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Soviet Trade [unclear]

MANUFACTURING WEEK

9 NOVEMBER 1987

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Report Criticizes Soviet Business Group

According to a State Department report uncovered by the *New York Times*, one-third of the officials of the U.S.S.R. Chamber of Commerce and Industry are known or suspected intelligence officers. The document was given limited distribution within the State Department in August, but it soon reached the Soviet Union, where the *New York Times* said it angered Soviet officials,

including Mikhail Gorbachev. "Hosting more than 200 trade exhibitions and about 100 Western trade delegations annually, and inspecting thousands of goods each year gives its employees extraordinary access to imported equipment and uncounted contacts with foreign companies," the report says. The report also contends that the Soviet Chamber of Commerce falsifies documents listing the intended use of the materials, deploys industrial buyers and inspectors who carry out intelligence duties.

BETRAYAL . . . CONTINUED

ed, merely some ordinary two-axis machines.

DTSA officials were angered by MITI's reply. Newly acquired information from a variety of intelligence sources buttressed their case. Meanwhile, the Navy was concerned over reports of strange new and far quieter propeller "signatures" on a few Soviet subs.

Japanese Stonewalling. In December 1986, DTSA chief Bryen, Michael Maloof and Undersecretary of Defense Fred Iklé flew to Tokyo to confront the Japanese with their evidence. The meeting with Deputy Foreign Minister Shinichi Yanai was not pleasant. The Japanese were indignant. They insisted they had investigated the allegation thoroughly and that none of the huge machines had been sold to the Russians.

Within a month of the Tokyo meeting, the Japanese government declared it considered the case closed, so Bryen and his band of investigators decided it was time for a little jolt. On January 28, 1987, they dropped their bombshell at Cocom's annual meeting in Paris.

Nothing changed. On March 2, the Japanese government once again formally maintained there was no foundation for the charges against Toshiba Machine. They complained to the U.S. State Department over "threats" by DTSA. The State Department pressured the agency to call off its dogs.

But rumors of the clandestine sale began leaking into the American press. On April 10, Japanese Prime Minister Yasuhiro Nakasone—in preparation for his state visit to Washington—received a full briefing on the case by the Director of Security of the Foreign Ministry. Nakasone was livid. He ordered an immediate and complete investigation.

On April 30, the Tokyo Metropolitan Police pounced. They rolled trucks up to the offices of Toshiba Machine, seized virtually all the company's files and carted them away to headquarters. What they began to uncover was an enormous web of deception.

Shattered Trust. Now, what had been conceived in secrecy and veiled by lies and indignant denials came to full light in an avalanche of confessions, resignations, explanations and apologies. Shock and shame filled the Japanese press. Prime Minister Nakasone formally apologized to the United States for the damage done to the "mutual security" of the two countries.

The Norwegian government halted all of Kongsberg's ongoing deals with the East bloc and closed down its Moscow office.

For the Japanese, the Toshiba affair was traumatic. An atmosphere of trust between MITI and the nation's many business firms was shattered. MITI's "investigation" of the Toshiba Machine deal had consisted largely of inquiring and then accepting the company's word that no illegal transaction had occurred.

The fallout from Toshiba has brought to light numerous other cases of Japanese firms arming the enemy—including the sale of banned semiconductor manufacturing equipment sent through intermediaries to Bulgaria. In the face of American anger and the threat of Congressional trade sanctions against future damaging export violations, the Japanese government has taken forceful steps to increase penalties for export violations, sharply increase the size of its staff scrutinizing export licenses and begin tougher customs inspections.

Norway has shown less vigor. The government formally apolo-

gized for Kongsberg's role in the scheme, but the only figure they charged, a British expatriate in Kongsberg's sales department, is reportedly now working for a private Norwegian firm seeking to expand business with the Soviets.

A Narrowed Gap. Anti-submarine warfare is such a super-secret world that the devastating impact of this sale still remains largely hidden from the public. But it would be difficult to underestimate its importance in a world where the key element of nuclear deterrence moves under the sea.

Meanwhile, each of those Toshiba machines now at work in the Baltic Shipyard is capable of producing from 12 to 17 high-quality propellers a year. A leading anti-submarine-warfare expert says these upgraded propellers, in combination with advances in the silencing of internal pumps, gears and machinery, mean that "we will have to completely rethink and revise the way we have conducted our anti-submarine program. It will cost us billions of dollars."

