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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

**Withdrawer**

**File Folder** USSR (8/5/82-8/12/82)

KDB 11/23/2015

**Box Number** 23

**FOIA**

F03-002/5

SKINNER

265

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
170676	CABLE	MOSCOW 9649 <b>R 4/8/2013 CREST NLR-748-23-2-1-9</b>	1	8/5/1982	B1
170677	CABLE	MOSCOW 9470 <b>R 4/8/2013 CREST NLR-748-23-2-2-8</b>	1	8/5/1982	B1
170678	CABLE	STATE 218974 <b>R 4/8/2013 CREST NLR-748-23-2-3-7</b>	1	8/6/1982	B1
170679	CABLE	STATE 221252 <b>R 4/8/2013 CREST NLR-748-23-2-4-6</b>	1	8/7/1982	B1
170680	CABLE	MOSCOW 9572 <b>R 4/8/2013 CREST NLR-748-23-2-5-5</b>	1	8/9/1982	B1
170681	MEMO	W. CLARK TO REAGAN RE ATTACHED REPORT <b>R 1/13/2012 CREST NLR-748-23-2-6-4</b>	1	8/9/1982	B1
170682	MEMO	R. PIPES TO W. CLARK RE ATTACHED REPORT <b>R 1/13/2012 CREST NLR-748-23-2-7-3</b>	1	8/6/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

**Withdrawer**

**File Folder** USSR (8/5/82-8/12/82)

KDB 11/23/2015

**Box Number** 23

**FOIA**

F03-002/5

SKINNER

265

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
170683	REPORT	RE SOVIETS <b>PAR 1/13/2012 CREST NLR-748-23-2-7-3</b>	26	6/1/1982	B1 B3
170684	PROFILE SHEET	NSC/S <b>R 1/13/2012 CREST NLR-748-23-2-7-3</b>	1	8/6/1982	B1
170685	MEMO	R. KIMMITT TO W. CLARK RE LEGAL CONSIDERATIONS OF PIPELINE DECISION	1	8/12/1982	B1
170686	MEMO	N. BAILEY TO W. CLARK RE PAPER ON SOVIET PIPELINE (INCL. ATTACHMENT) (W/NOTATIONS) <b>R 4/8/2013 CREST NLR-748-23-2-9-1</b>	7	8/9/1982	B1
170687	CABLE	STATE 225284 <b>R 4/8/2013 CREST NLR-748-23-2-10-9</b>	1	8/12/1982	B1
170688	NOTE	SITUATION ROOM NOTE <b>D 9/13/2013 CREST NLR-748-23-2-11-8</b>	1	8/3/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
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- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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WHITE HOUSE SITUATION ROOM

170676

PAGE 01 MOSCOW 9469 DTG: 051611Z AUG 82 PSN: 033687  
SIT168 DATE 08/16/82 TOR: 217/1618Z

DISTRIBUTION: REPT /001

WHATS ASSIGNED DISTRIBUTION:

SIT: WPC MCF WHLR VP SIT EOB  
EOB:  
WHSR COMMENT: CHECKLIST

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE  
DE RUEHMO #9469 2171612  
O 051611Z AUG 82  
FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 7403

INFO USMISSION USUN NEW YORK 0514  
AMCONSUL LENINGRAD 8216  
BT

~~CONFIDENTIAL~~ MOSCOW 09469

E.O. 12356: DECL: 8/5/83

TAGS: PDIP, UR

SUBJ: SOVIETS BEGIN RETALIATION FOR GLEN COVE  
RESTRICTIONS

1. ~~(ENTIRE TEXT.)~~

2. SUMMARY: SOVIET AUTHORITIES (UPDK) AUGUST 5  
BEGIN RETALIATING FOR THE GLEN COVE RESTRICTIONS  
ON SOVIET UN PERSONNEL BY INFORMING US THAT  
EMBASSY STAFF WILL NO LONGER BE ALLOWED ACCESS  
TO THE "DIPLOMATIC BEACH" ON THE MOSCOW RIVER.  
I URGE THE DEPARTMENT TO RESOLVE THIS  
MATTER WITH MAYOR PARENTE ASAP BEFORE IT MUSHROOMS.  
END SUMMARY.

3. ACTING DCM AND ADMIN OFFICER AUGUST 5 CALLED  
ON DEPUTY DIRECTOR OF UPOK IVANOV ON SEVERAL  
ADMINISTRATIVE MATTERS. FOLLOWING DISCUSSION OF  
THESE MATTERS, IVANOV SAID HE HAD ONE MORE

MESSAGE (CONTINUED):

QUESTION WHICH HE WISHED TO RAISE.

4. HE THEN READ AN ORAL STATEMENT REFERRING TO  
THE PROHIBITION BY GLEN COVE AUTHORITIES ON THE  
USE BY SOVIET UN PERSONNEL OF RECREATIONAL  
FACILITIES IN THAT CITY. HE SAID THAT UNTIL THIS  
PROHIBITION IS LIFTED, U.S. DIPLOMATS AND THEIR  
FAMILIES ARE PROHIBITED FROM USING THE RIVER  
BEACH AT NIKOL'NAYA GORA ("THE DIPLOMATIC BEACH").  
HE CONTINUED THAT IF THE GLEN COVE PROHIBITIONS  
ARE NOT LIFTED IN THE FUTURE ("VPRED'"), FURTHER  
MEASURES WILL BE TAKEN BY SOVIET AUTHORITIES TO  
DEPRIVE U.S. DIPLOMATS AND THEIR FAMILIES OF THE  
USE OF RECREATIONAL FACILITIES IN MOSCOW'

5. ACTING DCM SAID HE HAD TWO POINTS HE WISHED TO  
MAKE IN REPLY TO IVANOV'S STATEMENT:

(1) SOVIET AUTHORITIES ARE WELL AWARE OF THE  
EFFORTS BEING UNDERTAKEN BY THE FEDERAL GOVERNMENT  
THROUGH LEGAL MEASURES, I.E. THROUGH THE COURTS,  
TO HAVE THE PROHIBITION BY GLEN COVE AUTHORITIES  
LIFTED. ADCM REPEATED THIS POINT AND ASKED IVANOV  
IF HE WAS INDEED AWARE OF THIS. IVANOV SAID  
WHETHER OR NOT HE WAS AWARE OF IT WAS NOT RELEVANT;

(2) ADCM SAID AS HE UNDERSTOOD IT, SOVIET  
AUTHORITIES, IN TAKING THIS STEP, WERE ESTABLISHING  
A DIRECT CONNECTION BETWEEN THE STATUS OF SOVIET  
UN PERSONNEL AND U.S. DIPLOMATS IN MOSCOW. IVANOV  
SAID THE QUESTION OF COMPARATIVE STATUS WAS NOT BEING  
RAISED; BUT RATHER ONLY THE QUESTION OF ILLEGAL  
PROHIBITIONS ON THE USE BY SOVIET PERSONNEL OF  
FACILITIES WHICH SHOULD BE OPEN TO THEM.

6. ADCM ADDED PERSONAL COMMENT THAT HE REGRETTED  
SOVIETS HAVE FOUND IT NECESSARY TO UNDERTAKE THIS  
STEP, SINCE THEY COULD WELL COMPLICATE RESOLUTION  
OF THE PROBLEM RATHER THAN FACILITATE IT.

7. ADCM ASKED IF WE COULD EXPECT A DIPLOMATIC  
NOTE ON THIS. IVANOV REPLIED THERE WOULD BE NO  
NOTE, ONLY THIS ORAL STATEMENT.

MOSCOW 9469

DTG: 051611Z AUG 82 PSN: 033687

MESSAGE (CONTINUED):

8. COMMENT: THE SOVIETS PROBABLY CONSIDER THIS  
ACTION ON THEIR PART AS ONLY A WARNING SHOT ACROSS  
OUR BOW. PROHIBITING OUR USE OF THE "DIPLOMATIC  
BEACH" IS NOT MUCH, AND THE VAGUENESS OF THE  
LANGUAGE HE USES ABOUT THE TIMING OF FURTHER  
MEASURES MAKES THE THREAT SOMETHING LESS THAN  
CONCRETE. NEVERTHELESS, THIS ISSUE CAN POTENTIALLY  
MUSHROOM INTO A NASTY SITUATION WHICH COULD  
ADVERSELY AFFECT OUR WORKING RELATIONS WITH UPDK  
IN ADDITION TO CREATING STILL MORE HARDSHIPS FOR  
THE EMBASSY COMMUNITY BY DEPRIVING THEM OF RECREA-  
TIONAL FACILITIES. I STRONGLY URGE THE DEPARTMENT  
TO CONFRONT MAYOR PARENTE WITH THIS  
INFORMATION, AND TO POINT OUT TO HIM THAT THIS WAS  
THE OUTCOME PREDICTED IN MY LETTER TO HIM. HE  
SHOULD BE MADE ESPECIALLY AWARE OF THE POTENTIALLY  
SERIOUS CONSEQUENCES OF A FURTHER MUSHROOMING OF  
THE ISSUE.

9. WE WILL INFORM THE EMBASSY STAFF BY UNCLASSIFIED  
ADMIN MEMO THE MORNING OF AUGUST 6 THAT BECAUSE OF  
THE ACTIONS TAKEN BY GLEN COVE AUTHORITIES OUR  
ACCESS TO THE "DIPLOMATIC BEACH" HAS BEEN CUT OFF.  
WE WOULD EXPECT MEDIA REPS HERE TO HAVE THE STORY  
SOON THEREAFTER.

HARTMAN

**DECLASSIFIED**  
**NLRR 748-23-2-1-9**  
**BY 10013 NARA DATE 11/23/15**

~~CONFIDENTIAL~~

2

170677

~~CONFIDENTIAL~~  
WHITE HOUSE SITUATION ROOM

PAGE 01                    MOSCOW 9470  
SIT165                    DATE 08/16/82

DTG: 051615Z AUG 82 PSN: 033854  
TOR: 217/1619Z

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SIT: WPC MCF WHLR VP EOB  
EOB:  
WHSR COMMENT:

**DECLASSIFIED**

MESSAGE ANNOTATIONS:

NLRR 748-23-2-2-8

NO MESSAGE ANNOTATIONS

BY LDR NARA DATE 11/23/15

MESSAGE:

IMMEDIATE  
DE RUEHMO #9470 2171615  
O 051615Z AUG 82  
FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 7404

INFO USICA WASHDC IMMEDIATE 2074  
USMISSION USUN NEW YORK 0515  
AMCONSUL LENINGRAD 8217  
BT

~~C O N F I D E N T I A L~~  
LIMITED OFFICIAL USE MOSCOW 09470

E. O. 12356: N/A  
TAGS: PDIP, SOPN, UR  
SUBJ: SUGGESTED PRESS GUIDANCE ON SOVIET DENIAL  
- OF EMBASSY ACCESS TO DIPLOMATIC BEACH  
- IN MOSCOW

1. FOLLOWING IS SUGGESTED PRESS GUIDANCE FOR DEPARTMENT'S USE ON THE SOVIET'S DENYING THE EMBASSY ACCESS TO THE DIPLOMATIC BEACH IN MOSCOW, IN RETALIATION FOR SOVIET UN MISSION PERSONNEL'S BEING DENIED ACCESS TO THEIR FACILITY IN GLEN COVE:

2. Q: WE UNDERSTAND THAT THE SOVIETS HAVE INFORMED THE EMBASSY IN MOSCOW THAT ITS PERSONNEL WILL NO LONGER HAVE ACCESS TO THE DIPLOMATIC BEACH IN MOSCOW. CAN YOU COMMENT?

