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**Collection:** Executive Secretariat, National  
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**Folder Title:**

USSR USSR (08/13/1982-08/20/1982)

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# WITHDRAWAL SHEET

## Ronald Reagan Library

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

**Withdrawer**

KDB 11/23/2015

**File Folder** USSR (8/13/82-8/20/82)

**FOIA**

F03-002/5

**Box Number** 23

SKINNER

266

| ID     | Doc Type         | Document Description  | No of Pages                   | Doc Date  | Restrictions |
|--------|------------------|---|-------------------------------|-----------|--------------|
| 170689 | MEMO             | N. BAILEY TO R. MCFARLANE RE<br>SANCTIONS AND EXPORTS                       | 1                             | 8/13/1982 | B1           |
|        | <b>R</b>         | <b>4/8/2013</b>   | <b>CREST NLR-748-23-3-1-8</b> |           |              |
| 170690 | MEMO             | R. ROBINSON TO J. POINDEXTER RE<br>CRITIQUE OF STUDY (INCL.<br>ATTACHMENTS) | 1                             | 8/13/1982 | B1           |
|        | <b>R</b>         | <b>1/13/2012</b>  | <b>CREST NLR-748-23-3-2-7</b> |           |              |
| 170691 | PROFILE<br>SHEET | NSC/S   | 1                             | 8/13/1982 | B1           |
|        | <b>R</b>         | <b>1/13/2012</b>  | <b>CREST NLR-748-23-3-2-7</b> |           |              |
| 170692 | MEMO             | MCFARLANE TO L. EAGLEBURGER   | 1                             | 8/17/1982 | B1           |
|        | <b>R</b>         | <b>4/8/2013</b>   | <b>CREST NLR-748-23-3-3-6</b> |           |              |
| 170693 | MEMO             | W. RAYMOND TO MCFARLANE   | 1                             | 8/11/1982 | B1           |
| 170696 | MEMO             | DRAFT OF DOC #170694, W/EDITS<br>(MCFARLANE TO EAGLEBURGER)                 | 1                             | ND        | 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]

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| 170694 | MEMO          | R. MCFARLANE TO L. EAGLEBURGER  | 1           | ND        | B1           |
| 170695 | MEMO          | SAME AS DOC #170694 (R. MCFARLANE TO L. EAGLEBURGER)                                | 1           | ND        | B1           |
| 170697 | PROFILE SHEET | NSC/S   | 1           | 8/11/1982 | B1           |
| 170698 | MEMO          | W. CLARK TO REAGAN RE ATTACHED REPORT<br><b>PAR 6/3/2012 CREST NLR-748-23-3-5-4</b> | 1           | ND        | B1           |
| 170699 | MEMO          | TO REAGAN ET AL. RE ATTACHED REPORT<br><b>PAR 10/8/2010 CREST NLR-748-23-3-6-3</b>  | 1           | 8/3/1982  | B1           |
| 170701 | REPORT        | MEMORANDUM RE SOVIET SOCIETY<br><b>R 1/13/2012 CREST NLR-748-23-3-6-3</b>           | 9           | ND        | B1           |
| 170702 | MEMO          | R. PIPES TO W. CLARK RE REPORT  | 1           | 8/17/1982 | B1           |

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|--------|----------|----------------------|-------------------------------|-----------|--------------|
| 170700 | REPORT   | COVER SHEET          | 1                             | ND        | B1           |
|        | <b>R</b> | <b>1/13/2012</b>     | <b>CREST NLR-748-23-3-6-3</b> |           |              |
| 170703 | CABLE    | STATE 233975         | 2                             | 8/20/1982 | B1           |
|        | <b>R</b> | <b>4/8/2013</b>      | <b>CREST NLR-748-23-3-8-1</b> |           |              |
| 170704 | CABLE    | MOSCOW 0108          | 1                             | 8/20/1982 | B1           |
|        | <b>R</b> | <b>4/8/2013</b>      | <b>CREST NLR-748-23-3-9-0</b> |           |              |

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MEMORANDUM

5582

NATIONAL SECURITY COUNCIL

August 13, 1982

170689

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DECLASSIFIED

NLRR-748-23-3-1-8

INFORMATION

BY COB

TE 11/23/15

RCM HAS SEEN

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: NORMAN A. BAILEY *NB*

WPC HAS SEEN

SUBJECT: Sanctions and Exports

The Soviet Union has extended the deadline for John Brown Engineering to ship the locally-manufactured turbines (embargoed as of June 22, 1982 because U.S. technology involved) with the G.E.-manufactured rotors (embargoed as of December 29, 1981) to the end of this month. Assuming that John Brown honors this deadline and does not ask for a further postponement (which the Soviets would likely grant), John Brown would thus likely be the first European company to openly violate the sanctions.