In early April, just as news of the Toshiba case was breaking, five Soviet Victor III class submarines moved to their stations off the coast of the United States, from Connecticut to Virginia. It was an exercise the Soviets had performed before, a mock attack on U.S. Naval installations. But this time the Russian subs were much quieter, more difficult for the U.S. Navy to track. That quietness gap, translated into miles and minutes, means a Russian sub could move more easily into launching range of its target before it was detected.

As former Secretary of the Navy John Lehman noted ominously, "the Soviets have greatly narrowed the gap."

BETRAYAL...CONTINUED

salesman in charge of business with the Soviet Union arrived in Moscow bearing a machine-tool catalogue. He met with Anatoly Troitsky, an official of Techmashimport, but also an officer in the KGB.

The Soviets knew exactly what they wanted. In the Toshiba Machine catalogue it was called MBP-110. With its "nine-axis simultaneous numerical control," it could take a "raw" ship propeller more than 30 feet in diameter and hold it in an almost infinite number of precise positions while its computer brain directed the multiple cutting heads to carve, trim and finish it to submillimeter tolerances.

Chain of Conspiracy. Because of its extraordinary capabilities, this kind of machine was banned from export by Cocom. But the prospects of such a juicy sale were too good to pass up. Normally, MBP-110s are mated with Toshiba Machine computer controls. But the Russians insisted on controllers made by Kongsberg, a firm owned by the Norwegian government. Its computers were used throughout the Soviet Union, some of them clones of sophisticated American machines whose export was prohibited by Cocom.

The particular Kongsberg controller the Soviets specified—the NC2000—was often used with simple two-axis machine tools and was not prohibited. But it could be easily converted to nine-axis control by a few virtually undetectable wiring and circuit changes.

Kongsberg entered into secret contracts in separate negotiations. Thus a company owned by one of the NATO allies, a country which has played a vital role in tracking and detecting Soviet submarines in the North Atlantic, was brought into the chain of conspiracy.

On April 24, 1981, the complex and detailed Japanese/Soviet negotiations culminated in a ceremony in the Moscow offices of C. Itoh Co., Toshiba Machine's standard export broker. The Russians, including Osipov and Troitsky, watched as each of the 120 pages of the Toshiba contract was perused and initialed. The contract detailed the purchase of two-axis machine

tools—relatively low-technology items not proscribed by Cocom. But the Soviets and Toshiba Machine had already signed copies of a secret "protocol" that ensured the upgrading of the machines.

For the Soviets the purchase of the machines represented the capture of their Holy Grail, which would, in one stroke, take them out of the dark ages of marine-propeller production.

Clandestine Cargo. On May 19, 1981, just a month after the secret protocol was signed, Toshiba Machine submitted an application to Japan's Ministry of International Trade and Industry (MITI) for the export to the Soviet Union of a simple two-axis machine tool, which it called a TDP 70/110. This deception succeeded and the license was quickly approved, just another routine application among the 200,000 processed each year by a handful of MITI inspectors.

It took almost two years to build, test and fit the MBP-110s with the Kongsberg controllers. On an early spring day in 1983, Hitori Kumagai, chief of Wako Koeki's Moscow office, stood on a pier at Yokohama, Japan, to see the first machine, packed in several dozen wooden crates, loaded aboard the Soviet cargo ship *Stariy Bolshevik*. Customs officials had approved the paper work on the shipment without looking inside the crates.

U.S. officials believe that by August 1983 all four nine-axis machines were at the Baltic Shipyard in Leningrad. Over the next year, Toshiba Machine and Kongsberg technicians made regular trips to the yard to service and align the giant machines, making sure they were operating efficiently.

In addition to the MBP-110s, the Soviets secretly bought five of Toshiba's next-most-sophisticated milling machines. These Cocom-banned five-axis machines were installed in Leningrad between September and December 1984. They had been shipped from Japan under false export licenses. In June 1984, Toshiba Machine secretly exported 12 cutter heads for the nine-axis machines, along with additional computer software to upgrade their

performance.

The scheme had worked perfectly. Indeed, there had not been a glimmer of intelligence in the West that the Soviets had scored a technological coup of such magnitude it would affect anti-submarine warfare for decades.