A: WE REGRET THIS DECISION ON THE PART OF SOVIET AUTHORITIES. NEITHER SIDE CAN BENEFIT FROM AN ESCALATION OF MUTUAL RESTRICTIONS ON

MESSAGE (CONTINUED):

EACH OTHER'S DIPLOMATS. MOREOVER, AS THEY KNOW, THE U. S. GOVERNMENT IS MAKING EVERY LEGAL EFFORT TO HAVE THE PROHIBITION BY THE GLEN COVE AUTHORITIES LIFTED.  
HARTMAN

MOSCOW 9470

DTG: 051615Z AUG 82 PSN: 033854

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~  
WHITE HOUSE SITUATION ROOM

170678  
3

PAGE 01 SECSTATE WASHDC 8974 DTG: 060005Z AUG 82 PSN: 034358  
SIT159 DATE 08/16/82 TOR: 218/0046Z

DISTRIBUTION: REPT /001

WHTS ASSIGNED DISTRIBUTION:

SIT: WPC WHLR MCF VP SIT EOB  
EOB:  
WHSR COMMENT: CHECKLIST

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE  
DE RUEHC #8974 2180036  
O R 060005Z AUG 82  
FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE 6880

INFO AMCONSUL LENINGRAD 4599  
USMISSION USUN NEW YORK 0450  
BT

~~CONFIDENTIAL~~ STATE 218974  
E.O. 12356: DECL: 8/5/88  
TAGS: PDIP, UR, US  
SUBJECT: SOVIET RETALIATION FOR GLEN COVE RESTRICTIONS

REF: MOSCOW 9469

1. ~~OP~~ ENTIRE TEXT)

2. DEPARTMENT CONSIDERS IT IMPORTANT TO REFUTE ANY EXPLICIT RECIPROCAL LINKAGE BETWEEN THE SOVIET MISSIONS TO THE UN AND EMBASSY MOSCOW, AS DEPUTY DIRECTOR OF UPDK IVANOV HAS ATTEMPTED TO MAKE IN DENYING U.S. ACCESS TO THE DIPLOMATIC BEACH NEAR MOSCOW IN RETALIATION FOR THE ACTIONS OF GLEN COVE CITY COUNCIL. WHILE DEPARTMENT AGREES WITH EMBASSY THAT PROHIBITION OF USE OF THE DIPLOMATIC BEACH IS RELATIVELY MINOR, WE BELIEVE WE SHOULD MOVE IMMEDIATELY TO PUT THE SOVIETS ON NOTICE AGAINST TAKING ANY FURTHER RETALIATORY ACTION AGAINST THE EMBASSY.

MESSAGE (CONTINUED):

3. THE EMBASSY THEREFORE SHOULD SEEK AN IMMEDIATE APPOINTMENT WITH USA DEPARTMENT OF MFA AND USE TALKING POINTS BELOW (DEPARTMENT WILL MAKE SIMILAR POINTS TO SOVIET EMBASSY):

-- THE UNITED STATES GOVERNMENT REJECTS ANY LINKAGE FOR RECIPROCAL PURPOSES BETWEEN THE SOVIET MISSIONS TO THE UN AND THE U.S. EMBASSY IN MOSCOW OR THE U.S. CONSULATE GENERAL IN LENINGRAD.

-- AS THE SOVIET GOVERNMENT IS WELL AWARE, THE U.S. GOVERNMENT IS MAKING EVERY LEGAL EFFORT POSSIBLE TO HAVE THE PROHIBITION BY GLEN COVE AUTHORITIES LIFTED.

-- THE EMBASSY HAS BEEN INFORMED BY UPDK THAT UNTIL THE SITUATION AT GLEN COVE IS RESOLVED, U.S. DIPLOMATS WILL

BE DENIED ACCESS TO THE DIPLOMATIC BEACH AT NIKOL'NAYA GORA. UPDK FURTHER INFORMED THE EMBASSY THAT IF THE SITUATION IS NOT SETTLED IN THE FUTURE, ADDITIONAL MEASURES WILL BE TAKEN AGAINST U.S. DIPLOMATS IN MOSCOW TO FURTHER RESTRICT THEIR ACCESS TO RECREATIONAL FACILITIES.

-- THE EMBASSY HAS BEEN INSTRUCTED BY THE DEPARTMENT OF STATE TO INFORM THE MINISTRY OF FOREIGN AFFAIRS THAT ANY FURTHER MOVES TAKEN TO RESTRICT U.S. EMBASSY PERSONNEL FROM RECREATIONAL FACILITIES IN RETALIATION FOR THE ACTIONS OF THE CITY OF GLEN COVE WILL BE DIRECTLY AND IMMEDIATELY MET BY COMPARABLE RESTRICTIONS AGAINST SOVIET PERSONNEL ASSIGNED TO THE EMBASSY OF THE USSR IN WASHINGTON.

-- IT IS NOT OUR DESIRE TO PURSUE SUCH A COURSE. THE CHOICE LIES WITH THE SOVIET SIDE.

5. DEPARTMENT IS PRESENTLY ATTEMPTING TO ARRANGE A MEETING WITH MAYOR PARENTE OF GLEN COVE, WHO HAS SENT A LETTER TO THE SECRETARY URGING THAT A "MEANINGFUL DIALOGUE" BE ESTABLISHED BETWEEN HIS OFFICE AND REPRESENTATIVES OF THE DEPARTMENT. DEPARTMENT PLANS TO DELIVER AMBASSADOR HARTMAN'S LETTERS TO THE MAYOR AT THE MEETING AND ALSO ADVISE HIM OF THE RETALIATORY ACTIONS TAKEN BY THE SOVIETS IN REACTION TO HIS

SECSTATE WASHDC 8974 DTG: 060005Z AUG 82 PSN: 034358  
MESSAGE (CONTINUED):

PROHIBITIONS ON SHUN PERSONNEL.

6. COMMENT: SHOULD SOVIETS PERSIST IN PLACING ADDITIONAL RESTRICTIONS ON EMBASSY MOSCOW PERSONNEL DESPITE THE ABOVE WARNING, DEPARTMENT IS PREPARED TO DECLARE ANY OF A NUMBER OF RECREATIONAL AREAS IN THE WASHINGTON AREA OFF-LIMITS TO SOVIET EMBASSY PERSONNEL. AMONG POSSIBLE OPTIONS ARE REHOBOTH BEACH, BETHANY BEACH, AND OCEAN CITY, ALL FAVORITE WEEKEND TRIPS FOR SOVIET PERSONNEL. END COMMENT. SHULTZ

SECSTATE WASHDC 8974 DTG: 060005Z AUG 82 PSN: 034358

SECRET

4

WHITE HOUSE SITUATION ROOM

170679

PAGE 01 SECSTATE WASHDC 1252 DTG: 072033Z AUG 82 PSN: 037054  
SIT760 DATE 08/10/82 TOR: 219/2335Z

TO MAKE A RESOLUTION OF THIS TRAGEDY MORE DIFFICULT.

DISTRIBUTION: REPT /001

- I MAY ADD THAT ALTHOUGH THE UNITED STATES GOVERNMENT AND ISRAEL MAINTAIN CLOSE AND FRIENDLY RELATIONS, WE ARE NOT RESPONSIBLE FOR THE ACTIONS OF THE ISRAELI GOVERNMENT, A SOVEREIGN STATE. IF, THEREFORE, THE SOVIET GOVERNMENT HAS REPRESENTATIONS TO MAKE IN THIS REGARD, IT SHOULD COMMUNICATE DIRECTLY WITH THE ISRAELI AUTHORITIES.

WHTS ASSIGNED DISTRIBUTION:

SIT: MCF WHLR JP VP SIT EOB  
EOB:  
WHSR COMMENT:

DECLASSIFIED

MESSAGE ANNOTATIONS:

NLRR 748-23-24-6

NO MESSAGE ANNOTATIONS

BY KOB NARA DATE 1/23/15

- MR. PRESIDENT, I ALSO FEEL COMPELLED TO REITERATE MY CONCERN AT YOUR UNILATERAL DECISION TO MAKE PUBLIC ONCE MORE THE SUBSTANCE OF ONE OF YOUR LETTERS, THEREBY BREACHING THE CONFIDENTIALITY OF OUR PERSONAL EXCHANGES. SUCH ACTIONS DEVALUE THIS PRIVILEGED CHANNEL OF COMMUNICATION, AND RAISE SERIOUS DOUBTS ABOUT THE SOVIET UNION'S INTEREST IN A PEACEFUL RESOLUTION OF THE LEBANESE CRISIS.

MESSAGE:

- SINCERELY,  
- RONALD REAGAN

IMMEDIATE  
DE RUEHC #1252 2192049  
O 072033Z AUG 82 ZFF4  
FM SECSTATE WASHDC

END TEXT

TO AMEMBASSY MOSCOW IMMEDIATE 6951

SHULTZ

SECRET STATE 221252  
MODIS

SECSTATE WASHDC 1252 DTG: 072033Z AUG 82 PSN: 037054

E.O. 12356: DCL: OADR  
TAGS: PPDC, PEPR, UR, US, LE, IS  
SUBJECT: LETTER TO BREZHNEV ON LEBANON CRISIS

1. - ENTIRE TEXT

2. PLEASE DELIVER FOLLOWING LETTER TO BREZHNEV FROM PRESIDENT REAGAN TO KORNIYENKO OR COMPARABLY SENIOR MFA OFFICIAL ON MONDAY, AUGUST 9. LETTER IS DATED AUGUST 5, 1982, AD IS I RESPONSE TO BREZHNEV' AUGUST 2 LETTER. SIGNED ORIGINAL IS BEING POUCHED.

3. BEGIN TEXT:

DEAR MR. PRESIDENT:

- I HAVE RECEIVED YOUR LETTER OF AUGUST 1.  
- AS I HAVE SAID IN RESPONSE TO YOUR PREVIOUS LETTERS, THE UNITED STATES DEEPLY REGRETS THE SUFFERING OF THE PEOPLE OF LEBANON, AND IS MAKING EVERY EFFORT TO BRING ABOUT AN END TO THE TRAGEDY THROUGH THE REMOVAL FROM LEBANON OF THE ARMED FORCES ON ALL FOREIGN POWERS AND

MESSAGE (CONTINUED):

MOVEMENTS A WELL AS THE RESTORATION OF THE LEBANESE GOVERNMENT'S AUTHORITY THROUGHOUT THE COUNTRY. CONTRARY

TO THE ASSERTION IN YOUR LATEST LETTER, WE HAVE WORKED CLOSELY WITH OTHER MEMBERS OF THE UNITED NATIONS TO SUPPORT CONSTRUCTIVE INTERNATIONAL EFFORT AT RESOLVING THE CRISIS, AS OUR VOTE FOR THE SECURITY COUNCIL RESOLUTION OF AUGUST 1 CLEARLY DEMONSTRATED.