As to our planned actions, the Commerce Department has prepared an enforcement package which it is sending over here for our approval. It will also be presented to the SIG-IEP on Monday. Our public line is that we hope that violations do not occur, but we are studying what measures to take if they do.

cc: Robert Sims  
Roger Robinson

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National Security Council  
The White House

306

Package # 5582

2

82 A 13 P 9. 26

|                 | SEQUENCE TO | HAS SEEN          | ACTION   |
|-----------------|-------------|-------------------|----------|
| John Poindexter | <u>1</u>    | <u>[initials]</u> |          |
| Bud McFarlane   | <u>2</u>    | <u>[initials]</u> | <u>I</u> |
| Jacque Hill     | <u>3</u>    |                   |          |
| Judge Clark     | <u>4</u>    |                   | <u>I</u> |
| John Poindexter |             |                   |          |
| Staff Secretary |             |                   |          |
| Sit Room        |             |                   |          |

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

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ID 8205582

UNCLASSIFIED UPON REMOVAL  
OF ALL ENCLAVES(S)  
11/23/15 KDB

RECEIVED 13 AUG 82 19

TO MCFARLANE

FROM BAILEY

DOCDATE 13 AUG 82

KEYWORDS: SANCTIONS

ECONOMICS

GREAT BRITAIN

EXPORT CONTROLS

SUBJECT: PLANNED ACTIONS IF JOHN BROWN ENGINEERING VIOLATES SANCTIONS

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

SIMS

ROBINSON

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W/ATTCH FILE (PA) (CA)

## MEMORANDUM

## NATIONAL SECURITY COUNCIL

August 13, 1982

170690

~~SECRET ATTACHMENTS~~INFORMATION

MEMORANDUM FOR JOHN POINDEXTER

FROM: ROGER W. ROBINSON *RWR*SUBJECT: Critique of CIA Study "Outlook for the  
Siberia-to-Western Europe Natural Gas Pipeline"

NOTED

We are presently coordinating various contributions into a comprehensive critique of the above. A draft of the transmittal memo from the Judge to Director Casey is attached (Tab I) for your reference. On Monday we hope to have a finished package over to the West Wing. The Judge can review it upon his return Tuesday. Also attached (Tab II) are some of my comments which are designed to compliment the work of other participants of our ad hoc committee. I intend to have the President ultimately take credit for this project having been scaled-down by some 30-40% since he came out against the deal publicly at the Ottawa Summit.

## Attachments

Tab I Draft Memo from Clark to Casey  
 Tab II Robinson Memo of August 13

cc: Richard Pipes  
 Norman Bailey

CREST  
 744-73-3-277  
 BY CN NARA DATE 1/13/12

~~SECRET ATTACHMENTS~~



THE WHITE HOUSE

WASHINGTON

~~SECRET~~

MEMORANDUM FOR THE HONORABLE WILLIAM J. CASEY  
The Director of Central Intelligence

SUBJECT: "Outlook for the Siberia-to-Western Europe  
Natural Gas Pipeline"

I have reviewed the recent report by your Directorate of Intelligence entitled "Outlook for the Siberia-to-Western Europe Natural Gas Pipeline" and have several serious concerns about the assessment of its conclusions which do not seem consistent with the available evidence. I therefore instructed members of my staff to develop the attached critique (Tab A) in conjunction with representatives of Defense, Commerce and State. I also understand that this report was not cleared by the Deputy Director for Intelligence prior to its release and would be interested in knowing what kind of clearance procedures it received.

Given the importance of this subject to the President and its significance in terms of the present controversy within the alliance, I recommend that we initiate a Special National Intelligence Estimate in order that the intelligence community can employ its collective judgment concerning this issue.

FOR THE PRESIDENT:

William P. Clark

Attachment  
Tab A Critique

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6

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

~~SECRET~~

August 13, 1982

MEMORANDUM FOR NORMAN A. BAILEY - NSC  
WILLIAM F. MARTIN - NSC  
DONALD GOLDSTEIN - DOD  
MICHAEL MARKS - State  
SCOTT SULLIVAN - Commerce

SUBJECT: Critique of "Outlook for the Siberia-to-Western  
Europe Natural Gas Pipeline"

In the way of background, it is important to include a description of how the Siberian gas pipeline project has evolved since its inception. Included in this analysis should be:

- (1) the original delivery volumes and projected hard currency earnings
- (2) the original financing arrangements, i.e. DM 10 billion for West Germany alone
- (3) a list of the countries initially envisioned as participants in the project
- (4) the respective country dependency percentages which would have been involved had the project proceeded as originally conceived.

There should be a stark comparison drawn between the deal as conceived in July 1981 when the President officially informed the allies at Ottawa of his strong opposition to the project and the deal as it is presently constituted. Some of the explanation for this substantial "scale-down" is the significant and unexpected decline in demand for gas in Europe, but the scale-down could also be attributed to:

- (1) strong U.S. opposition, i.e. perhaps the Belgian case
- (2) efforts by the principal countries and prime contractors to deliberately have the initial deliveries be as small as possible in order to portray the project in its most innocuous form, particularly while the "white lights" of world attention are on the deal. An analysis should be made of how the volumes and resultant earnings could be substantially increased over the life of the project (i.e. second strand -- 40 BCM deliveries, etc.) and also an assessment of the highest bounds of (a) potential earnings for the Soviets as deliveries increase, (b) potential

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West European dependency figures; (c) additional subsidized financing and (d) potentially expanded list of countries receiving Soviet gas.

In addition, the prospects of additional gas-for-pipe compensation transactions led by West Germany should be assessed. The 25 year FRG-USSR Economic Agreement may make clear that Yamal is merely one of a series of pipelines envisioned in the agreement (preceded by Orenburg).

-- The delays and difficulties caused by having to substitute Alstom rotors is understated according to intelligence reports concerning the assessment of John Brown and AEG Kanis executives.