Puzzle Pieces. But in December 1985 Hitori Kumagai parted the curtain of secrecy. At 51, he had spent many years working deals with the Soviets. Now, embroiled in a dispute with his employer and—he says—remorseful over the shady dealing with the Russians, he left his job and sent a detailed account of the covered-up sale to Ranieri Tallarigo, the Cocom chairman.

Privately, Tallarigo showed the Kumagai letter to Japan's Cocom delegate, who said he would look into the matter. MITI investigated, and Toshiba Machine denied the charges. Since the elaborate façade of phony contracts and technical paper work filed with MITI proved impenetrable, the investigation ran out of steam. In March 1986 the Japanese representative assured Tallarigo that there was absolutely nothing to Kumagai's accusations.

Cocom was satisfied. But the DTSA, a little-known office of the Defense Department, was about to become involved in the case. It had been following a worldwide trail of computer printouts that indicated the Soviets were on a concerted shopping trip for submarine technology.

"We had bits and pieces of intelligence," says DTSA's top investigator, Michael Maloof. "There was stuff being secretly shipped through the Netherlands, experimental work going on at hydrodynamic institutes in Eastern Europe, and other evidence that pointed to a huge effort by the Russians to improve their submarine and anti-submarine capabilities."

The sheer detail of Kumagai's charges hit home with DTSA investigators, and pieces of a complex puzzle began to fall into place. DTSA contacted MITI concerning the Toshiba Machine sales. With its usual courtesy, MITI reviewed the case and reported that nothing on the controlled list had been export-

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S. 710 Trade

Possible business deals, secret meetings with Soviets irk Kemp

By Peter Almond
THE WASHINGTON TIMES

Rep. Jack Kemp has written Commerce Secretary C. William Verity Jr. asking for details of a private meeting with Soviet leader Mikhail Gorbachev at which specific U.S.-Soviet joint venture possibilities reportedly were discussed.

The letter, sent last night, is the latest expression of concern by conservatives on Capitol Hill and in the Pentagon that the Reagan administration may be encouraging business deals with the Soviet Union that could endanger the security of the United States and its allies.

Mr. Verity reportedly met twice with Mr. Gorbachev during the superpower summit in Washington, and separately with a senior Soviet trade official at the Commerce Department.

"I do not want to see an increase in U.S. investments, loans, and joint ventures until we are assured that Soviet economic and financial gains will not be used to fuel Soviet oppression at home and aggression abroad," Mr. Kemp said in his letter.

Mr. Kemp's fears are shared by David Wigg, the Defense Department's deputy assistant secretary for policy analysis, who monitors international trade for implications on national security.

If the Soviets obtain Western high-technology equipment, it will make the military imbalance in Europe even worse, he said, especially after the signing of the intermediate-range nuclear missile treaty.

"It is noteworthy that so little has come out of the post-summit analysis about the Soviets' intensive efforts to secure new business during the summit," Mr. Wigg said in an interview.

"I think this silence represents a shift away from the usual official

trade approach [to discourage U.S.-Soviet trade], he said. "The administration has taken a position that they neither encourage nor discourage the U.S. business community from seeking trade with the Soviets.

"They now just want to make clear there are certain realities in that relationship, for instance that it is hard to make money."

Mr. Verity, whose appointment was opposed by conservatives because of his record as a proponent of increased U.S.-Soviet trade, could not be reached for comment last night.

But a Commerce Department spokesman said Mr. Verity did meet Mr. Gorbachev at the Soviet Embassy on Dec. 9, along with some 80 businessmen, and had met with Yuri Kamentsev, deputy chairman of the Soviet Council of Ministers, who is responsible for banking and joint ventures, for a half-hour "get acquainted" session the day before.

Also at the Soviet Embassy session were James Giffen, president of the U.S.-U.S.S.R. Trade and Economic Council, and Dwayne Andreas, co-chairman of the council. Mr. Giffen told NBC "Today" show they had a "very good conversation" with Mr. Gorbachev and Mr. Kamentsev, "talking about future trade with the Soviet Union."

Asked if the United States wanted the Soviet Union to become an economic superpower, Mr. Giffen said: "Yes, we do. I think the level of trade could go from \$1 billion in non-agricultural trade up to \$4-\$5 billion or more a year, and even higher into the \$10-\$15 billion range."