- I MUST, THEREFORE, CATEGORICALLY REJECT THE INSINUATION IN YOUR LETTER THAT THE UNITED STATES ENCOURAGED THE ISRAELI SIDE TO BREAK THE CEASEFIRE THIS PAST WEEKEND, OR ON ANY OTHER OCCASION. AS I HAVE STRESSED BEFORE, WE SHALL CONTINUE OUR ACTIVE DIPLOMATIC EFFORTS IN SEARCH OF THE HUMANE AND PEACEFUL GOALS WHICH WE SEEK. I HOPE THAT THE SOVIET UNION WOULD DO NOTHING

SECRET

~~SECRET~~

5

WHITE HOUSE SITUATION ROOM

170680

PAGE 01 MOSCOW 9572  
SIT607 DATE 08/10/82

DTG: 091421Z AUG 82 PSN: 038660  
TOR: 221/1555Z

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WHTS ASSIGNED DISTRIBUTION:  
  
SIT: MCF JP VP WHLR SIT EOB  
EOB:  
WHSR COMMENT:

**DECLASSIFIED**  
NLRR 748-23-2-5-5  
**BY 603 NARA DATE 11/23/15**

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE  
DE RUEHMO #9572 2211422  
O 091421Z AUG 82 ZFF-4  
FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 7468

~~SECRET~~ MOSCOW 09572  
NODIS

E.O. 12356: DECL: OADR  
TAGS: PPDC, PEPR, UR, US, LE, IS  
SUBJECT: PRESIDENT'S AUGUST LETTER TO BREZHNEV ON LEBANON  
REF: STATE 221252

1. ~~(SECRET - ENTIRE TEXT)~~.
2. PRESIDENT REAGAN'S LETTER DATED AUGUST 5 TO BREZHNEV ON LEBANON WAS DELIVERED MID-DAY AUGUST 9 TO MFA USA DIVISION.  
HARTMAN

~~SECRET~~



~~SECRET~~

5549

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

~~the President has seen~~

170681

6

~~SECRET~~

August 9, 1982

RR

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK *WPC*

SUBJECT: "Can the Soviets 'Stand Down' Militarily?" (U)

The CIA has prepared a report which raises the question whether the Soviet Union, facing mounting economic problems, may at some point decide to shift resources from arms production to civilian uses.

Without committing itself to an answer, the report stresses the great difficulties inherent in such a policy change. By its very nature the Soviet economy finds it much more difficult to shift resources from the defense sector to the civilian one than is the case in market economies. While in the United States the expansion or contraction of the defense sector is essentially a factor of the defense budget, in a planned economy like the Soviet one, the process is infinitely more complicated. There one must make not only a budgetary adjustment but also put through changes in highly complex production plans, reallocate financial, material and human resources, etc., all of which are directed by the state.

The study assumes that the Soviet Government could, if it so wishes, make a 20 percent cut in defense expenditures by the late 1980s. It believes such a cut would have appreciable effects on the ailing economy. All the branches of the Soviet military would have to bear the burden of the cuts except the strategic forces which would emerge relatively intact. Western policies would play a major role in such a development. "The credit, goods, food and technology provided by the West have helped Moscow maintain its current resource allocation scheme." Denial of such assistance would produce additional pressure on the leadership to shift resources from military to civilian uses.

The report warns that such a shift, once it occurred, would be difficult to monitor, at any rate, in its early phases.

Prepared by:  
Richard Pipes

~~SECRET~~  
Derivative from CIA  
Declassify on: OADR.

~~SECRET~~

DECLASSIFIED

*083+*  
NLR 748-23-2-6-4

BY CN

1/13/12

## MEMORANDUM

UNCLASSIFIED with NATIONAL SECURITY COUNCIL  
~~SECRET~~ Attachments

August 6, 1982

170682

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: RICHARD PIPES *RP*SUBJECT: CIA Report "Can the Soviets 'Stand Down'  
Militarily?"

John Poindexter has requested me to prepare a summary (Tab I) of a recent report by the CIA "Can the Soviets 'Stand Down' Militarily?" (Tab A). I attach my precis.

RECOMMENDATION

That you show the President the document at Tab I.

Approve ✓ Disapprove \_\_\_\_\_

## Attachments:

Tab I Memorandum for the President

Tab A CIA document SOV 82-10101, June 1982.

UNCLASSIFIED with  
~~SECRET~~ Attachments

DECLASSIFIED  
 CREST  
 NLR NLR-748-73-2-73  
 BY CN NARA DATE 1/13/12



~~Secret~~

8  
25X1

170683

# Can the Soviets "Stand Down" Militarily?



25X1

An Intelligence Assessment

DECLASSIFIED IN PART  
NLR ~~SECRET~~  
BY CN NARA DATE 1/13/12

~~Secret~~

SOV 82-10101  
June 1982

Copy 493

**Page Denied**



~~Secret~~

10

25X1

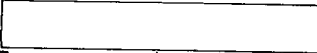

# Can the Soviets "Stand Down" Militarily?



25X1

## An Intelligence Assessment

*Information available as of 1 June 1982  
has been used in the preparation of this report.*

This paper was prepared by   
Office of Soviet Analysis. Comments and queries are  
welcome and may be addressed to the Chief,  
Defense Industries Division, SOVA 

25X1

25X1

~~Secret~~  
SOV 82-10101  
July 1982

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**Foreword**

As the Soviet economy continues to deteriorate, more and more attention is being given to the notion that at some point the leadership might attempt to prop up the Soviet Union's faltering economy by shifting some resources from arms production to civilian end uses. [redacted]

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To be sure, there is no evidence that any resource shift is under way, or even that Soviet leaders are seriously contemplating one; the dominant feature of Soviet defense spending has been the persistence of its growth. Nevertheless, as economic problems mount—and as the struggle for leadership intensifies in Moscow—the possibility of a resource shift requires that Western policymakers have some grasp of the Soviet system's technical capacity to accommodate such a shift if, in fact, a decision of this sort were to be reached or even considered. [redacted]

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Apart from ideological imperatives, perceived national security needs, and the personal commitment of Soviet leaders to growing military power, the very structure of Soviet defense planning and production, which is vastly different from ours, contributes heavily to the momentum of defense spending in the USSR and makes any shift of resources out of the defense sector more difficult than would be the case in a market economy [redacted]

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In the United States, the allocation of resources for the production of both guns and butter is carried out in the free market. Government's role is to allocate enough money to provide the minimum number of guns judged necessary to assure the national security. A political decision to expand or contract the US military sector, once reached, is implemented merely by raising or lowering the defense budget. The free market then reallocates resources, and it is an efficient mechanism for doing so. By contrast, the entire Soviet system—with its five-year plans, its comprehensive resource-allocation process, its command economy—is designed and managed by the government to provide a high priority to defense production. A political decision to alter the guns-vs.-butter ratio requires far more from the government than merely a budgetary adjustment: production plans must be changed; financial, material, and human resources must be reallocated; production must be rescheduled in government plants; and the actual goods and services that emerge must be given prices and assigned to customers—all by government officials [redacted]

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After briefly outlining the Soviet industrial structure, this paper examines the technical capacity of the Soviet Union to shift resources from military-related production to civilian end uses—*assuming a Politburo decision to attempt such a shift*. It examines the time that a significant resource shift would require and the impact of such a shift on the Soviet Union's economic performance and military prowess. After outlining the role of Western economic assistance in maintaining the Soviet Union's current resource allocation scheme, this paper discusses the difficulties that the US Intelligence Community would have in detecting and monitoring a resource shift from arms production to civilian end uses. [redacted]

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Can the Soviets  
"Stand Down" Militarily?

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### Key Judgments

On the basis of observed military activity, we expect that Soviet defense spending will continue to grow 4 to 5 percent a year through at least 1985. Sustaining this policy over the long term will be increasingly difficult, however, especially if economic conditions worsen beyond our projections. Indeed, a new leadership by mid-decade will feel greater pressure to reduce the growth rate of defense expenditures to free up labor, capital, and materials—resources urgently needed in key civilian sectors.

An absolute cut in defense spending on the order of 20 percent by 1990—a hypothesis discussed in this paper—could result in meaningful economic changes. A gain in per capita consumption growth of up to one percentage point a year would be likely, and there could be a moderate increase in the growth of GNP. We believe such an abrupt shift is highly unlikely in the short run. If it were made at all, it would be phased in gradually after 1985.

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Absolute cuts would almost immediately free up raw materials and some semifinished goods such as high-quality steels, construction materials, chemicals, and fuels. These could help eradicate bottlenecks in such critical economic sectors as energy, agriculture, and transportation. Many military production facilities could begin producing goods for the civilian sector within a reasonable period of time. Capacity currently used in armored vehicle and tank production, for example, could be converted in roughly a year to support increased production of a broad range of civilian vehicles—for example, railway rolling stock, tractors, trucks, and construction equipment.

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Absolute cuts in military programs would probably impact most on theater air, naval, and land arms, possibly causing a major restructuring of missions and postponing replacements. The Soviet strategic forces could emerge relatively intact.

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The military would object strongly to a resource shift of this magnitude, but the objections would be manageable once the Politburo decision was final.

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The credit, goods, food, and technology provided by the West have helped Moscow maintain its current resource allocation scheme. If the West were able to deny or limit Moscow's access to these forms of assistance, pressure

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would be increased on the Soviet leadership to shift resources from arms production to the civilian economy. By curtailing the Soviets' import capacity—primarily by restricting credit but also by hampering their oil and gas production and thus their hard currency exports—the West would further raise the cost to the USSR of maintaining its present resource allocation policy [redacted]

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It is, of course, impossible to say for certain that the Soviets would respond to Western pressure by shifting resources. However, it is important to note that in some instances they have deemed a shift to be in their best interests and have directed the military-industrial complex to support the civilian economy. [redacted]

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Monitoring Soviet weapons production by intelligence methods is extremely difficult. Thus it is highly possible that should Soviet leaders in fact shift some resources from arms production to civilian end uses—especially if the magnitude of the shift is smaller than hypothesized in this paper—the change could go unnoticed for quite some time. [redacted]

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25X1**Can the Soviets  
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**The Soviet Industrial Structure****The Planning Process**

Soviet military-industrial policy is established by a small group of senior officials, many of whom have long experience in dealing with defense issues. These officials are advised by the military and by several government agencies, which in turn formulate programs, plans, and budgets to implement policy decisions. Military programs are given considerable momentum by the vested interest of key officials, the policymaking and planning process itself, and resistance to change within the production system [ ]

**Key Officials and Organizations.**

The ultimate decisionmaking authority resides with the Politburo, the chief executive body of the Communist Party. The Politburo includes the top officials of both the party and the government and considers the full range of domestic and foreign policy issues. Many of the important decisions on military-industrial matters, however, probably are made by the Defense Council, which is composed of the half dozen top party and government officials with national security responsibilities. With Brezhnev as its chairman, the Defense Council operates by consensus, so that members are collectively responsible for decisions. The Council of Ministers, which is in charge of the economy, elaborates policy decisions and is responsible for ensuring that the economy meets the military requirements approved by the Defense Council. [ ]

Policymaking bodies are served by a large number of military, party, and government organizations that are collectively responsible for the planning and oversight of military-industrial activity. Four of these organizations significantly influence policy decisions and exert primary control over their implementation:

- *The General Staff of the Ministry of Defense*, the main executive organ of the armed forces. It apparently serves as the secretariat for the Defense

Council—providing agendas, lists of attendees, and decision papers. It prepares threat assessments that are used to assess defense requirements, and it prepares and defends military plans for the procurement of weapons and related material.

- *The Military-Industrial Commission (VPK)*, consisting of the top executives of Soviet defense industries and a supporting staff. The VPK monitors the work of the nine defense industrial ministries and coordinates party and government decisions for the development of major weapon systems. It also closely monitors weapon programs, enforcing schedules and ensuring that technical and performance specifications are met.
- *The State Planning Committee (Gosplan)*, the national economic planning agency, is the final technical authority on the ability of the economy to meet overall military needs. It has a military-economic department—manned in part by officers from the General Staff—which coordinates with the civilian sectors of Gosplan and enforces military priorities in the economic planning process.
- *The Party Central Committee apparatus*—especially its Defense Industries Department. Central Committee departments help government agencies interpret policy decisions when plans and programs are prepared. These departments also maintain independent party channels reaching into all levels of Soviet military and industrial organizations, through which they gather information on compliance with the leaders' directives.

Officials from these organizations cooperate closely on military-industrial matters. They resolve conflicts through compromise or, failing that, through appeal to senior officials. [ ]

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The organizations that implement decisions—the military services and industrial ministries—influence policy through their special expertise and their control over information. The services originate requirements for new weapon systems, and each competes with the others for missions and resources. Military officers stationed at development and production establishments enforce military claims and maintain high standards of quality control. Officials of the industrial ministries have information on development and production capabilities that is not routinely available to the top leaders and planners.