-- Any time dependency figures or earnings figures are cited, they should be accompanied by what those figures could conceivably become over the life of the project with additional compressor capacity, etc.

-- It is somewhat incongruent to attempt to minimize the importance of the Yamal pipeline by viewing it in the context of the other five domestic pipelines envisioned in the current five year plan, none of which presumably earn hard currency (p. 3)

-- The section on Soviet political objectives advanced by the pipeline is weak and confines the increased Soviet leverage to only reducing European willingness to support a U.S. disruption of East-West trade. What about reducing NATO ability to coordinate a unified and firm response to egregious Soviet geopolitical initiatives? What about reducing European willingness to deploy intermediate range nuclear forces? (p. 5)

-- Under "West Europe" interests, why not include the thesis that going forward with the deal is partially designed to appease the Soviet Union rather than using the term "detente"?

-- What about regional dependencies within the FRG? Bavaria, for instance, with 90% dependency on Soviet gas?

-- There is no mention of Soviet hard currency earnings being dedicated to enhancing the USSR defense industries which would, in fact, be the first priority. (p. 4)

-- The estimates of John Brown potential losses are those of the Chairman of John Brown's Board and are accepted at face value. There exists an enormous disparity between our assessment of the potential impact of losing the contracts based on discussions with an executive of John Brown Engineering (JBE) (\$7 million performance bond -- \$44 million in inventory that may be potentially sold elsewhere). We have intelligence reports that the parent company is prepared to down-stream sufficient funds to keep the

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subsidiary afloat and in any event would in no way jeopardize the parent company. These views need to be reconciled.

Roger W. Robinson

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National Security Council  
The White House

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Package # 5741

82 AUG 13 P 8: 17

|                 | SEQUENCE TO | HAS SEEN           | ACTION |
|-----------------|-------------|--------------------|--------|
| John Poindexter | _____       | _____              | _____  |
| Bud McFarlane   | _____       | _____              | _____  |
| Jacque Hill     | _____       | _____              | _____  |
| Judge Clark     | _____       | _____              | _____  |
| John Poindexter | 1           | <i>[Signature]</i> | _____  |
| Staff Secretary | _____       | MW                 | _____  |
| Sit Room        | _____       | _____              | _____  |
| <u>ROBINSON</u> | 2           | _____              | _____  |

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

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COMMENTS

*Good work!*

NSC/S PROFILE

~~SECRET~~

ID 8205741

RECEIVED 13 AUG 82 17

TO POINDEXTER FROM ROBINSON

DOCDATE 13 AUG 82

*170691*

KEYWORDS: EAST WEST ECONOMICS GAS  
USSR INTELLIGENCE

SUBJECT: CRITIQUE OF CIA STUDY - OUTLOOK FOR THE SIBERIA TO WESTERN EUROPE  
GAS PIPELINE

ACTION: FOR INFORMATION DUE: 17 AUG 82 STATUS C FILES PA

FOR ACTION FOR CONCURRENCE FOR INFO  
POINDEXTER

*Background  
CREST  
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BY CN NARA DATE 1/13/12*

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|                    | <i>C 8/16</i> | <i>Noted by Poindexter</i> |     | <i>no</i> |
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DISPATCH \_\_\_\_\_ W/ATTCH FILE *RA* (C) *MB*

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11

THE WHITE HOUSE  
WASHINGTON

5696

170692

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DECLASSIFIED

NLRR 748-23-3-36

August 17, 1982

BY KDB NARA DATE 11/23/15

*Larry*

MEMORANDUM FOR THE HONORABLE LAWRENCE S. EAGLEBURGER  
THE UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS

SUBJECT: Soviet Nationalities (C)

I know of your concern, which I share, over the question of Soviet nationalities. It appears that the concentrated focus that the United States Government directed to this question has faltered during the past year. It seems to me that it would be worthwhile to look at a number of options which could be pursued not only to increase the Community's knowledge on this subject, but also to develop a strategy for dealing with this matter. I believe this can best be done by a reinvigorated working group dealing with Soviet nationalities. While this had been handled directly out of the NSC in the previous administration, I believe that it can and should be most effectively managed by the Department of State. I would encourage you to give your personal attention and support to the reconstitution of an energetic interagency group designed to expand our knowledge and programs in this area. (C)

*Bob*  
Robert C. McFarlane  
Deputy Assistant to the President  
for National Security Affairs

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National Security Council  
The White House

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Package # 5696

82 AUG 12 A 8: 18

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|-----------------|-------------|----------|----------|
| John Poindexter | <u>1</u>    | <u>✓</u> |          |
| Bud McFarlane   | <u>2</u>    | <u>m</u> | <u>A</u> |
| Jacque Hill     |             |          |          |
| Judge Clark     |             |          |          |
| John Poindexter |             |          |          |
| Staff Secretary | <u>3</u>    |          | <u>D</u> |
| Sit Room        |             |          |          |

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

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USSR (8/13/82-8/20/82)

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|-----------|---|------------------------------|-----------------|---------------------------------|
| 170697    | PROFILE SHEET<br><br>NSC/S                          | 1                            | 8/11/1982       | B1                              |

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

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RECEIVED 18 AUG 82 10

TO CLARK

FROM PIPES

DOCDATE 17 AUG 82 18

KEYWORDS: USSR

SUBJECT: VALUABLE INSIGHT INTO SOVIET SOCIETY

ACTION: FWD TO PRES FOR INFO DUE: STATUS C FILES SII

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

RAYMOND

COMMENTS

REF# LOG NSCIFID ( B / B )

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

C 9/8 Pres noted per WPC

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SYSTEM 11  
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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

9/7/71  
19

~~SECRET~~

IN PART

748-23-3-5-4

LCDB

DATE 11/24/15

170698

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK *WPC*

SUBJECT: Valuable Insight into Soviet Society

Issue: [redacted] a survey of the views and attitudes which the Soviet ruling elite (nomenklatura) has of [redacted] society. It is very rare that we obtain such a detailed and authoritative insight into the self-image of the Communist apparatus.