Mr. Verity, a close acquaintance of industrialist Armand Hammer and co-chairman of the U.S.-U.S.S.R. Trade and Economic Council from 1977 to 1984, has made no secret of his desire for much greater U.S.-Soviet trade.

He told reporters recently that he believes in "building bridges" to the Soviet Union through trade. "It's the old Yankee clipper ship all over again," he said.

But a Commerce Department spokesman noted yesterday that "he is very careful to dissociate the high-tech problems from his pro-Soviet trading stand."

Mr. Wigg said: "We have yet to hear what happened on the commercial front" from the summit business sessions, "but I expect there will be a substantial upsurge in trade. Multibillion-dollar announcements are to be expected across the board..."

A declassified State Department report recently identified at least one-third of the Soviet members of the U.S.-U.S.S.R. Trade and Economic Council as known or suspected KGB agents.

The council is scheduled to meet in Moscow in March. Between now and then, according to U.S. co-chairman Dwayne Andreas, the U.S. and Soviet businessmen will "negotiate refinements of joint ventures and other things. All trade questions."

"I don't think this will be like the last time when the administration championed trade with the Soviets in 1972-73," Mr. Wigg said. "I think we have learned from the last 15 years to take a more realistic, practical approach. We've learned it's very important to safeguard our technology."

But neither Mr. Wigg nor Scott Sullivan, director of East-West economic security for the Pentagon, see how increasing trade with the Soviets is in the U.S. interest.

From 1973 to 1976, at the start of "detente" with the Soviet Union, Mr. Wigg was chief economist for Europe for the Export-Import Bank, signing off on the credit worthiness of East bloc trading companies.

U.S.-Soviet trade, according to Mr. Sullivan, amounts to less than \$3 billion a year, mostly grain to the Soviet Union and precious metals to the United States.

KREMLIN...fm Pg. 6

spokesmen, coming as they do from the country which has by far the world's largest CW capability. . . . The U.S. unilaterally stopped production of chemical weapons in 1969, while the Soviets continued to build up their stockpile.

Times staff writer Jim Mann, in Washington, contributed to this article.

"According to Soviet statements, their plan is to phase out U.S. grain sales. And they are talking about \$10 billion to \$15 billion in trade with the U.S. They want to sell manufactured products. They want to become export-competitive," he said.

How could that be in America's interests, Mr. Wigg and Mr. Sullivan ask, when the United States is already taking "an inordinate burden of the world's imports?"

In September, Mr. Wigg told the joint economic committee of congress that the Soviet military buildup would not be affected by Mr. Gorbachev's economic reforms.

That brought a retort from the Soviet leader.

In a speech in Murmansk Oct. 2, Mr. Gorbachev said that "militarist and anti-Soviet forces" have an "artificially created image of an enemy."

The head of the committee, Democratic Sen. William Proxmire of Wisconsin, later wrote to Mr. Gorbachev, saying: "The question in everyone's mind is whether the purpose of the reforms is to provide a stronger foundation for a new military buildup."

If the Soviets succeed in their goals, Mr. Wigg told the committee, they could enter world markets as an exporter of manufactured goods, which would affect Western market shares and prices. Easing up on tough internal resource allocations would permit higher levels of spending on the "Soviet military, client states, and global adventurism," he said.

RADIO-TV NEWS HIGHLIGHTS

NAVY/SEX BIAS: Sec/Navy James Webb announced plans yesterday to counter sex discrimination in the Navy, ABC, NBC and CBS report. Responding to a recent study which charges the service with widespread harassment of women, Webb says the Navy will nearly triple the number of seagoing jobs open to women to almost 15,000. ABC's John Zelnick, suggesting the US military is unlikely to ever become a bastion of sexual equality, quotes Navy leaders as saying

they've now gone just about as far as they can to correct such discrimination.

FBI/TERRORISM: FBI investigations and surveillance techniques of possible terrorist activities cast a chilling shadow over legally protected US beliefs, ABC's John Martin asserts. During Pres Reagan's 1984 inauguration in Washington, D.C., Martin claims, the FBI was secretly photographing anti-Contra protestors a few blocks away as part of a domestic security terrorism inquiry. The FBI made nearly

8,500 inquiries in the US last year under its terrorism guidelines, but Martin notes there were only 17 terrorist acts in the US the entire year.