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Crucial positions at all levels in the military-industrial complex usually are occupied by officials with long experience in defense affairs. Brezhnev was responsible in the party for defense industrial matters before he assumed the leadership, and current Minister of Defense Ustinov has been a defense industrial manager since the 1930s. Frequently, key officials in planning and management agencies are recruited after successful careers in defense industry or the military, and sometimes they move between major agencies. Important military industrial managers usually have long tenure and wield considerably more influence in party and government channels than their civilian industrial counterparts.

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**Plans, Programs, and Budgets**

**Defense Plans.** Soviet defense plans set forth the principal goals and lines of development for military forces. The 15-year perspective defense plans deal with broad goals rather than specific programs. The more detailed five-year and annual defense plans are prepared by the General Staff on the same cycle as the corresponding national economic plans. (The Soviet five-year defense plan is presumably reviewed and adjusted periodically, but it is not completely revised and extended each year as is the US Five-Year Defense Plan.) Gosplan and the VPK review the parts dealing with procurement of weapons and other military materiel before the plans are submitted to the Defense Council.

We believe the five-year defense plan contains:

- A threat projection that identifies foreign military strengths and weaknesses.
- An analysis of current Soviet military capabilities.

- A set of targets for improving the capabilities and meeting the threats.

The plan probably shows projections of military expenditures and manpower requirements and the share of national economic resources that will be required to fulfill the targets. This information would enable the Soviet leaders to assess in general the potential costs of their defense programs.

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**Economic Plans.** The production needed to meet all civilian and military requirements, including those of weapon programs, is organized and directed by economic plans. Five-year and annual economic plans establish production targets, and annual plans allocate the material resources necessary to meet these targets. The economic planning process affords the best opportunity to assess trade-offs between military- and civilian-industrial claims, but the ability of decision-makers to make such assessments is limited by the planning procedures.

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Gosplan and other agencies participating in economic planning do not have the technical capability to compare all potential resource applications when making plan assignments. Instead, Gosplan tends to allocate resources sequentially. In plan preparation, it takes care of military requirements first, relying on its military-economic department to develop the specific production and supply relationships within the defense industries. Once these requirements have been established, officials resist adjusting economic plans because each change requires further changes throughout complex networks of production and supply relationships. When plans must be adjusted, Gosplan tends to apportion available resources according to the priority of the user—again favoring the military.

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The military also has several advantages in disputes with civilian interests. Because of the priority enjoyed by the military, civilian economic planning officials usually cannot effectively challenge specific military-industrial uses of resources. When they do attempt a challenge, the decision is usually governed by political rather than economic considerations. General Staff

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and other defense officials have wide access to civilian industrial plans. They participate and wield considerable influence in the resolution of disputes over resources. [redacted] 25X1

These characteristics of the Soviet decisionmaking process impart considerable momentum to military programs. They limit the ability of civilian claimants (except at the highest levels of the leadership) to challenge the military's priority access to resources, and they promote a basic continuity in the development of Soviet military power. [redacted]

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### The Production System

There are three types of industrial plants in the Soviet Union: those that produce primarily military equipment, those that produce military equipment plus a substantial amount of civilian equipment (called dual-use plants), and those that produce civilian equipment. (U)

There are more than 1,000 production facilities under the control of the defense industrial ministries. The Soviets officially categorize nine of their 63 ministries as "defense industries" (table 1). Over 100 final assembly plants manufacture the bulk of major weapons systems. These production facilities are supported by several thousand producers of major components and combat support equipment. [redacted]

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### Dual-Use Plants

Several hundred plants produce both military equipment and a substantial amount of civilian equipment. For example:

- The Kirov Plant in Leningrad is the Soviets' largest producer of marine gas turbine engines, supplying the GTU-20 turbine for civilian freighters and the TV-12 turbine for submarines. It also produces the T-700 heavy tractor for Soviet agriculture and is the prime developer and prototype producer for the T-64 tank. [redacted] the T-700 tractor line can be converted to tank production within 48 hours.
- At least one submarine building yard produces pipe to transport oil and gas.

- Kazan Aviation Plant 22 (producer of the Backfire bomber) also produces the IL-62 civilian transport aircraft and has produced some consumer goods. [redacted]

Dual-use plants fall under the control of their respective industrial ministries. Tank plants are under the Ministry of Defense Industry, while shipyards are under the Ministry of Shipbuilding Industry. Soviet organization and bookkeeping practices do not single out dual-use plants for unique forms of control. [redacted]

Civilian products made at defense plants may or may not be the same products made in civilian industry:

- Electronic components generally are not produced outside of the Ministry of Electronics Industry—a "defense industry." Thus there is no civilian industry available for comparison. Many of the types of computers made by the Ministry of Radio Industry (MRP) are delivered to both military and civilian customers and have no identical counterpart made by the civilian Ministry of Instrument Making. The Kazan Computer Plant of the MRP is the sole producer of the ES-1030 computer. Although its development and entry into production were under the aegis of the VPK, the ES-1030 has been produced for both civilian and military customers.
- The Ministry of Defense Industry produces the same type of rail cars, locomotives, turbines, and steel as the civilian ministries of Transport Machine Building, Power Machine Building, and Ferrous Metallurgy. For example, Nizhniy Tagil Plant 183, the producer of the T-72 tank, also makes rail cars very much like those produced at civilian plants in Dneproderzhinsk and Kaliningrad. [redacted]

The quality and cost of civilian production at defense plants may differ from those of similar production at civilian plants, depending on several circumstances:

- Consumer goods produced at defense plants as a small sideline have a reputation for greater reliability and quality than identical products from civilian plants. This is probably because defense plants temporarily divert some sophisticated machinery

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**Table 1**

**Principal Military-Related Product Lines of Selected Industrial Ministries in the USSR**

<b>Defense Industrial Ministries</b>	
Ministry of the Aviation Industry	Aircraft, aerodynamic missiles, spacecraft, air-to-air missiles (AAMs), defensive missiles (both tactical and strategic), tactical air-to-surface missiles (ASMs), and ASW missiles.
Ministry of General Machine Building	Liquid- and solid-propellant ballistic missiles including submarine-launched (SLBMs), SLBM fire control systems, space launch vehicles (SLVs), spacecraft, and surface-to-surface cruise missiles.
Ministry of the Defense Industry	Conventional ground force weapons, mobile solid-propellant ballistic missiles, optical systems, antitank guided missiles (ATGMs), tactical surface-to-air missiles (SAMs), lasers, and ASW missiles.
Ministry of the Shipbuilding Industry	Naval vessels, naval systems, mines, torpedoes, submarine detection systems, naval acoustic systems, and radars.
Ministry of the Radio Industry	Radars, communications, navigation equipment, computers (special purpose), guidance and control systems, and lasers.
Ministry of Medium Machine Building	Nuclear weapons and high-energy lasers.
Ministry of Machine Building	Conventional ordnance munitions, fuzing, and solid propellants.
Ministry of the Electronics Industry	Electronics parts, components, and subassemblies.
Ministry of the Communications Equipment Industry	Communication equipment, radar components, electronic warfare (EW) equipment, military computers, and facsimile equipment.
<b>Other Key Defense-Related Industrial Ministries</b>	
Ministry of the Automotive Industry	Trucks, armored personnel carriers, and heavy equipment transporters.
Ministry of Heavy and Transport Machine Building	Armored vehicles, diesel engines, and generators.
Ministry of the Electric Equipment Industry	Batteries, electrical components, communications equipment, radar components, and biological/chemical warfare detectors.
Ministry of Instrument Making, Automation Equipment, and Control Systems	Computers and instrumentation control systems.
Ministry of Power Machine Building	Generators.
Ministry of the Chemical Industry	Fuels, fiberglass components for rocket motors, propellants, chemical warfare materials, and plastics.
Ministry of Tractor and Agricultural Machine Building	Tanks and tracked vehicles.
Ministry of the Petroleum Refining and Petrochemical Industry	Tires, rubber, fuels, and lubricants.

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and manpower usually used on military programs. Published Soviet data suggest that unit costs are significantly higher in the defense industries than in the civilian industries because of the higher wages and overhead charges in the former.

Kharkov Plant 75, the same foundry that casts engine blocks for the T-64 tank also casts engine blocks for diesel-electric locomotives. To the extent that the civilian products of a dual-use plant share some of the labor, workshops, and production processes of the military products, the quality and cost of the civilian product could be higher at the defense plant than they would be at the civilian plant.

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- Where a large portion of a defense plant is dedicated to producing durables such as railroad cars, the machinery and manpower involved is generally tailored to the requirements of that program. At

**Civilian Plants**

There are at least 20,000 plants in the Soviet Union that produce civilian-sector equipment. These plants are under the control of their respective civilian ministries. Many of these civilian plants, however, have special production lines for military equipment. Some of these lines are idle but maintained at a state of readiness as part of the Soviets' mobilization program [redacted]

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**Potential Resistance to and Support for Any Shift of Resources From Military Production to Civilian End Uses**

**Sources of Resistance to a Resource Shift**

**Ministry of Defense and the Armed Forces Chiefs**

Proposed resource shifts from the military to the civilian sector would be strongly debated by the military, but once the Politburo made a decision, residual resistance could be worked out between civilian and military authorities. The military establishment would be most concerned about the loss of weaponry that would ensue from the shift. Its opposition would be reinforced by the realization that plant and equipment in place in the Soviet command economy acquire a strong inertia that is hard to reverse. Once dedicated to civilian products, converted establishments would tend to remain in that field. The battle between the services over the allocation of cuts would probably be intense but would be largely contained within the Ministry of Defense [redacted]

**Defense Industries**

While the defense industries would not suffer the absolute losses experienced by the military, their executives might feel their careers threatened by the shifts and by requirements to meet new schedules and performance targets. They also would probably be concerned about the disruption of selected networks of contractors and subcontractors devoted to specific types of weapon systems. [redacted]

**The Incentive System**

The Soviet system of targets, bonuses, and rewards that attempts to stimulate productivity would place initial roadblocks in the way of shifting resources from armaments production. Schedules and targets necessarily emphasize short-run achievements. Disruptions caused by a resource conversion program could mean some drop in bonuses, and both workers and managers would resist changes. In the long run, however, once the resources began to be employed effectively and new targets and bonuses were instituted, their objection to resource shifts could weaken.

[redacted]

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**Sources of Support for a Resource Shift**

**Gosplan**

Gosplan's role in providing guidance and managing the resource flow for a significant shift would be important. Management of the thousands of supply and demand balances would have to be efficient in order to minimize the ensuing disruptions and to lessen constraints because of the cuts. Planners of the civilian economy, however, would welcome the opportunity to have additional resources at their disposal.