[redacted] 50x1-HUM

[redacted] 50x1-HUM The picture [redacted] 50x1-HUM is very pessimistic:

- There is widespread feeling among the Soviet elite that Soviet society is sick, that the Communist Party has lost prestige, and that things cannot go on the way they are.
- Crime and corruption are rampant and increasing: robberies, muggings and murder have become common, but even more so are bribery and theft of state property in which the militia actively participates. (Even the ex-head of the KGB, Andropov, is not safe as unknown thieves had taken several fur hats from a rack outside his office in the Liubianka.)
- Workers and peasants are dissatisfied with economic conditions and unwilling to work.

[redacted] 50x1-HUM

[redacted] 50x1-HUM pessimistic about the possibility of significant reform after Brezhnev departs and expects a return to Stalinism, which would entail severe repression for theft of state property and dissent, as well as a hard line in foreign policy. These measures may work in the short run, [redacted] 50x1-HUM but not in the long one, and he darkly hints at the possibility of revolution. (There seem to be numerous weapons illegally held by private persons in the USSR.)

Prepared by:  
Richard Pipes

~~SECRET~~

Declassify on: OADR

Central Intelligence Agency



Washington, D. C. 20505

01789

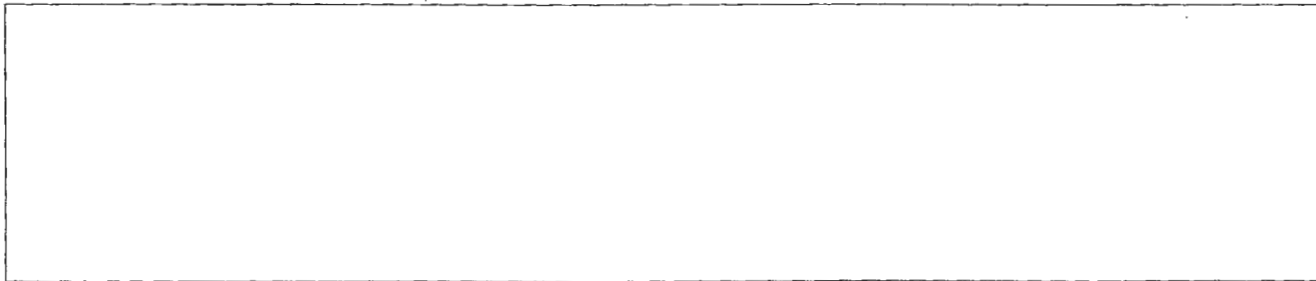
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170699

3 August 1982

MEMORANDUM FOR: The President  
 The Vice President  
 Secretary of State  
 Secretary of Defense  
 Counsellor to the President  
 Chief of Staff to the President  
 Deputy Chief of Staff to the President  
 Assistant to the President for National Security Affairs

SUBJECT : The "Sick" Soviet Society



25X1

2. This report is so rich in detail that to summarize would be to destroy. Hence you have it in its raw form. I believe you will find it worth reading.

*W. J. Casey*  
 William J. Casey  
 Director of Central Intelligence

Attachment

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 NLR/Crest  
 BY CU NARA DATE 1/13/12

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MEMORANDUM

THE MALAISE OF SOVIET SOCIETY

1. In recent years there has been a growing feeling of malaise in most sections and at most levels of Soviet society. People simply no longer believe in the Party. They do not think in terms of problems being overcome by changes in the leadership, but rather that the whole party system has to be done away with. Young people even say as much in the presence of Brezhnev's grandchildren. Only careerists are willing to talk about their faith in the system as if they believe what they are saying.

2. Over the years, the gradual increase in corruption and theft by party officials has encouraged more and more people to see what they can get out of the system for themselves--with ever decreasing concern about the legality of what they are doing. This malaise had been reflected in both the growth and the pattern of Soviet crime. Certain parts of Moscow and other big cities are no longer considered safe after dark. There has been a sharp increase in the number of muggings by teenagers and the number of murders committed in general. The authorities are worried by the fact that the proportion of murders committed without a known motive has now risen to 80 percent.

3. Robberies from private flats used to be virtually unknown in the Soviet Union. Now, however, people are so worried that they install double doors and burglar alarms (wired via the telephone system) in their homes. Despite such precautions the apartments of violinist David Oistrakh and other leading artists have been burglarized, as have those of Ministry of Foreign Affairs (and even KGB) officials. Public concern has been heightened by revelations that some of the militia, which control the burglar alarms, have been working in conjunction with professional thieves.

4. There has also been a steady rise in the number of armed robberies of big stores, jewelry shops, banks and couriers delivering wages to big enterprises. Such robberies are now frequent enough occurrences for them to be mentioned in novels, which they never were before.