(Verbatim transcripts of summarized items available from SAF/AAR, 4C881. Other transcripts available include: TR-50, National Public Radio News, 9 Dec 1987, report on the Pentagon visit of Soviet Chief of Staff GEN Sergei Akhromeyev; TR-51, NBC's "Today Show," 21 Dec 1987, report on a US veteran who returned to Vietnam.)

Contra troop leader's return trip grim

By John McCaslin
THE WASHINGTON TIMES

A year ago, Nicaraguan Resistance field commander José Angel Talavera traveled to the United States for CIA-supervised training in guerrilla warfare and the use of short- and medium-range weapons.

Now the 27-year-old troop leader is back, this time to be fitted with a new leg.

"I was in the United States just last December," the soft-spoken commander said in an interview yesterday, propping what remains of his left leg on a chair at the Washington office of the Nicaraguan Resistance.

The U.S.-sponsored training course he and some 70 other resistance officers took part in last year was one of a half-dozen such training sessions for Nicaraguans conducted over the past year at military or CIA installations throughout the United States.

Neither the CIA nor Pentagon has commented on the training, which was funded by Congress, but Mr. Talavera said he was taught advanced combat techniques, such as guerrilla warfare and how to use shoulder-fired missiles, as well as "practical psychological" techniques to gain the trust of the Nicaraguan population.

Mr. Talavera hopes to return soon to rebel command posts on Nicaragua's northern front, and regrets missing the largest military offensive to date by the rebel forces in the 6-year-old civil war. Two major attacks were launched Sunday morning and early yesterday by more than 6,000 resistance troops.

"I'd love to be there, if only I were in good physical condition," he said.

It was a Sandinista land mine that forced Mr. Talavera to the sidelines. He stepped on the mine in June, while rushing to aid a comrade felled by another mine. His right leg was severely burned in the mishap. His other leg was removed just below the hip.

Despite his misfortune, he is happy to be alive. Mr. Talavera is one of 10 children born to a

Nicaraguan cattle farmer and coffee grower. He and three of his brothers joined the Sandinista regime in 1979 to fight for the overthrow of dictator Anastasio Somoza.

Two brothers died in that fighting. The third was killed while fighting on the side of the resistance in 1985. The rest of his family, except for his father, who remains on the family's farm, has fled to neighboring Honduras.

"I do not like to fight against my own people. Instead, we are fighting the nine [Sandinista] commanders and the international communists behind them. I saw a lot of Cubans while fighting, a lot of Bulgarians. The majority of them are advisers, like the Soviets.

"The Soviets are very involved with the whole process in Nicaragua," he said.

Mr. Talavera said he is confident the resistance forces, with continued assistance from the United States and Nicaraguan people, can force the Sandinistas into making democratic reforms "either in combat or at the negotiating table."

"The Sandinistas' promises of 1979 are not founded, and now they are manipulating the people and promoting the Marxist system. And most people in Nicaragua don't buy it, either," he said.

He said he believes that the Sandinistas could increase their military force by the "hundreds of thousands" as proposed in a speech two weeks ago by Nicaraguan Defense Minister Humberto Ortega.

"The Sandinistas are capable of doing anything," he said. "They have the [East bloc] fighting on their behalf already, and they continue to recruit people [into the army] against their will.

"I, myself, have to go back to Nicaragua, to the northern front, to stop that," he said.

But first, Mr. Talavera will celebrate Christmas in Pennsylvania, with a family he has never met before, but who have asked him into their home for the religious holiday. Then it's to Miami, to be fitted with a prosthesis, compliments of a group of Cuban-American doctors.

"Then I will go back to Nicaragua, to finish the mission I started," he said.

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Japan 'Regrets' U.S. Panel Agreement To Penalize Toshiba for Export Gaffe

BY HIROYASU TOMARU
New York City Tribune Correspondent

TOKYO, Dec. 20 — Japan expressed regret over the weekend about a U.S. congressional agreement to penalize the leading Japanese conglomerate, Toshiba Corp., because of illegal exports of sensitive submarine technology to the Soviet Union by a subsidiary company.

The International Trade and Industry Ministry (MITI) will soon issue a formal protest against the congressional legislation aimed at penalizing Toshiba and its affiliates, officials said.

They said the ministry considers such action will pose a "threat" to the

unity of the Western countries.

