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Alexey Vedenkin
Chief of Security Service
for the Cabinet of
the President of Russia

Dear Alexey:

In accordance with our June 3 meeting, I have enclosed a paper with some suggestions on how to prevent American business practices from over exploiting your country's natural resources, people and its environment.

American enterprises, aided by the American government, want to extract as much wealth as possible from your country regardless of the cost to your economy, people or environment. American enterprises promise to pay hard currency in return for your natural resources, but the price they pay will be bargain basement prices, and the hard currency Russia receives will quickly leave your country to purchase American consumer goods. The American government promises credit guarantees, but the ultimate guarantor will be Russia, beginning a pattern of debt and default similar to Latin America that left many of those countries bankrupt and forced to sell valuable assets to American and European investors.

Your government can prevent your country from being turned into an underdeveloped nation and still attract foreign investment through a fair rather than free market. Appropriate business regulations and enforcement agencies can allow foreign and indigenous enterprises to make a reasonable profit but prevent the abuses of over exploitation that result from business having the freedom to maximize profits regardless of the cost to labor, the environment and your economy.

If there is any doubt that American enterprises will, if allowed, over exploit in order to maximize profits, the beginning of my paper describes a little of what American business practices have done to the United States--not Latin America but the United States--in a free and quasi-free market. Later on in the paper, I present some regulations that will help control both foreign and domestic enterprises but still allow reasonable profits. Finally, I provide a different method for making the ruble convertible.

I plan to send you papers on differing business and legal topics that you may find useful. If there are any particular topics you are interested in, please let me know. Once again, I am willing to spend most of my time in Russia providing what assistance I can in creating a business regulatory structure that will allow the creation of wealth through capitalism but prevent an economic and social Darwinism that preys on the majority of your people.

I understand that Vice-President Rutskoi is keenly interested in protection of your environment. Accordingly, I have also enclosed a paper on the environment that was written by a friend of mine who is both a lawyer and writer here in America.

Finally, I attended the U.S.-Russia Business Summit in Washington, D.C. on June 17. Both President Yeltsin and Acting Prime Minister Gaidar made strong requests for foreign investments before a gathering of American businessmen; Gaidar even went so far as to offer for sale two gold mines and three oil fields. The reaction among most of the businessmen I talked to was that Russia was desperate, and if American enterprises waited a little longer, they would be able to buy up much of the wealth of your country at rock bottom prices. To use an analogy, the speeches by your officials raised the scent of blood in the nostrils of American businessmen, who are now just waiting for the kill. Perhaps if Gaidar had made an offer where Americans could mine the gold or drill for oil only if they adhered to certain environmental regulations and split their profits with Russia (similar to the Chevron oil deal in Kazakhstan), the businessmen at the Summit would have realized now is the time to invest before the Russians become more adept businessmen. American business will wait if they think they can obtain a better deal later but will invest now if they think they will obtain a worst deal later on.

Very truly yours,

ROY DEN HOLLANDER

Enclosure