5. Nowadays no place seems to be safe from thieving fingers--even the KGB Headquarters in Lubianka. Yuriy Andropov, KGB Chief, would still like to know who stole six fine fur hats belonging to important visitors from the hat stand outside his office in the latter 1970's. (Fearing that more than hats might leave the inner sanctum of the Lubianka unnoticed, Andropov then ordered a high security "screen" to be built around his suite of offices).

6. Despite this malaise there are few, if any, signs that crime has acquired a distinctly political focus. There is little political graffiti to be seen and such armed attacks as there have been on party officials have usually been in the republics. In the short term terrorist attacks are more likely to come from national minorities (e.g. the bombing of the Moscow Metro by three Armenians) than from European Russians themselves.

7. The story of the Soviet leadership's recent efforts to cover up corruption in high places and details of some of the things which have been going on in the militia provide vivid vignettes of the present state of Soviet society.

### THE DISCONTENTED GROUPS

#### INDUSTRIAL WORKERS

8. The serious food shortages in recent years have added to the discontent of the working class with their generally low standard of living, the shortages of consumer goods, the "failures" of the system and the resentment they feel about the privileges enjoyed by senior party officials.

9. The authorities have long felt that alcohol was an essential opiate for the Soviet people in general, and the working class in particular. People are well aware that the authorities make reusable caps for the bottles of vodka which are exported, but not those sold in the home market. Once a Soviet man opens his bottle he is expected to finish it. In 1971 a secret party directive went so far as to recommend that local authorities should open liquor shops close to the entrances of all major plants. At the same time the authorities launched an official campaign against alcoholism. In the recent past much official concern has been expressed about the increase in alcoholism in the Soviet Union, but the authorities have not really tried to combat the problem. Prices have gone up, but supplies are still good and are consumed just as quickly as before.

10. Workers can often be heard saying that they do not care whether they are employed by a capitalist "boss" or the state, so long as the money is good-- and there is something worth buying with it. In the past workers said such things in public when drunk. Now they frequently say them when sober.

11. The more skilled the worker, the less fear he has of voicing his discontent. If the KGB suggests a skilled worker should lose his job because of what he has said, the factory manager and the party secretary are likely to defend him because they cannot replace him easily.

12. Discontent, aggravated by food shortages, has already led to many brief strikes. The two major strikes of 1981 were at Gorkiy and Togliatti. By the spring of 1981 meat and milk shops in Gorkiy had been closed for months. Unrest and tension had been growing. Without warning stoppages broke out one day in several separate parts of the Gorkiy plant. Within a short while the strike had spread and production was at a standstill. The next day the meat and milk shops, miraculously well stocked, reopened.

Production restarted at the plant without delay. There were no arrests and at the time the authorities made no attempts to find strike leaders. The main interest, as usual, was hushing up the matter as quickly as possible.

13. Despite the authorities' efforts a similar pattern of events soon unfolded in the nearby major car plant at Togliatti, Again the workers were bought off with improved food supplies.

14. Efforts to modernize industrial practices have also run into difficulty. At a number of plants the introduction of piece rates has been badly handled. Productivity has usually shot up quickly in response to the incentives of the new system. This has made the authorities think they set the piece rate too high. They think that they will still be able to get much of the increase in production they want even if they pay a lower piece rate. Cuts in piece rates, however, have usually led to strikes. One of the most important of these strikes took place a few years ago at the tractor plant at Volgograd.

#### AGRICULTURAL WORKERS

15. The great majority of agricultural workers want collective farms (the Kolkhoz), in effect to be broken up--at least into small cooperatives, if not independent farms. They argue that only such a reorganization, together with a freer market for their produce, will give them the type of incentives they need to increase their output significantly.

16. Recent regional experiments have shown production can be increased significantly when small groups are allowed to farm land for their own profit (i.e. the Zveno/"Link"/System). The party leadership, however, has rejected the idea that Soviet agriculture should be remodelled on these lines. They are simply terrified by the prospects of people having an independent economic base, free to a large extent from party control.

17. During the past couple of years state help for private plots has increased and price controls have been removed on sales at the officially sanctioned private markets. These changes, however, have only produced a slight improvement in supplies from that sector. Most farmers have found, of course, that they need to sell less to earn the same amount of money. As the choice of goods they can buy is not great, they have little incentive to earn more cash.

18. The food program to 1990, approved by the Central Committee Plenum on 24 May 1982, is unlikely to produce a significant increase in output. There will still be far too much bureaucracy interfering with farming decisions and price incentives will not be great enough for the agricultural workers. In these circumstances the investments planned under the program will neither be very productive, nor will they really overcome some of the main structural problems of Soviet agriculture.

19. One of the key problems of Soviet agriculture stems from the fact that rural life in much of the country is very disagreeable. In European Russia, for example, collective farms are usually unprofitable and rundown.

The majority of young people have drifted to the cities. It will be a long time before conditions improve sufficiently to encourage young people to stay on the farms, let alone bring them back from the cities. After all industry, too, is eager to get more labor.

20. In the Ukraine the situation is somewhat better. Agriculture there has been fairly profitable for many years. This has made it possible to improve the quality of rural life. As a result a good proportion of young people have remained on the land--which in turn has helped production and profitability. But retaining manpower and winning it back are very different matters.