[redacted]

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**Civilian Industries**

The civilian beneficiaries of a resource shift would support the Politburo's policy because it would provide resources needed to eliminate bottlenecks and improve economic performance. Moreover, a shift of resources would give the civilian industries more clout—including, perhaps, greater representation on the Central Committee. [redacted]

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**Capacity of the Soviet System To Shift Resources**

The pace of conversion would be determined in large part by the nature of the planning system. Changes made in annual plans would probably be restricted to

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raw material, semifinished goods, and current production of the most readily convertible product lines. Other conversions would have to be prepared in the context of annual plans, as dramatic changes in the middle of an annual plan would cause disruptions that would outweigh the value of the small amount of time gained. [redacted]

Most fundamental shifts in facility use, tooling, and capital investment would probably be made in the course of staffing out the next five-year plan. If the Soviets sought to make these shifts too quickly, the result would be short-run waste and disruptions to the economy. For example, the Soviets reprogrammed more than 17 billion rubles for the chemical industry in the last three weeks of preparation for the 10th (1976-80) Five-Year Plan. The resulting disruptions and schedule failures only succeeded in earning the responsible minister an official party reprimand. [redacted]

In our judgment, the Soviet system is sufficiently flexible to shift enough resources from military to civilian production to translate into a 10-percent reduction of the defense budget in roughly three years and a 20-percent reduction of the defense budget in roughly eight years without large-scale economic reform. For example:

- A wide variety of materials could easily be transferred from the military to the civilian economy. These include high-quality steels, nonferrous metals, construction materials, chemicals, and fuels.
- A large portion of the electronics and radio industries could be immediately converted from military production. Microcircuit development and production facilities within the Ministry of Electronics Industry could continue to produce the same advanced electronic components for use in civilian equipment. The same is true for computers and many types of radios.
- Other dual-use production activities could be redirected to civilian uses with some redesign of products. Aircraft and shipbuilding facilities could retool within roughly a year for their respective production of transport aircraft or heavy-lift helicopters and such ships as tankers and freighters. Capacity currently used in armored vehicle and

tank production could be converted in roughly a year by replacing jigs and fixtures to support increased production of a broad range of civilian vehicles. These could include tractors, medium trucks, heavy mining and construction equipment, diesel-electric locomotives, and railcars. [redacted]

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Most dual-use production facilities would require some major retooling. The essential skills and machinery used in foundry, forging, and machining operations would be retained, however. Little manpower retraining or capital construction would be required. [redacted]

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The rate of conversion of dual-use production facilities would depend on the demand within the Soviet economy and its ability to absorb the increased output quickly and efficiently. The Soviet economy could put to immediate use railroad rolling stock and trucks to overcome bottlenecks in transportation. While the demand for computers and other civilian electronics is great, the Soviets suffer from inefficiencies in the actual use of this equipment. Thus increased deliveries to civilian industries of computers, for example, would probably not yield a corresponding improvement in industrial productivity. [redacted]

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Individual missile and munitions development and production establishments might have to be idled after conversion to civilian production. At a minimum they would require far more capital construction, machinery, and labor retraining than would the dual-use production facilities. As a bonus, however, the Soviets would be able to phase out inefficient facilities, thereby raising the overall efficiency of the defense industry. The basic machine shops might form the nucleus for a different civilian production program, but much of the highly specialized fabrication, assembly, and testing operations in missile, nuclear weapons, and munitions factories would have to be discarded. [redacted]

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If the conversion program is driven by the need to strengthen particularly critical civilian activities (rather than to find a useful role for existing defense plants), technical requirements could force significant

“upstream” changes in capital and operations. For example, major changes in capital equipment would probably be required before assets in the defense industries could contribute to the production of energy-related equipment such as drilling rigs, platforms, or pipe. High-temperature components made by the aircraft industry could more readily contribute to the production of compressor equipment for the gas pipeline projects. Increased production of turbines and transformers for electrical power would also require shifts of skills and machinery to the civilian electrical equipment producers from the defense industries [redacted]

Even though the conversion of facilities not “dual-capable” would involve the sacrifice of machinery, the materials used by these facilities could be redirected to alternative civilian production with greater ease. Conventional materials such as steel, basic chemicals, and aluminum could be reallocated immediately to alternative civilian uses. Powder metallurgy used in the production of munitions could be redirected to the production of drill bits for petroleum extraction. This would involve little change in the manpower, machinery, and facilities used in the preparation of materials. Limitations in demand would probably only affect the redirection of truly exotic materials unless, for example, civilian space exploration was also a beneficiary of the redirection of resources [redacted]

Where manpower would have to be shifted, features of Soviet industrial practice suggest that extensive retraining would not be necessary. The Soviet use of general purpose machine tools and a high degree of standardization in much of the production of weapons systems facilitates the direct use of defense industrial labor on the same processes for civilian goods. Where defense industrial manpower would have to shift to new civilian processes, the higher skill levels found in the defense industries would minimize the retraining required—though at a sacrifice of some skill levels [redacted]

The transferability of military research and development personnel and facilities to civilian tasks would vary from industry to industry somewhat in the same fashion as production facilities. The more exotic the R&D effort, the more difficult it would be to convert the resources productively. For example, a physicist working on nonacoustic ASW sensors probably would need a period of acclimatization before becoming

productive, and the laboratory equipment and materials in his facility might be of little use to the economy. On the other hand, an electronics engineer who designs circuitry for missiles could adjust fairly easily to work on numerically controlled machine tools—an area of backwardness for the Soviet machine tool industry. [redacted]

A resource shift along these lines is unlikely either to require or to precipitate a fundamental reform of the Soviet economy. In fact, it might ease pressures for reform, since the transfer of resources would relieve some tautness in the economy. On the other hand, the post-transfer period might be a propitious time for reform, since reforms are more easily implemented when an economy is relatively free of strains [redacted]

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#### Economic Impact of a Resource Shift

The impact on overall economic growth would probably be moderate, but the redistribution of resources implied by a 20-percent cut in defense spending could have a sizable impact on per capita consumption. We have examined the impact on GNP and per capita consumption using four different assumptions with respect to labor and capital productivity and energy availability. The increases in GNP growth by the end of the decade vary from around 0.2 to 1.2 percentage points, depending on the amount of productivity assumed for the released defense resources. Our judgment is that a gain in GNP growth in the range of 0.2 to 0.5 percentage point is most likely. The ultimate effect of lower defense spending on the Soviet economy would be an increase in availability of goods and services for household consumption; a gain in per capita consumption growth of up to 1 percent a year appears likely. Further details on the four cases considered in this analysis are presented in the appendix. [redacted]

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The greatest and most immediate impact of a defense cut and the resultant resource shift would occur at the microeconomic level. [redacted]

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**Eradication of Bottlenecks**

The resources most readily transferable—high-quality steels, construction materials, chemicals, fuels—are some of the ones most needed to alleviate or eradicate bottlenecks in such critical economic sectors as energy, agriculture, and transportation. [redacted]

In the energy sector, increased availability of steel for drilling rigs and tubular goods, as well as specialty steels (for example, powder metallurgy now used to produce munitions) for drill bits, production equipment, and submersible pumps, could slow the imminent decline in oil production and help the Soviets meet their gas output targets. In addition, special steels for the manufacture of turbine blades could increase the reliability of gas turbines used to power electric generators and pipeline compressors. Concrete, asphalt, and other construction materials would help to overcome the serious lack of infrastructure (all-weather roads, housing) in crucial areas of energy development such as West Siberia. Transfers of fuels, particularly petroleum products, from the military would also ease production bottlenecks. [redacted]

Soviet agriculture would benefit from infusions of specialty steels to increase the availability of certain agricultural equipment. Chemicals for fertilizer and pesticides could increase production of food and industrial crops. [redacted]

The transferred materials turned into producer durables could be used to improve the transportation network. The transportation sector's most serious bottleneck is insufficient railroad rolling stock. Special high-strength steel is the key material which could be transferred for the manufacture of railroad cars (wheels and axles). Much of this equipment is produced in dual-use facilities that also manufacture military vehicles, tanks, and other hardware. An increase in rolling stock would go a long way in solving distribution problems plaguing innumerable sectors of the Soviet economy by boosting delivery of grain, lumber, fuels (especially coal), and other needed materials and semifinished products. The highway network also could be improved by the infusion of roadbuilding and grading equipment [redacted]

Examples of other, less critical, commodities that could be quickly diverted from military to civilian application include synthetic rubber (for tires and drive belts), aluminum (for construction, machine building and metalworking, and high-voltage power lines), and ferroalloys, particularly tungsten and nickel. Advanced plastics, fibers, and rare metals would undoubtedly serve civilian requirements as well. [redacted]

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**Factor Productivity**

Reallocating resources from defense to civilian uses could stimulate lagging factor productivity—the efficiency with which labor and fixed capital are used. First, the freed resources might well go into higher quality machinery and equipment, which is crucial to any rise in productivity. Second, to the extent that some of the released goods and services were immediately devoted to increased production of consumer goods, the morale of the populace might be improved, with beneficial effects on labor productivity [redacted]

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Though it would increase total civilian output, a simple increase in investment in the civilian sector unaccompanied by improvements in technology and customer use might not lead to improved productivity. Computers inefficiently used would not yield dramatic improvements in industrial productivity. [redacted]

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**Rate of Innovation**

A transfer of military R&D resources to the civilian sector could improve the current slow rate of innovation and technological change, which has seriously impaired Soviet economic growth. Modernization could also be enhanced if released resources went into exports, which in turn would enable the Soviets to increase their hard currency purchases of certain Western equipment and technology. [redacted]

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**The Military Costs of a Resource Shift**

Table 2 illustrates our best assessment of how the cuts might be allocated across different resource categories, assuming a decision by the leadership to make the cuts roughly proportional to total military expenditures. [redacted] 25X1

The categories of procurement and research, development, testing, and evaluation (RDT&E) are roughly two-thirds of Soviet defense costs and would thus bear the brunt of reductions. Substantial cuts in the other categories could be made by 1985, but their contribution to overall economic improvement would not be significant, and overall they might do more harm than good. Debates on where to make the cuts might involve the following:

- With a reduction in RDT&E, development of weapons that did not show near-term promise would be slowed or halted by 1985. Work on systems already well along would continue, but, as they eventually were deployed, the pace of research on successor systems would be slowed. Exotic research on areas with speculative payoffs probably would be halted. Even by 1990, however, there would be sufficient resources to continue major, though scaled back, R&D on systems that show promise.
- Ships and aircraft account for about half of procurement, and their production would probably have to be greatly cut back to achieve the assumed savings. Cutbacks in armored vehicle production would not provide substantial savings, but the resources could be transferred relatively easily and could be used to alleviate major bottlenecks in the Soviet economy.
- Operations and maintenance are a small part of the services budgets. National command and support functions consume about one-third of all O&M, but they would probably be relatively immune from cutbacks, thus limiting even further the scope for cuts in this category.
- The assumed 2-billion-ruble cut in personnel costs corresponds to a reduction in manpower of 1 million men. Total uniformed military manpower currently

**Table 2** Billion 1970 Rubles

**Assumed Reductions in Soviet Defense Spending**

Resource Category	1982 Spending Estimate	10-Percent Overall Cut by 1985	20-Percent Overall Cut by 1990
Research, development, testing, and evaluation	19	-1.5	-4.0
Procurement	36	-4.0	-7.0
Operations and maintenance	11	-1.0	-2.0
Personnel	9	-1.0	-2.0
Construction	3	-0.5	-1.0
<b>Total</b>	<b>78</b>	<b>-8.0</b>	<b>-16.0</b>

[redacted] 25X1

makes up only 3 percent of the working-age population. Thus, a reduction of 1 million men could be of some, but not a major, help to the economy.

- Military construction is likewise a small part of the Soviet defense budget. The contribution of these resources to the civilian economy would probably be small but could be useful in freeing construction material and equipment needed for Soviet agriculture and energy. [redacted] 25X1

Within the resource categories of RDT&E and procurement of military hardware, the choice of which forces to cut would depend almost entirely on Soviet perceptions at the time the Politburo decision was made. Based purely on economic rationality, choices might be made on the following grounds:

- Facilities for conventional weapons production would be most easily converted. Many shipyards and plants producing naval ships and armored vehicles are dual-use facilities which already have civilian product lines. Moreover, nearly all plant space,

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tooling, materials, and manpower in these facilities are suitable for civilian ships or vehicles. Many plants now producing military aircraft also produce, or have produced, civilian aircraft.

