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**WHORM Subject File Code:** FO006-01  
(Foreign Affairs: Economic Summit, Ottawa,  
Canada, 07/19/1981-07/20/1981)  
**Case file Number(s):** 035823 (8 of 10)  
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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** WHITE HOUSE OFFICE OF RECORDS MANAGEMENT  
(WHORM): SUBJECT FILE

**File Folder** FO006-01 (035823) (8 OF 10)

**Box Number**

**Withdrawer**

DLB 11/13/2019

**FOIA**

F16-011

BIERGANNIS

56

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
243549	PAPER	EAST-WEST ECONOMIC RELATIONS	1	ND	B1
243550	PAPER	EAST-WEST ECONOMIC RELATIONS	3	ND	B1
243551	PAPER	POLISH CONTINGENCY PLANNING	2	6/17/1981	B1
243552	REPORT	BIG SIX: BUSINESS AND POLITICS WITH THE SOVIET BLOC	4	6/19/1981	B1
243553	REPORT	EAST-WEST	15	ND	B1

The above documents were not referred for declassification review at time of processing

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EAST-WEST

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243549	PAPER  EAST-WEST ECONOMIC RELATIONS	1	ND	B1

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243550	PAPER  EAST-WEST ECONOMIC RELATIONS	3	ND	B1

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EAST-WEST ECONOMIC RELATIONS

Background

The U.S. placed the topic of East-West economic relations on the Summit agenda. It prepared a framework paper entitled "East-West Economic Relations: A Prudent Approach", which was first given to the UK, FRG and France and later to other Summit countries at the Vancouver preparatory meeting June 4-6.

Other countries reacted in a generally positive way, welcoming a discussion of these issues in a noncrisis setting, but also indicating concern that the U.S. approach may be too restrictive and may be aimed primarily at creating new institutions to discuss these issues. The Summit countries continue to believe that East-West economic relations have a political content and while favorably disposed to high level discussion in COCOM of security controls, have thus far signaled a reluctance to pursue beyond the Summit other aspects of our "Prudent Approach." The U.S. has down-played the political importance of East-West economic relations for either positive or punitive purposes and has put emphasis on the substance rather than the forum of these discussions.

U.S. Objectives

(NOTE: We may be able to sharpen considerably these objectives following NSC discussion in late June/early July).

-- To begin the process of persuading the Summit countries that changed political and security conditions with respect to the USSR necessitate systematic and sustained review of East-West economic relations to ensure that they are consistent with Summit countries' security objectives.

-- To emphasize our interest in a coordinated approach by the Summit countries so that the Soviet Union cannot exploit differences. Such coordination also leads to positive leverage in dealing with the USSR.

-- To obtain a commitment from other leaders to work closely with us in reviewing East-West economic relations, particularly in the areas of :

- Strategic trade controls;
- Contingency planning in the economic area in the event of a major crisis with the Soviet Union;
- Guarding against Western economic dependence which in turn could lead to Western vulnerability;
- Use of Western economic influence in ways advantageous to our interests.

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RDS-1, 6/24/2011 (MUELLER, R.W.)

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Discussion of Issues

The Soviet Union and its Warsaw Pact allies remain the principal threat to Western security. At the same time, the Soviet Union and its allies are experiencing unusually difficult economic conditions. Thus Soviet militancy creates a need and Soviet economic difficulty provides an opportunity for Western countries to further their overall objectives by pursuing more competitive or less cooperative policies toward the Soviet Union across a range of issues.

The fundamental question confronting the U.S. and its Western allies is under what guidelines should we collectively restrict, monitor, or use the influence of our economic relations with the USSR and Eastern Europe to advance broader Western political-security objectives?

We wish to work out a coordinated approach with our allies in the following four areas.

1. Strategic Trade Controls - We need to strengthen these controls by clearly identifying security concerns; by better coordinating with allies on enforcement problems; and by improving the administration of export restrictions.

(NOTE: An options paper has been prepared on this subject for the NSC.)

2. Foreign Policy Contingency Controls - At Vancouver the Summit countries agreed that the leaders would have a substantive discussion of the issues at Ottawa and that the U.S. paper would be redrafted to propose the critical questions for this discussion. We need to determine how the Summit countries can best prepare for a future East-West crisis, recognizing that economic sanctions imposed unilaterally after a crisis, as was done in the case of Afghanistan, exacerbate divisions among the Summit countries but also recognizing that collective contingency planning such as was done for the Soviet invasion of Poland can serve as a useful instrument of Summit countries' policy and a precedent for future planning in this area.

3. Economic Security - We need to monitor more carefully the level and character of trade with the East to ensure that we not become dependent upon Eastern resources and markets, with a consequent Western vulnerability to the exercise of Soviet influence. East-West energy relations are a high priority area for discussion with the allies (see separate paper).

4. Economic Influence - We should coordinate broad Western policies toward our trade and financial relations with the Eastern European countries and, in the longer run, the Soviet Union so that Western governments can use what influence they do have to affect their economic systems and their political behavior in ways favorable to Western interests. Recent Polish debt negotiations, during which Western governments worked together to maximize their influence, was an excellent example of this approach.

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We need to discuss with our allies in what fora we can best consider the issues related to these four areas and whether there is a need to create new mechanisms. For example, we should consider whether to attempt to revitalize the COCOM high-level Consultative Group to focus attention on the importance of strengthening strategic trade controls.