#### THE INTELLIGENTSIA

21. At present the most influential members of the intelligentsia are the writers. Many of them are, in reality, both subtle and profound critics of many aspects of the Soviet system. They not only find ways to criticize the negative side of Soviet society, but they also articulate the discontent of a large number of people against the Soviet system as a whole.

22. Influential writers today tend to be against the party, for less antagonism between classes in Soviet society and for a greater pride in Russian nationalism. The KGB watches such writers closely, but most of their books are still published. The leading members of this group include Vladimir Soloukhin, Valentin Pikul, and Valentin Rasputin, as were Gil Lapatov (who wrote critically about local party officials), Vasili Shukshin and Vladimirmir Vysotsky (the very popular poet/singer) who kept on protesting until their recent deaths.

23. Soloukhin's novel about a peasant who wished to restore a 13th century church conveys well the way these writers get across their message. The peasant in this novel feels so strongly about the importance of saving his village church from delapidation and collapse that he is willing to restore it himself. He gives up drink to save the money to buy the materials he needs to supplement his own building skills. All he wants from the authorities is permission to restore the church (which for him is symbolic of Russia and its historic greatness). No one in the local administration or the local party or the next level up is willing to give him the go ahead. In the end this good peasant, frustrated and enraged, throws away his tools, gets drunk and curses Soviet society.

24. Pikul, in his books, has continued to develop his theme that Russians should be proud of their history. Generally speaking, he argues, Russia had great Tsars, good rulers and good political leaders before the October revolution. This is one of the themes of his book "At the Limit," which dealt with the last period of Tsarism. Suslov was enraged by the fact that Pikul did not even make the slightest reference to the Bolsheviks. But Pikul still writes and his books are published. One way or another he conveys the same message.

25. Among the non-literary intelligentsia Sakharov still commands much respect. His academic standing, his personal history and the fact that he remains in the country tend to override any criticism people may voice about

his links with the West or some of the advice he has given the West (e.g. his call to the West to increase its military strength). In some intellectual circles Sakharov's confinement in Gorkiy is often referred to by the words "Lenin in exile."

26. The dissident movement itself enjoys little public support, even in intellectual circles. The writers referred to above and their supporters feel that the Soviet Union must solve its own problems, in its own way, and in its own good time. The public dissidents are disliked because of their links with the West. Moreover, it is generally felt that these groups (for example, the Helsinki Monitoring Group) are little more than devices which Jews unable to leave the Soviet Union use to further their own cause, not that of "Russia."

#### THE MILITIA (POLICE)

27. The militia is one of the least discontented, yet most disliked, groups in Soviet society. The reason is simple--the militia is doing so well through corruption. These days militiamen are mainly former soldiers from the provinces who have come to Moscow and Leningrad, in particular, in the hope of cashing in on the local corruption. They have become brazen enough to take bribes from almost anyone, even from known KGB officers.

28. The most corrupt group in the militia is the one responsible for investigations into the theft of state property). These militiamen have numerous opportunities to take bribes and to ask for them. They have become deeply involved in the activities they are supposed to be stopping. Corruption in the militia has become such a serious matter that the KGB is trying to persuade the party to let them have the responsibility for investigating theft of state property.

29. The militia is also involved in organized crime, including murder. At the lower end of the scale, the militia is involved in robberies from homes of some of the more prosperous Soviet citizens where they have installed the burglar alarms (via the telephone system). At the other end of the scale, groups of militia have been discovered murdering well-to-do people for their apparel and personal possessions.

30. The most infamous case took place in 1978/80. During that period a number of people had disappeared without trace. The KGB got involved when one of Andropov's senior colleagues (his personal adviser on personnel matters) joined the list of those missing. A massive KGB operation was mounted to discover what had happened to him. After many months the KGB discovered a group of 25 militiamen, headed by a Lieutenant Colonel, which had murdered more than 20 people for their possessions and had then effectively disposed of the bodies. Other similar groups were exposed later.

31. As a result of these exposures and other incidents, relations are now extremely bad between the KGB and the militia. If ever arrested by the militia, KGB officers have instructions to conceal their true function. The reason is that the militia is believed to be so keen to embarrass the KGB that they will even fabricate the evidence if they think they can get away with doing so. A more important reflection of the leadership's view of the militia is that the KGB expects that it will soon be allowed to recruit agents in the militia, something which it has been forbidden to do for many years.



THE KGB

32. Within the KGB there is a strong feeling that "something needs to be done to put this country in order." The KGB is particularly disgruntled by its inability to take effective action against those it believes are undermining "society," particularly dissidents and the party itself. Legally, the KGB has difficulty in stopping the expression of anti-regime sentiments. A man, even in the Soviet Union, is entitled to his personal opinion. He only commits an offense when he tries to encourage others to pursue anti-Soviet activities. Skilled workers are usually protected by their employer and the local party secretary, almost regardless of what the KGB says. The KGB resents having to "caution" dissidents, instead of being able to take executive action against them.

33. The other problems connected with dissidence have also been pre-occupying the KGB. For some years the Soviet authorities have been worried about the use which might be made in periods of social unrest of the sizeable amounts of unauthorized weapons in private hands and the illegal presses used for printing Samizdat.