- Facilities for the production of strategic weapons probably would be more difficult to convert than those devoted to conventional weapons. Plants producing strategic weapons use highly specialized processes and tooling, generally dissimilar to those for civilian products. Nevertheless, some manufacturing and fabrication capabilities could be used for products such as refrigeration equipment, and conversion would release energy and critical products such as high-strength steels for uses such as turbine components and cutting tools. In addition, the quality resources (manpower and equipment) used in R&D for strategic weapon programs could be used to increase the technical level of some sectors of the civilian economy. [redacted]

Conclusions drawn from cuts based on military imperatives are largely compatible with those based on economic rationality. A simulation exercise conducted by intelligence analysts and a panel of experts in 1980 sought to rank the programs most likely to be affected by one of several budget reduction scenarios, based solely on their relative military usefulness to the Soviets. It was concluded that an absolute reduction in defense expenditures would require a restructuring of roles and missions of general purpose forces, but would have a more limited impact on Soviet strategic force structure and capabilities. The most destabilizing strategic systems—such as the SS-18 heavy missile program and an invigorated ABM program—would remain essentially intact. [redacted]

Within the ground forces, lower weapon production rates after several years would begin to degrade the operational readiness of Soviet forces and to affect modernization programs. The average age of equipment in unit inventories would increase, resulting in a greater maintenance burden. (Even at current production levels, the average age of Soviet naval ships is increasing.) [redacted]

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### The Role of the West in the Current Allocation Scheme

It is now recognized that a key element of the Soviet leaders' ability to keep their country's faltering economy going has been help from the West in the form of credit, goods, and technology. Dissatisfied with the nation's economic performance but unwilling to improve it quickly through a far-reaching program of domestic reform, Moscow has sought relief through East-West trade and technology transfer. In particular, Moscow has sought help in:

- Raising the technological level of Soviet fixed capital.
- Relieving industrial supply bottlenecks.
- Increasing living standards.

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Accordingly, imports of machinery, ferrous metals, and foodstuffs have dominated Soviet-Western trade (table 3) [redacted]

Although the USSR has had difficulty in assimilating the equipment and technology acquired from the West, imports from the West unquestionably have helped the USSR deal with some critical problems, particularly in certain manufacturing sectors:

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- In the 1970s, imported chemical equipment, accounting for about one-third of all Western machinery purchased by the Soviets, was largely responsible for doubling the output of ammonia, nitrogen fertilizer, and plastics and for tripling synthetic fiber production.
- The Soviets could never have accomplished their ambitious 15-year program of modernization and expansion in the motor vehicle industry without Western help. The Kama River truck plant, which was based almost exclusively on Western equipment and technology, now supplies nearly one-half of the Soviet output of heavy trucks.
- Large computer systems and minicomputers of Western origin have been imported in large numbers (1,300 systems since 1972) because they (a) have capabilities that the Soviets cannot match, (b) use complex software that the Soviets have not developed, and (c) often are backed up by expert training and support that the Soviets cannot duplicate. [redacted]

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**Table 3**

**Soviet Hard Currency Imports**

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<b>Million US \$</b>										
<b>Total</b>	<b>2,943</b>	<b>4,157</b>	<b>6,547</b>	<b>8,448</b>	<b>14,257</b>	<b>15,316</b>	<b>14,645</b>	<b>16,951</b>	<b>21,585</b>	<b>26,017</b>
Grain	185	770	1,423	509	2,323	2,627	1,354	2,360	3,279	4,360
Other agricultural products	475	423	933	1,273	1,533	1,458	1,836	1,478	2,287	4,400
Machinery	960	1,282	1,739	2,334	4,593	5,074	5,114	5,969	6,028	6,039
Rolled ferrous metals	366	489	884	1,905	2,565	2,251	1,750	2,503	3,413	3,469
Chemicals	213	257	279	720	742	630	670	831	1,203	1,565
Other	744	936	1,289	1,707	2,501	3,276	3,921	3,810	5,375	6,184
<b>Million 1970 US \$</b>										
<b>Total</b>	<b>2,705</b>	<b>3,547</b>	<b>4,242</b>	<b>5,118</b>	<b>7,268</b>	<b>8,254</b>	<b>7,470</b>	<b>7,292</b>	<b>8,430</b>	<b>9,166</b>
Grain	185	733	730	196	997	1,257	670	937	1,100	1,188
Other agricultural products	484	298	339	615	751	715	649	471	757	1,419
Machinery	946	1,149	1,353	1,622	2,700	2,929	2,827	2,716	2,512	2,350
Rolled ferrous metals	215	321	583	1,074	1,030	1,147	909	1,113	1,423	1,330
Chemicals	211	253	261	510	460	376	307	347	435	580
Other	664	793	976	1,101	1,330	1,830	2,108	1,708	2,203	2,299

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Imports from the West also played a key role in supporting the energy and agricultural sectors. Because of Soviet deficiencies in drilling, pumping, and pipeline construction, the USSR bought about \$5 billion worth of oil and gas equipment alone in the 1970s. Such purchases covered a wide range of equipment that will add substantially to future energy production. US submersible pumps are estimated to have added roughly 2 million barrels per day to Soviet oil production in recent years. Similarly, the Soviet offshore exploration effort would not be nearly as far along as it is without access to Western equipment and know-how. West Germany and Japan have provided most of the large-diameter pipe needed for gas pipeline construction. [redacted]

As for agriculture, Soviet grain imports averaged 14 million tons per year in the past decade. In 1981, grain purchases coupled with record imports of meat, sugar, vegetable oil, and soybeans and meal totaled about \$11.5 billion, accounting for 40 percent of hard

currency expenditures. Without Western grain, Soviet consumers would not have had the increase in meat consumption that they received in the early 1970s, and the fall in per capita consumption of meat in the late 1970s would have been far worse. [redacted]

Western imports have also contributed to Soviet defense capabilities. Some products of the imported equipment and technology are used by the Soviet military—for example, trucks from the Kama River plant. Other imports help in the production of important inputs for defense industries—for example, numerically controlled machine tools, specialty steels, and plant and technology to produce them. Finally, because most defense industries also produce for the civilian economy, purchases of Western machinery for the civilian sector help ward off the encroachment of civilian requirements on the production schedules of defense plants. [redacted]

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**Prospects for a Resource Shift**

To be sure, on a "micro" level the Soviet military-industrial complex has on occasion been directed to help reduce Soviet dependence on Western imports by shifting resources to the civilian economy. We have information that suggests the defense industries are now charged with helping to modernize the civil gas turbine industry so that the Soviets will be able to produce their own efficient turbines for gas pipelines.

[Redacted]

The Soviet economic predicament is in many ways a product of Moscow's own choosing. By placing a priority on military research and production, the leadership has slighted the civilian sector, thus helping to create pronounced imbalances in the economy.

[Redacted]

Although the Soviet economy is in deep trouble, the country's present leaders do not believe the time has come for drastic action. They are convinced—and we concur—that some growth remains to be squeezed from the present resource-allocation scheme. In a sense, Soviet leaders have reached the point of banging and shaking the ketchup bottle to get out a few more drops—the effort is tremendous and the return is small, but at least there is a return. The Soviet economic bottle is not yet empty—so to speak—and until it is, the leaders are likely to remain unwilling to launch a program designed to improve economic performance by shifting resources.

[Redacted]

Any near-term decision by the Soviet leadership to shift resources from the military to civilian investment is unlikely for other reasons as well:

- The Soviets recognize that military power is their principal currency as an international actor and that continued high levels of defense investment are necessary to sustain the present dimensions of Moscow's global role.
- The Soviets' assessment of their security requirements for the 1980s would probably hold little prospect for reduction in defense spending. The recurrence of instability in Eastern Europe, the prospect of an increased arms competition with the

United States, and continuing hostility with China will maintain the pressure for continued high levels of military outlays.

- Given the current support within the Soviet elite for maintaining a strong military position, advocacy of deep cuts in military spending would necessarily involve formidable political risks for any faction within the Politburo inclined to move in this direction. This would be particularly true during a succession period, when those maneuvering for power would be reluctant to advocate major changes in defense policy.

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No faction would propose a resource shift, and the Politburo as a whole would be unlikely to authorize a shift, unless in the judgment of the Soviet leadership, a resource shift were economically necessary. Moreover, Soviet leaders would resist the idea of a resource shift unless and until they had reason to believe that the West would not seize the opportunity to forge ahead militarily while the Soviet Union "stands down."

[Redacted]

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Nonetheless, the Soviets could at some time feel impelled to reduce defense expenditures if:

- Economic conditions in the USSR turn out to be poorer than we currently project (for example, a series of disastrous harvests causing an actual reduction in economic output).
- Extraordinary political shifts occur, such as a Sino-Soviet rapprochement, a general lessening of tensions with the West, or a move by West European countries away from US influence.
- Soviet political leaders who are sympathetic to consumer needs come to power.

[Redacted]

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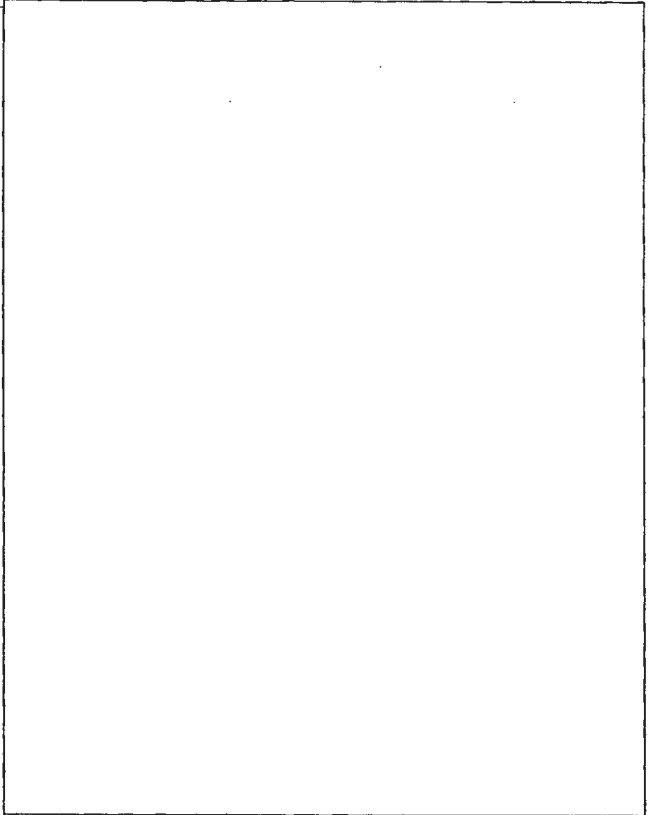
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**Implications**

Since the credit, goods, and technology provided by the West have helped Moscow to maintain its current allocation scheme, it follows that if the West were able to deny or limit Moscow's access to these forms of assistance, pressure would be increased on the Soviet leadership to shift resources from arms production to the civilian economy [redacted]

The action that would impinge most quickly on the 25X1 resources available for military production would be a denial of machinery and materials used either to produce machinery or to supplement domestic machinery production. For example: .

- An embargo on specialized oil and gas production equipment would force Moscow to allocate military-oriented metallurgical and machine-building facilities to produce such equipment; reduced Soviet



petroleum output in the interim would aggravate civilian industrial problems and might, therefore, cause additional civilian encroachment on defense production.

