed for reasons beyond their control.

Second, bank loans to the Soviet Bloc are unjust both to depositors and to taxpayers -- and a danger to U.S. financial security -- because the reserves of the FDIC (Federal Deposit Insurance Corporation) are insufficient to cover the uncollectible debts already owed by the Third World. Since the FDIC is guaranteed by the U.S. Government, in the last resort the American taxpayers could be stuck with the debts.

To make more loans to foreign borrowers on preferential terms is a betrayal of American taxpayers' interests. The Soviet Bloc countries are not creditworthy by any acceptable banking standards.

Those countries have no collateral to secure their borrowings, and there is no judicial system in which we can obtain justice. In the last several years, several Soviet bloc governments, Poland, Czechoslovakia and Hungary, have already defaulted on their debts to Western banks.

Third, credits and subsidized trade with the Soviet Union are a threat to U.S. military security because U.S. bank cash is used for the overt and covert acquisition of military hardware and technology from the West. Such credits are also a threat to the peace of the

world because they are used to finance Soviet military support for terrorists, adventures in aggression, and worldwide KGB operations.

Many if not most of the American corporations that are so eagerly promoting U.S.-U.S.S.R. trade produce high-tech equipment and therefore are prime espionage targets. These companies' sole objective is to sell their products, and their slogan is ""trade is trade.''

Fourth, credits and transfers of high technology cost the American taxpayers billions of dollars to overcome the technology advantages that businessmen and bankers send to the Soviets. The Department of Defense stated that trade and technology transfers to the Soviet Union have already saved the Soviets billions of dollars, reduced weapons-development time, and amounted to a gain of between $6.6 and $13.3 billion in military technology.

According to a November 23, 1987 report of the Joint Economic Committee of Congress, this would translate into a need for the United States to increase its defense costs by an additional $50 billion. The best way to avoid increases in U.S. defense spending is to stop shipping U.S. technology to Russia.

Fifth, Americans are taxed enormous sums of money to provide military and economic protection for Western Europe and Japan. We maintain 300,000 American troops in Western Europe to protect our NATO friends from Soviet Bloc aggression, and they certainly do not spend their fair share of the defense costs.

We spend large sums to keep oil tankers moving through the Mediterranean, primarily for the benefit of Japan and Western Europe. Japan spends next to nothing for its own defense, relying almost totally on the United States.

Yet these same countries have been falling all over themselves to send delegations to Moscow offering cash to the Kremlin. The West

Germans offered $1.6 billion, the French bankers offered $2 billion, the Italians granted $775 million on low-interest terms, and British banks are offering $1.7 billion.

Observers call this NATO's ""lending frenzy,'' and it will net the Soviets $9 billion in new capital from NATO Europe and Japan. To add insult to injury, Italian Prime Minister Ciriaco de Mita called for a ""Marshall Plan for the Soviet Union.''

It makes no sense to continue the high costs of defending our so-called Western European and Japanese friends while they use their ready cash to make huge loans to the Soviet Union, which then builds more weapons that increase our own military costs to defend the Free World.

Finally, credits are the wrong basis for a U.S. relationship with the Soviet Union. Our relations should focus on dismantling communication barriers and promoting East-West contacts based on human rights. Extending loans to bail a ruthless dictatorship out of its problems conveys the world perception that Americans don't care about human rights behind the Iron Curtain.

The best way to promote perestroika is to let the Soviet economic problems, agricultural failures, and scarcity in consumer goods force Gorbachev to reduce his military spending.