Toshiba Machine sold advanced machine tools to the Soviet Union in the early 1980s, enabling them to develop near-silent submarine propellers.

The ministry reacted harshly to reports that members of a Senate-House joint committee agreed Friday to prohibit the Defense Department from procuring products from Toshiba and its subsidiaries, and mandate removal of the products from U.S. post exchange (PX) outlets around the world.

A MITI official said it constitutes a denial of Japan's independence that

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WALL STREET JOURNAL

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Acquisition of Defense Firm By Westmark Is Completed

Westmark Systems Inc., Austin, Texas, said it completed its previously announced \$720 million acquisition of Tracor Inc.

Westmark said financing for the acquisition of the defense electronics concern included loans from lead banks Toronto-Dominion Bank and MBank Dallas, a unit of MCorp, and subordinated debt underwritten by Shearson Lehman Brothers Inc.

As previously reported, closely held Westmark Systems, led by retired Adm. Bobby R. Inman, was formed in 1986 to acquire technology companies. Austin-based Tracor is its first acquisition.

Cabinet Approves Effort to Widen Trade With Soviet in 5 Categories

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, April 6 — On the eve of a visit to Moscow, Commerce Secretary C. William Verity Jr. has won Cabinet approval of an initiative to stimulate trade with the Soviet Union, Administration officials said today.

The plan calls for the United States and the Soviet Union, at meetings in Moscow next week, to form high-level working groups to spur exchanges in five areas — food processing, energy, construction equipment, medical products and the services sector, which includes such activities as insurance.

Mr. Verity won approval of his initiative after two months of Cabinet discussion. The Treasury and State Departments gave him strong support, one official said, and only the Pentagon voiced reservations, fearing that an improved Soviet economy would mean a stronger adversary.

With Frank C. Carlucci as Defense Secretary, the Pentagon has taken a more pragmatic stand on East-West trade issues than it did under its previous chief, Caspar W. Weinberger. He objected to selling almost anything to Moscow on the ground that this would enhance its military capability, his aides said.

Some agreements to establish joint ventures between American companies and the Soviet Union will be signed next week. Last year the United States and the Soviet Union had trade totaling \$2 billion, down from \$4.5 billion in 1979. Most of it consisted of sales of grain to the Russians.

Mr. Verity said in a recent interview that he hoped bilateral trade would

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Japan Is Denied Fishing in U.S.

President Reagan turned down a Japanese request to fish American waters because the Commerce Department has accused Japan of violating an international moratorium on commercial whaling.

Japan will be barred from allocations of fish until the "situation has been corrected," the Commerce Department said. Japan had already been denied any American fish this year because fisheries stocks were considered too low.

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Verity Wins Backing on Trade With Soviet

Continued From Page A1

reach \$5 billion to \$10 billion annually. Many analysts believe that, as trade increases, political pressure to eliminate American barriers to Soviet trade could increase as well. Washington levies higher tariffs on imports from the Soviet Union than on those from most other countries, and it bars Soviet buyers from receiving American trade and commodity credits.

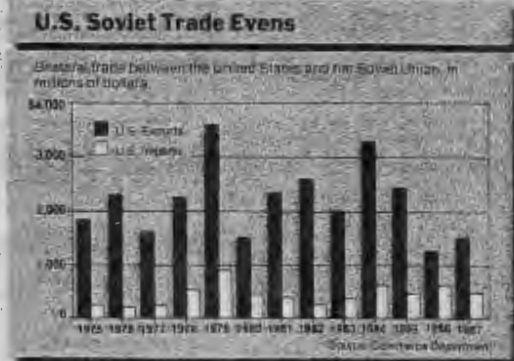
Arrangements for the working groups are to be made next week when Mr. Verity and 500 American business executives meet in Moscow with Soviet officials, including the Soviet leader, Mikhail S. Gorbachev, American trade officials said.

Mr. Verity is going to Moscow as co-chairman of the Joint Commercial Commission, a body formed in 1973 that brings trade agencies of the two Governments together. It will meet next week.

American officials are trying to keep next week's meetings low-keyed. One reason is that many business leaders are still wary of the reaction of stockholders, unions, human rights groups and others to full-fledged commercial relations with Moscow and want clearer signals of a thaw in political relations.