- An embargo on large-diameter gas pipe and other high-quality steel products could possibly cut into production of such military items as submarine hulls.
- An embargo on equipment for plants manufacturing cards, trucks, and mining and construction vehicles (as well as an embargo on such vehicles themselves) could increase the pressure in the Soviet Union to produce these items in military plants. [redacted]

It is, of course, impossible to say for certain that the Soviet leaders would respond to Western pressure by shifting resources. However, it is important to note that in some instances they have deemed a shift to be in their best interests and have directed the military-industrial complex to support the civilian economy (see page 12) [redacted]

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As stated earlier in the discussion of a hypothetical 20-percent reduction in defense expenditures, the ability to monitor the resulting shift of resources to civilian production would be difficult. Obviously a shift resulting from a smaller cut in military spending would be even more difficult to verify. Indeed, it is highly probable that in the event Soviet leaders do order a resource shift, we would not know it for quite some time. [redacted]

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Western denial of grain and other agricultural products would also hamper the Soviet military effort. For example, to increase domestic farm output, Moscow might have to allocate more factory space to producing farm machinery instead of tanks and armored personnel carriers. A Western embargo on selling farm machinery or on building the facilities that manufacture such machinery would also put pressure on existing priorities. Reduced per capita food consumption would work against Soviet efforts to raise worker productivity, increasing the problems facing industry. [redacted]

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By curtailing the Soviets' import capacity—primarily by restricting credits but also by hampering their oil and gas production and thus their hard currency exports—the West would further raise the cost to the USSR of maintaining its present policies on resource allocations. [redacted]

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## Appendix

### The Impact on the Economy of Cuts in Defense Spending

To estimate the impact of a shift in resources from defense to the civilian economy, we analyzed the impact of the assumed reductions in Soviet defense spending on our microeconomic model of the Soviet economy, using four postulations of labor and capital productivity and energy availability. The results are shown in the figure on page 16. The four cases considered are as follows:

#### A. Reduced Defense Spending

This case assumes that the extra investment resources from reduced defense spending have the productivity characteristic of the overall economy. It also reflects the period since 1975, which has shown especially low productivity of additional investment.

#### B.—Plus Higher Productivity of Defense Capital

This case assumes that the extra investment resources from reduced defense spending have doubled the productivity of those resources usually devoted to the civilian sector.

#### C.—Plus Fewer Bottlenecks

In the period of 1966-74, the Soviet economy did not suffer from as significant energy and raw material shortages as it does now and probably will in the future. This case estimates the impact of lower defense spending, assuming that the extra investment resources allow a return to earlier levels of overall productivity.

#### D.—Plus No Energy Constraint

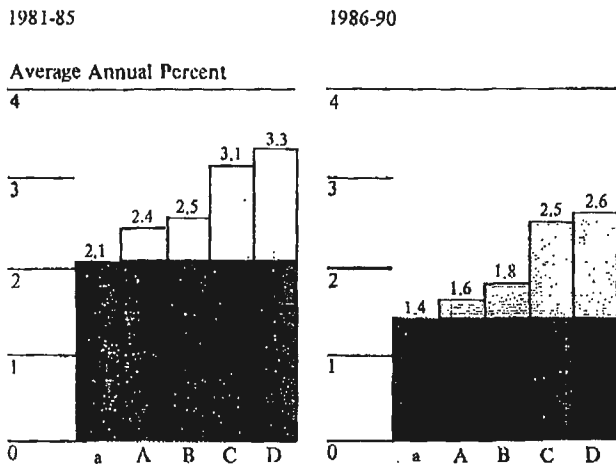
Finally, this case assumes that extra investment is enough to remove any remaining constraint on production due to energy problems.



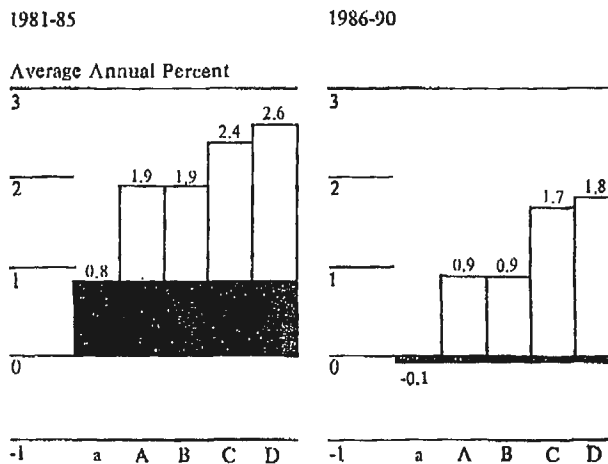
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**Impact of Lower Soviet Defense Spending: Alternate Cases**

**GNP Growth**



**Per Capita Consumption Growth**



- a - Baseline growth with current estimate of defense spending.
- A - Reduced defense spending.
- B - Reduced defense spending and assuming higher productivity of capital shifted from the defense industries.
- C - Reduced defense spending and assuming higher productivity of defense capital shifted from the defense industries and fewer bottlenecks in the economy.
- D - Reduced defense spending and assuming higher productivity of defense capital shifted from the defense industries, fewer bottlenecks in the economy and no energy constraints.

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BY KDB NARA DATE 11/23/15

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *MB*

SUBJECT: "Legal Considerations Presented by Soviet Pipeline Export Controls"

Attached (Tab I) is the controversial paper of the above title produced by Sherman Unger of Commerce and Davis Robinson of State. It points up the difficulties of enforcing the June 18, 1982 sanctions expansion. It does not outline a strategy for enforcing them, although it goes into various alternatives. As a purely legal document, it appropriately ignores the value to Alsthom of its relations with G.E. but then inappropriately goes into various negative policy considerations.

The operative section is on page 3 where it points out that: "An Alsthom violation of valid export controls would be a breach of its agreement with G.E., but this contract clause does not make the controls valid or bar Alsthom from challenging their validity."

A new paper focusing on legal strategies is being prepared by the legal offices of State, Treasury, Justice, Defense and Commerce. You will see it as soon as it is produced.

Attachment

Tab I "Legal Considerations Presented by Soviet Pipeline Export Controls"

cc w/o attachment: Roger Robinson  
Henry Nau

w/attachment: Richard Pipes  
Jim Rentschler

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Legal Considerations Presented by Soviet Pipeline  
Export Controls

This memorandum reviews the legal considerations presented by the June 18, 1982 extension of the December 30, 1981, export controls over oil and gas production and transmission goods and technology destined for the Soviet Union. That extension imposed controls over foreign subsidiaries of U.S. firms and over foreign products of U.S. oil and gas technology exported before December 30, 1981, ("technology products"). Prior to that extension, foreign subsidiaries of U.S. firms were permitted to export non-U.S. origin oil and gas equipment and technical data related thereto. Furthermore, prior to the President's June 18, announcement, exports of foreign produced oil and gas equipment which were a product of U.S. technical data were prohibited only if (i) the export of the technical data from which the equipment was produced occurred after December 31, 1981, (in the case of transmission and refining equipment) or after August 1, 1978, (in the case of exploration and production equipment), or (ii) a "written assurance" that the data and the direct product of that data would not be exported to the Soviet Union and certain other countries was required under the export control regulations - for national security reasons - when the data were initially exported from the U.S.

I. Legal Basis of Sanctions

Regulations prohibiting the export of foreign-produced equipment which is the product of U.S. technology are based upon broad authority in the Export Administration Act (EAA) to prohibit the export of goods or technology which are "subject to the jurisdiction of the United States." While a case can be made for placing new and more restrictive controls on either the re-export from a foreign country of technology which was originally subject to U.S. export controls when it was initially exported, or the export of products of such technology, the novel element of the June 18, 1982 extension is the effort to cover the products of technology which was not controlled at the time of export. In the specific case of the Alsthom-Atlantique rotors, the technology licensed by GE was not controlled at the time of initial export.

It is not possible as a legal matter to say that this extension of authority is valid or invalid under U.S. law; its legal basis is subject to even greater challenge as a matter of international law.

By contrast, regulations prohibiting exports to the U.S.S.R. by foreign subsidiaries of U.S. companies are clearly within the authority conferred by the EAA, and a case can be made that

they should be recognized as legitimate extensions of national sovereignty under international law. Nevertheless, the issue is not free from doubt as a matter of international law because the regulations treat foreign subsidiaries as U.S. persons, while the foreign countries in which these subsidiaries are incorporated usually regard them as juridical persons created and subsisting under their laws. In this connection, our position is undermined by a recent U.S. Supreme Court case holding that a wholly-owned U.S. subsidiary of a Japanese company was a U.S. company within the meaning of a treaty with Japan for purposes of applying U.S. civil rights laws.

The controls of exports from foreign countries of foreign products produced through the application of U.S. manufacturing technology poses a difficult legal question. Unlike controls on the re-export of parts and components, the Export Administration Regulations (EAR) have not expressly reserved the right to subject foreign products of U.S. manufacturing technology to subsequently imposed U.S. controls as for example, over exports from a foreign country to the U.S.S.R. In the case of the extended Soviet sanctions, regulatory control was not imposed prior to the original transfer of the technology. A claim to U.S. jurisdiction over the products of this previously transferred U.S. technology would, as far as we can judge, have to be predicated upon a claim to continuing U.S. jurisdiction over the previously exported technology solely on the basis of its U.S. origin. We are not aware of any support in international law for such a claim. Indeed, the American Law Institute's Restatement (Second) of the Foreign Relations Law of the United States does not recognize U.S. origin of goods or technology as a source of jurisdiction under international law. In this connection the D.C. Circuit recently reiterated in F.T.C. v. Compagnie de Saint-Gobain-Pont-A-Mousson 636 F.2d 1300 (D.C. Cir., 1980) that U.S. statutes posing potential conflicts with foreign jurisdictional interests must be construed so as to ensure consistency with international law in the absence of a clear contrary Congressional intent.

## II. Contractual Remedies

There is little prospect of enforcing the June 18, 1982, sanctions through the enforcement of contractual licensing provisions, particularly in the case of the key General Electric/Alsthom-Atlantique license agreement.

Assertions that supply of turbines to the U.S.S.R. by Alsthom would be contrary to paragraphs A.2 and A.3 of Article VII of the license agreement are incorrect. By these provisions Alsthom agrees not to make certain exports to specified countries without

Commerce authorization, but neither paragraph covers the situation at hand. Paragraph A.2 deals with Country Group "Z" (Vietnam, North Korea, etc.) and does not relate to the U.S.S.R. Paragraph A.3 does cover shipments to the U.S.S.R., but only of "A" items, i.e., those that are COCOM controlled. The turbines in question are not "A" items.

The other provision to be considered is Article VII.C of the licensing agreement, which states:

- Alsthom further undertakes to keep itself fully informed of the Regulations (including amendments and changes thereto) and agrees to comply therewith.

An Alsthom violation of valid export controls would be a breach of its agreement with GE, but this contract clause does not make the controls valid or bar Alsthom from challenging their validity.

Obstacles to GE's getting a U.S. court to enjoin shipment by Alsthom include:

- GE's inability to show that such shipment would injure GE (GE would also be hard put to show damages in a breach of contract action).
- The reluctance of a court to use its injunctive power to order conduct abroad because of difficulty in monitoring and compelling compliance?
- The impact of the "retroactive regulation" argument on GE's ability to make the required showing of probability of success on the merits (A GE application for an injunction involves exceptional risk of an early, negative U.S. court statement concerning the validity of the controls, as a court intending to deny an injunction on a combination of grounds might well question the authority for the regulations without having to resolve the issue).
- The uncertain ability to effect valid service of process upon Alsthom within the U.S.

It is unrealistic to expect a French court to enforce such a contractual bar to shipment in light of declared French public policy on the matter. Indeed, as noted in the following section, service of process in France is a major enforcement obstacle.

*ignores value of GE connection for alsthom*

### III. Retaliation by and Against Foreign Governments

It is likely that France, the U.K. and possibly other nations will act to frustrate the effectiveness of these sanctions as they affect firms within their respective jurisdictions. In response, the U.S. could impose controls on exports to such countries under the authority of the EAA, as well as the financing, transporting or other servicing of such exports.

Such controls could apply not only to U.S. nationals and U.S.-owned corporations in the United States, but also to foreign-owned or controlled firms doing business in the United States or U.S.-owned or controlled firms abroad. In order to impose these non-emergency controls, the President would have to comply with certain procedural requirements. Such controls would expire one year after imposition, unless extended by the President.