34. Although the KGB has had some success in collecting weapons, greater quantities of arms continue to be smuggled out of arms factories (e.g. at Tula and Kovrov). Most of these weapons are small arms, but the KGB believes that some heavier items, still in working order, have remained concealed since the second world war, mainly in the western part of the Soviet Union and the Caucasus. Tracking down these weapons has remained one of the KGB's top priorities since the mid 1970's.

35. The KGB has had no difficulty in monitoring the circulation of Samizdat publications and the authorities have not been unduly concerned by the tone of their contents. What has been more disturbing for the KGB (and for the authorities) is the little success it has had in locating the illegal printing presses. The authorities fear that in more troubled times these presses will be used to print inflammatory leaflets, posters, etc.

36. Even more resentment in the KGB is caused by the Party's privileges and the abuse of its powers. Party secretaries at the raikom (district) level and other party employees of that rank and above enjoy extensive privileges, including access to special food shops. Compared to their party colleagues the KGB, the Army and the government, even though they are also party members and hold equally senior positions, only receive small perks.

37. The KGB knows a lot about corruption and straight theft from state enterprises. It has great difficulty, however, in getting charges brought against those concerned for the simple reason that they are protected by their party position or their connections. Rarely is the Party willing to do more than chide the offenders. The Party, KGB officers often say, wants to maintain its isolation from society and protect itself from prying eyes. It also wishes to avoid its laundry being washed in public. Scandal is to be avoided if at all possible.

38. If the KGB acquires incriminating evidence against a party official (or the close relative of a senior party member) it is under strict instructions to take no further action and to report the matter directly to the head of the KGB. During the many years Andropov headed the KGB he claimed that he would deal with the matter "personally" and in his party capacity as a member of the Politburo. It was noticeable that despite the evidence he received rarely did anything ever happen to the accused. Many KGB officers feel that this sense of "discretion" is one of the main reasons Andropov is acceptable to the Party.

#### THE ARMY

39. There is widespread belief among Army officers that the Party has shown itself incapable of running the country--either by Stalinism or through reform. Some middle ranking officers, including lecturers at the General Staff Academy, go so far as to tell friends that sooner or later someone will lead a coup d'etat against the Party. The Army dislikes and resents the Party because of the general state of the country, the Party's involvement in corruption and theft and because party officials' privileges are much greater than those enjoyed by Army officers of equal standing.

40. Although the Army wishes to see change, it is generally opposed to the idea of a return to Stalinist policies. One of the main reasons for this is the Army's memories of the purges of the 1930's. The Army, and particularly the GRU (Soviet Military Intelligence), has never forgotten the enthusiasm with which the KGB (then known as the NKVD) had pursued its role as "the armed detachment of the party." Moreover, the Army dislikes what it views as the close symbiotic relationship between the KGB and the Party.

41. For all of the Soviet dislike of the state of affairs in Poland, many Soviet Army officers (including some senior officers) view with a certain interest the role which Premier Wojciech Jaruzelski and the Polish Armed Forces are now playing in the country's affairs.

#### GOVERNMENT OFFICIALS

42. Until a few years ago many of the younger officials believed that it was still possible for the Soviet Union to follow the path of gradual economic reform which in due course would widen the margins of cultural freedom and political debate. Few people still believe such hopes can be realized. Within Soviet society, these younger officials see widespread discontent with the Party from the industrial and agricultural workers, the KGB, the Army and the intellectuals. Moreover, they see a party which seems incapable of overcoming the problems which it faces because it is preoccupied with preserving its own position.

43. In 1920 Lenin had written (in "Left-Wing Communism, an Infantile Disorder") that: "only when the 'lower classes' do not want the old, and the 'upper classes' cannot continue in the old way, can the revolution be victorious." Many of the younger officials are beginning to feel that the Soviet Union is moving closer and closer to such a situation.

#### CONCLUSIONS

44. There is little prospect that after Brezhnev leaves the political scene the Soviet leadership will embark upon a more systematic program of reform.

45. In some respects the Party itself has become one of the discontented sections of Soviet society. It still has its privileges, but it is less sure about how much authority it can command. Economic problems pose the most serious threat to the Party's position.

46. The influence of detente and the general erosion of discipline in Soviet society have led to growing criticism of Soviet institutions and the regime in general. To embark on reform in any circumstances would be to court disaster. In Eastern Europe some experimentation can be tolerated because if the situation gets out of hand there, Soviet troops are on hand to reassert control; if things go wrong in the Soviet Union itself, however, no one will protect the party.

47. Given the tensions within Soviet society a return to a more Stalinist policy is quite possible. Andropov's recent appointment as a party secretary will facilitate such a move, but it is not dependent upon him replacing Brezhnev as general Secretary.

48. If more draconian domestic policies are pursued the main features will probably be:

- A. A propaganda campaign claiming that the Soviet Union is seriously threatened by the West.
- B. Severe penalties for theft of state property and associated corruption (e.g. food destined for state shops is often sold in cooperative shops, with the connivance of the state shops who take cut of the profits).
- C. Tough KGB measures against any form of anti-socialism.

49. Initially, such draconian measures can win the acceptance, even favor of some discontented elements in Soviet society. In the medium and longer term, however, the measures will lose their impact. The main reason for this is that the Soviet people have become more difficult to control individually and there are now so many of them who are discontented. As draconian measures cannot overcome these problems, discontent will build up and an incident could, at some stage, unleash a crisis.