Strong critics of the Soviet Union have opposed the new initiative. "The formation of high-profile sectoral working groups is unwarranted, given the limited room for expanded trade and the constraints of our political relationship," said Roger W. Robinson Jr., a former senior director for international economic affairs at the National Security Council.

One dispute over the Verity trip involves who will accompany him from the Pentagon. Hard-liners want David G. Wigg, Deputy Assistant Secretary for policy analysis, the depart-



ment's staunchest opponent of economic relaxation toward Moscow. Commerce aides are fighting to keep Mr. Wigg out of the group, an Administration official said.

Summit Conference to Follow

The meetings next week will come six weeks before President Reagan travels to Moscow for his fourth summit conference with Mr. Gorbachev. It will be the first trip to Moscow by an American President since Richard M. Nixon met with Leonid I. Brezhnev in 1974.

American business executives interested in trading with the Soviet Union would welcome clearer guidelines on what is acceptable. Many corporations lost money in the last decade when their Soviet investments, made during a period of détente in the Nixon and Ford Administrations, were hurt by a series of embargoes during the Carter Administration and early Reagan years.

Still, a few companies are going forward with joint ventures, some of which are to be signed next week. One is an operation between the Honeywell Inc. and a Soviet enterprise to make automation equipment for the Soviet chemical fertilizer industry, Honeywell executives said.

Other projects already announced are an operation by Combustion Engineering Inc. to develop automated control systems for oil refining and petrochemical plants and a project by the Occidental Petroleum Corporation, linked with Montedison and Enichem of Italy and Marubeni of Japan, to produce sulfur, polypropylene and polyethylene from oil and gas fields in the Caspian Sea.

Marketing Pizza in Moscow

Pizza parlors in Moscow and elsewhere are tentatively planned by other American entrepreneurs, including Pizza Huts, a division of PepsiCo Inc.

The talks in Moscow involve the U.S.-U.S.S.R. Trade and Economic Council, which consists of some American corporations and Soviet foreign trade enterprises. It was formed in 1973.

The Joint Commercial Commission, of which Mr. Verity is co-chairman, will also meet next week.

In Moscow the American Trade Consortium, under its president, James H. Giffen, is expected to announce major projects and areas of negotiation for joint ventures. Working groups of the two governments would then expedite the projects.

"Companies do not want to get into major commitments that are unduly risky," said John P. Hardt, a senior specialist on the Soviet economy for the Congressional Research Service. "They will be seeking some degree of assurance from the Government not to declare new embargoes, to offer sanctity to long-term contracts the way we do now for grain."

In a recent interview, Mr. Verity said of the Moscow talks, "I look at this as a meeting where the Soviets will have the opportunity to tell 500 American businessmen what they

mean by joint ventures, how it's going to work and start the process and maybe start making some trade happen between our two countries."

Mr. Verity said, "Gorbachev feels that the only way they can make a world-class product is to have Germans or Japanese or Americans come in and bring management know-how and technology and help the Soviets make something, show how to put in the quality, the structure, the work force, the management."

He said the Russians "would like to join the market economy," adding: "They would like to be competitive. They cannot do it by themselves."

But Mr. Verity declared that there would be major economic benefits for the United States as well, especially with its huge trade deficit.

The Soviet Union chiefly exports energy and raw materials.

Last year the United States imported \$470 million of goods from the Soviet Union and exported \$1.5 billion worth. Three-quarters of the American exports were agricultural products and one-quarter were industrial items such as machinery.

Mr. Verity said: "The U.S. is going to have to get used to the idea that the Soviets are good trading partners. Right now we don't have that feeling. A lot of people feel it's a lousy idea. It's going to take time to prove that this is beneficial to both sides."

Europe Sees No Recession

BRUSSELS, April 6 (AP) — Despite a slight drop in the European Community's economic sentiment indicator in February, the 12-nation trading bloc is not heading for a recession, the community reported today.

The community's commission said its economic indicator dropped to 102.7 in February from 102.9 in January but was above the 102.6 level recorded in November after the stock market crash. The sentiment gauge consists of indicators on industrial, construction and consumer confidence, as well as stock prices.

European economists said production expectations continued to point to further growth in the next few months and that the outlook for exports appeared brighter than had been forecast. The report concluded that there were "no signs of an approaching recession."

Lower-than-expected production in Britain since December has led industrialists there to revise downward their expectations on output, the commission said.

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