The statutory justification for such controls would be to further and to support the foreign policy objective relating to the U.S.S.R. pipeline controls. Such controls could be pinpointed to reach only particular items for which the U.S. is the sole source of supply or which provide infrastructure for performance of Soviet pipeline contracts. However, making an ally the target of U.S. export controls would be a significant departure from the current export control scheme. Allied reaction to such controls could also disrupt the effort in COCOM to tighten multilateral controls on exports of militarily critical goods and technology to the U.S.S.R. and other Warsaw Pact countries.

More radical sanctions could be imposed under the authority of the International Emergency Economic Powers Act (IEEPA) but their use would require a Presidential declaration of a national emergency and would seem excessive in view of the ample authority provided by the EAA.

U.S. restrictions on the export or import of products to and from trading partners are vulnerable to challenge under the GATT. Before any such measures are taken against France, Germany, Italy or the U.K., their legality under applicable bilateral treaties would have to be examined.

Even if the U.S. were able to defend its export controls under Article I of the GATT, (requiring equality of treatment vis-a-vis imports from foreign countries) on the basis of the Article XXI "national security" exception, the U.S. could still be vulnerable to charges of nullifying or impairing benefits accruing to its trading partners under the GATT. In short, such measures would exacerbate current international trade tensions.

*policy issues*



IV. Enforcement Measures

Beyond remedies based upon the terms of the GE/Alsthom-Atlantique license agreement, certain measures are available to the United States under the EAA in anticipation of Alsthom-Atlantique's compliance with the French government's order to ship pipeline - related items to the U.S.S.R. These actions may be directed at Alsthom itself, or they may be directed at Alsthom's U.S. suppliers in an effort to cut off the company's access to needed sources.

With respect to Alsthom itself, possible actions include:

1. Notification to the company that continuing to purchase or use U.S.-origin commodities and/or technical data could result in an enforcement action. |?

2. Under Section 387.8 of the Regulations, the Office of Export Enforcement (OEE) can send interrogatories and/or requests for production of documents or admission of facts to Alsthom "during the course of an investigation, other proceeding or action . . .". If Alsthom fails or refuses to respond within a specified time, the Regulations (Section 387.8(a)) provide that it may be denied export privileges for five years or until it responds or gives adequate reasons for its failure or refusal to respond. (Note that French law imposes criminal sanctions on persons gathering evidence in France pursuant to legal or administrative proceedings in a foreign country).

This authority has been used to deny export privileges in the past, but, as the Department has never been challenged by the denied party in this type of circumstance, this regulatory provision has never been scrutinized by the courts. In addition, the initial hurdle of effecting service on Alsthom in France would have to be overcome. Finally, Alsthom could cite the French blocking statute as its basis for failing or refusing to respond. Such a claim may well be viewed as "adequate reason" for not responding. | there is none

3. OEE could, in carrying out its responsibility for preventive enforcement, initiate an investigation of Alsthom. In accordance with Section 388.19(a)(2) of the Regulations, persons under investigation may be temporarily denied export privileges, on an ex parte basis, upon a showing that such a denial order "is required in the public interest to permit or facilitate enforcement" of the Act or Regulations.

A denial order prevents the denied party from participating in any export-related transaction involving U.S.-origin commodities or technical data. In addition, it prevents all other persons, wherever located, from dealing with the denied party in any transaction involving U.S.-origin goods or technology.

To the best of our knowledge, this authority has not been used in anticipation that a violation will occur. Rather, it is used when there is reasonable evidence that a violation has occurred and there is reason to believe additional violations will take place.

Actions available involving Alsthom's potential U.S. suppliers include:

1. Require reporting of anticipated sales to Alsthom. This could include existing contracts, sales being negotiated, shipment dates, etc.

2. Inspect U.S. suppliers' records of past sales to Alsthom. If a request to inspect is refused, the Department may issue a subpoena, which it may seek to have enforced, if necessary, in federal court.

3. Alert potential U.S. suppliers to possible enforcement actions which may be brought against them if they continue to sell pipeline-related commodities and technical data to Alsthom. Any U.S. supplier who sells to Alsthom, with reason to know that Alsthom will in turn sell to the Soviet Union in violation of the new controls, is subject to possible administrative or criminal sanctions. In addition, if a U.S. supplier decides to cooperate with Alsthom by assisting Alsthom in the manufacture of pipeline-related equipment for sale to the Soviet Union in compliance with the French government directive that supplier may be charged administratively with a conspiracy violation. Any criminal conspiracy charges would lie under the criminal conspiracy statute (18 U.S.C. §371).

4. Commodities or technical data which have been, are being or are intended to be, exported or shipped from the United States in violation of the Act or any Regulation (including those Regulations described above) are subject to seizure and forfeiture. Thus, if any U.S. supplier attempts to export illegally, his goods may be seized and forfeited and, in addition, he may be subject to separate administrative or criminal sanctions.

NSC/S PROFILE

CONFIDENTIAL

ID 8205559

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURES  
11/23/15 COB

RECEIVED 09 AUG 82 17

TO CLARK

FROM BAILEY

DOCDATE 09 AUG 82

KEYWORDS: SANCTIONS

EXPORT CONTROLS

USSR

LEGAL ISSUES

SUBJECT: UNGER - ROBINSON PAPER RE LEGAL CONSIDERATIONS PRESENTED BY SOVIET PIPELINE EXPORT CONTROLS

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

ROBINSON

NAU

PIPES

RENTSCHLER

COMMENTS

REF# LOG NSCIFID ( N / )

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	8/12	Noted by Poindexter w/comment		
Kimmett	8/12	For comment	8/13	NB
Clark	x 8/12	for information		NB
	8/17	Clark noted		NB, RK

PATCH

W/ATTCH FILE PA



~~SECRET~~

WHITE HOUSE SITUATION ROOM

46

PAGE 01 SECSTATE WASHDC 5284 DTG: 120036Z AUG 82 PSN: 042340  
SIT126 DATE 10/12/82 TOR: 224/0207Z

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SIT: MCF WHLR JP VP EOB  
EOB:  
WHSR COMMENT:

SECSTATE WASHDC 5284

DTG: 120036Z AUG 82 PSN: 042340

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

**DECLASSIFIED**  
**NLRR 748-23-210-9**  
**BY KDB NARA DATE 11/23/15**

IMMEDIATE  
DE RUEHC #5284 2240038  
O 120036Z AUG 82 ZFF4  
FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE 7037

SECRET STATE 225284  
NODIS  
FOR AMBASSADOR FROM DEPUTY SECRETARY STOESEL  
E-O. 12356: DECL: OADR  
TAGS: PEPR, US, UR, LE, IS  
SUBJECT: POSSIBLE US-USSR DISCUSSION ON THE  
- - - MIDDLE EAST

REF: MOSCOW 9554

1. ~~(S - ENTIRE TEXT)~~

2. IF THE PRESENT NEGOTIATIONS REACH FRUITION, WE PLAN TO SEND THE EMBASSY INSTRUCTIONS -- ESPECIALLY TAILORED FOR YOUR USE -- FOR AN APPROACH TO THE SOVIETS IN WHICH WE WOULD EXPLAIN THE PROVISIONS OF THE AGREEMENT AND PROVIDE INFORMATION REGARDING THE MULTINATIONAL FORCE THAT WOULD BE INVOLVED IN ITS IMPLEMENTATION. THIS WILL GIVE THE EMBASSY THE OPPORTUNITY FOR A GENERAL DISCUSSION WITH THE SOVIETS, AS SUGGESTED IN YOUR MESSAGE.

2. AT THE SAME TIME, WE WOULD NOT WANT TO GET INTO A MORE EXTENDED EXCHANGE WITH THE SOVIETS UNTIL A SETTLEMENT IS FIRMLY WITHIN OUR GRASP AND WE CAN SPEAK

MESSAGE (CONTINUED):

WITH CONFIDENCE ABOUT THE SUCCESSFUL IMPLEMENTATION OF THE HABIB PROPOSALS -- WHICH WILL TAKE SEVERAL WEEKS FOLLOWING THEIR ACTUAL ACCEPTANCE BY ALL THE PARTIES. WE EVENTUALLY MAY WISH TO MAKE A FULLER PRE-

SENTATION IN WASHINGTON AS WELL AS MOSCOW, OR AT THE UNGA. WE WILL BE BACK IN TOUCH WITH YOU, OF COURSE, AS THE SITUATION IN THE REGION BECOMES CLEARER.

4. WITH REGARD TO TIMING, WE CANNOT OF COURSE SAY FOR CERTAIN THAT AN AGREEMENT WILL BE CONCLUDED BEFORE YOUR PLANNED AUGUST 18 DEPARTURE. GIVEN THE RELATIVELY LIMITED BRIEF WE HAVE IN MIND FOR AN INITIAL APPROACH TO THE SOVIETS, HOWEVER, WE RECOMMEND THAT YOU TAKE YOUR VACATION AS PLANNED, SO THAT YOU WILL BE BACK IN MOSCOW IN SEPTEMBER WHEN A MORE EXTENDED EXCHANGE MAY BE

~~SECRET~~

## MEMORANDUM

## NATIONAL SECURITY COUNCIL

INFORMATION

August 12, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM:

HENRY NAU *HN*

WPC HAS SEEN

SEP 0 9 1982

SUBJECT:

U.S. Leading Trade Partner of USSR?

You asked on the attached (Tab A) Situation Room Note whether the U.S. had indeed become the leading Western trading partner of the USSR. The evidence is not completely one-sided, but does show a trend of growing U.S. exports to the Soviet Union, coupled with a trend of declining allied exports. In the first quarter of 1982, the U.S. did indeed emerge as the leading exporter to the Soviet Union, with Japan second and West Germany third. (The numbers treat total industrial and agricultural exports which provide the coveted domestic orders and jobs sought after in international trade)

Soviet total imports from (\$billion)	1980	1981	1st Q 1982	(1st Q) (1981 )
West Germany	\$4.6	\$3.8	\$1.04	(\$1.11)
UK	1.5	1.2	.24	( .43)
France	2.3	2.3	.49	( .67)
Italy	1.4	1.4	.41	( .36)
U.S.	2.1	2.3	1.37	( .83)
Japan	2.7	3.1	1.12	( .88)

Attachment

Tab A - Situation Room Note

cc: Richard Pipes  
James Rentschler  
Norman Bailey  
Roger Robinson

# WITHDRAWAL SHEET

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170688	NOTE  SITUATION ROOM NOTE	1	8/3/1982	B1

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Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

305

National Security Council  
The White House

49

Package # 5733

82 / 1 P 2, '6

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>J.P.</u>	
Bud McFarlane	<u>2</u>	<u>m</u>	
Jacque Hill	<u>3</u>		
Judge Clark	<u>4</u>	<u>✓</u>	<u>I</u>
John Poindexter			
Staff Secretary			
Sit Room			

I-Information   
  A-Action   
  R-Retain   
  D-Dispatch   
  N-No further Action

DISTRIBUTION

cc: VP    Meese    Baker    Deaver    Other \_\_\_\_\_

COMMENTS

*Interesting!*

NSC/S PROFILE

~~TOP SECRET/CODEWORD~~

ID 8205733

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ENCLOSURES  
11/23/85 CDD

RECEIVED 13 AUG 82 14

TO CLARK

FROM NAU

DOC DATE 12 AUG 82

KEYWORDS: INTL TRADE USSR  
GERMANY F R FRANCE  
ITALY JAPAN

SUBJECT: IS THE US LEADING TRADE PARTNER OF OF THE USSR

ACTION: FOR INFORMATION DUE: STATUS IX FILES

FOR ACTION	FOR CONCURRENCE	FOR INFO
CLARK		PIPES
		RENTSCHLER
		BAILEY
		<del>MC ROCAFFIGAN</del>
		<i>Robinson</i>

COMMENTS

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	<i>C</i> SEP 09 1982	<i>Clark noted</i>		<i>ANV</i>

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