Other Leader's Objectives

-- To learn what the U.S. proposes by way of a new approach to East-West economic relations;

-- To head off proposals by the U.S. or others to alter the character of East-West economic relations in ways which impose more than minimal sacrifices on Western Europe;

-- (Particularly the FRG) to argue that East-West economic relations can make a positive contribution to Western economic health and to a general reduction of East-West tensions.

While Western European and Japanese leaders generally agree on the threat posed by the Soviet military buildup and by increased Soviet aggressive behavior, there is no consensus that a restructuring or altering of East-West economic relations is necessary. They will argue that generally there should not be a close linkage between economic and political policies and that trade relations can be a positive factor in the East-West relationship. In addition, they will maintain that even though some Western European countries have a substantial stake in trade with the East, they are far from being dependent upon such trade and thus they are not vulnerable to Soviet manipulation. Nevertheless, they may be willing to work with the U.S. in certain areas, e.g. energy imports from the East, to ensure that no dependency relationships are created.

On COCOM, other Summit leaders will agree that there must be adequate controls on items which can make a significant contribution to Soviet military potential, but they are likely to argue that a substantial broadening of COCOM controls is not necessary. In particular, they are likely to be chary of proposals to control trade in the general industrial area unless such trade has a reasonably direct and significant impact on military potential. They would probably support a high level meeting of COCOM to review the adequacy of strategic trade controls.

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Drafted by:  
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USTR:JRay (subs)

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COCOM

The United States and other cooperating countries carry out a policy of restricting the export of goods and technology to the USSR and other communist countries which would make a significant contribution to their military potential and have an adverse effect on our security. These restrictions are coordinated through the 15 nation Coordinating Committee (COCOM) consisting of the NATO countries (except Iceland) and Japan. A COCOM embargo list of controlled equipment and technology is maintained and updated regularly during periodic list review negotiations. The last such list review was successfully completed in December, 1979.

Following the Soviet invasion of Afghanistan, the United States turned to COCOM for allied agreement to strengthen national security controls on exports to the Soviet Union. This took the form of proposals for a policy of "no exceptions" to the Soviet Union for items requiring COCOM review, and for tightening controls on computers, process know-how in militarily relevant industries and polycrystalline silicon (the base material for integrated circuits). Except for silicon, these proposals remain pending in COCOM.

Although the "no exceptions" policy has not been formally adopted, our COCOM partners have refrained from submitting cases to COCOM for the Soviet Union which would violate its provisions. Revised U.S. proposals on specialized computers and software are scheduled for discussion in COCOM beginning June 29th. Other revised computer proposals will be submitted to COCOM this summer for discussion next fall. On process know-how, our allies have suggested that we submit specific proposals to embargo particular equipment and technology of concern. Our first such proposal -- covering three areas of metallurgy -- will be discussed in COCOM on June 22.

We have also pressed for improved enforcement of the COCOM embargo restrictions. Agreements for increased cooperation on enforcement activities were reached at a June 2 COCOM Export Control Subcommittee meeting. We still need to encourage the other COCOM countries to increase their own national export control enforcement efforts.

RDS-1, 6/19/2011 (COCOM-DERIVED)

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BY *chr* NASADAT 11/5/2019

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Clearance: DOC/OEA - Robert Gare<sup>h</sup>  
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## SUMMIT COUNTRY GRAIN TRADE WITH USSR

Grain exports to the Soviet Union in 1980/81 are expected to be up from the previous year and more than double the volume of two years ago despite a sharp reduction in U.S. sales under the partial grain sales suspension instituted in January of 1980. Argentine exports are up sharply as are shipments from Canada, the EC, and Eastern Europe. Australia's sales increased in 1979/80, but they have fallen off in 1980/81 due to its support for the partial sales embargo and to reduced export availabilities.

Canadian grain exports to the Soviet Union--currently estimated at about 6.5 million tons--increased considerably in the July/June 1980/81 year, almost double the 1979/80 level of exports, and triple the 1978/79 level. These new highs were reached despite Canada's initial support of the U.S. embargo on grain shipments to the Soviet Union.

On May 26, 1981 Canada signed a 5-year grain agreement with the Soviets, assuring Canadian sales of 25 million tons of grain over the next five years beginning August 1. As with previous Canadian-Soviet contracts, this agreement includes quantities purchased by the Soviet Union for direct shipment to Cuba. Over the five-years ending 1979/80, the Canadians had exported approximately 18 million tons of grain to the Soviets, of which about 1 million tons moved annually to Cuba. A first year Soviet minimum purchase of 4 million tons is required, increasing 500,000 each year thereafter.

This agreement is part of Canada's ambitious plans to increase grain production, expand transportation facilities, maintain larger shares of the Soviet market, and generally expand export markets. Canadian July/June 1981/82 grain area and production are projected to reach record levels.

EC grain and grain product exports to the USSR during 1980/81 are projected to climb to 1.2 million tons, a three-fold increase over their past five-year average export level. The bulk of this trade, about 900,000 tons, will be wheat flour sold to the Soviets under the inward processing scheme which EC officials claim is beyond the control of Brussels authorities. The EC was the U.S.'s staunchest supporter of the grains embargo and limited sales of domestically produced grain to 300,000 tons of barley during 1980/81 under the EC export tender system.

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243551	PAPER  POLISH CONTINGENCY PLANNING	2	6/17/1981	B1

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243552	REPORT  BIG SIX: BUSINESS AND POLITICS WITH THE SOVIET BLOC	4	6/19/1981	B1

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