#### A PROBLEM BECOMES A CRISIS

50. Many Soviet people believe that industrial unrest could easily lead to clashes with the police and workers being shot. Bloodshed, in turn, could lead to massive and spontaneous demonstrations against the authorities. Large scale protests could not easily be stopped by the authorities quickly buying off the demonstrators with improved food supplies as happened in Gorkiy and Togliatti in 1981. If demonstrations burst out in several places, the authorities would not be able to provide supplies quickly enough to keep everyone happy.

51. A more serious problem for the authorities, however, is the weakening of the cohesion and discipline of Soviet society which has taken place in recent years. This could make it very difficult for the authorities to regain control of the situation.



52. Faced with widespread demonstrations the Party would have to call in the Army. European conscripts would be most reluctant to fire on other Europeans voicing similar discontents to their own. KGB troops might fire on demonstrators at first, but it is doubtful for how long they would hold the line. The authorities would try, no doubt, to use non-European troops to re-establish order. Given the present structure of the Soviet Army, however, this would not be easy--particularly to move them quickly to the areas where they were needed. The outcome of such clashes would be unpredictable. Bloodshed could soon lead to widespread violence. Faced with social unrest other discontented groups could well turn against the Party--and one of the discontented groups is, after all, the Army. If that happened the Party would have little chance of surviving in its present form.

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| 170702    | MEMO<br><br>R. PIPES TO W. CLARK RE REPORT          | 1                            | 8/17/1982       | B1                              |

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

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National Security Council  
The White House

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| Bud McFarlane                              | <u>2</u>    | <u>m</u>     |                 |
| <del>Jacques Hill</del><br><i>Florence</i> | <u>3</u>    | <u>Pouch</u> | <u>Thursday</u> |
| Judge Clark                                | <u>44</u>   | <u>✓</u>     | <u>GA</u>       |
| John Poindexter                            |             |              |                 |
| Staff Secretary                            |             |              |                 |
| Sit Room                                   |             |              |                 |

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DEX #     

DTG 282227Z Aug 82

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TO/LOCATION/TIME OF RECEIPT

1. RADM JOHN POINDEXTER/SANTA BARBARA 381 TOR: 282241Z

2. MILAIDE FOR THE PRESIDENT/RANCH 38 TOR 282245Z Aug 82

3.     

4.     

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National Security Council  
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| John Poindexter | _____       | _____                          | _____    |
| Bud McFarlane   | _____       | _____                          | _____    |
| Jacque Hill     | _____       | _____                          | _____    |
| Judge Clark     | _____       | _____                          | _____    |
| John Poindexter | 1           | <i>[Handwritten Signature]</i> | _____    |
| Staff Secretary | _____       | _____                          | _____    |
| Sit Room        | _____       | _____                          | _____    |
| <i>→ PIPES</i>  | 2           | _____                          | <i>A</i> |

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

DISTRIBUTION

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

COMMENTS

Adm. Poindexter:

I received the attached on 8/4. I discussed with Manny Rubio and he suggested that I hold for you.

*[Handwritten Signature]*  
Cathy

Do summary for President

ROUTING

| To | Name and Address | Date | Initials |
|----|------------------|------|----------|
| 1  | The President    | 8/04 |          |
| 2  |                  |      |          |
| 3  |                  |      |          |
| 4  |                  |      |          |
| 5  |                  |      |          |
| 6  |                  |      |          |

|  |                |
|--|----------------|
| ACTION                                       | FILE           |
| APPROVAL <input checked="" type="checkbox"/> | INFORMATION    |
| COMMENT                                      | PREPARE REPLY  |
| CONCURRENCE                                  | RECOMMENDATION |
| DIRECT REPLY                                 | RETURN         |
| DISPATCH                                     | SIGNATURE      |

REMARKS:

170700  
~~SECRET~~

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SECURITY CLASSIFICATION

NSC CONTROL NO. 1789

SENSITIVE INTELLIGENCE REPORT

WHEN ACTION IS COMPLETED, PLEASE RETURN DIRECT TO:

NSC INTELLIGENCE DIVISION

DOCUMENT CONTROL

ROOM 300

DECLASSIFIED

OR NUC-748-23-363

CU NARA DATE 1/13/12

~~SECRET~~

SECURITY CLASSIFICATION

~~SECRET~~

WHITE HOUSE SITUATION ROOM

170703 35

PAGE 01 OF 02 SECSTATE WASHDC 3975  
SIT162 DATE 06/20/82

DTG: 200128Z AUG 82 PSN: 053247  
TOR: 232/0532Z

DISTRIBUTION: REPT /001

WHIS ASSIGNED DISTRIBUTION:

SIT: CKLS PIPE KEMP EOB  
EOB:  
WHSR COMMENT: CHECKLIST

**DECLASSIFIED**

NLRR 748-23-3-8-1

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

BY LCB NARA DATE 10/23/05

MESSAGE:

IMMEDIATE  
DE RUEHC #3975 2320300  
O P 200128Z AUG 82  
FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE 0000

INFO AMEMBASSY BEIRUT PRIORITY 0000  
AMEMBASSY DAMASCUS PRIORITY 0000  
AMEMBASSY J DDA PRIORITY 0000  
AMEMBASSY TEL AVIV PRIORITY 0000  
EMCONSUL JERUSALEM PRIORITY 0000  
AMEMBASSY CAIRO PRIORITY 0000  
AMEMBASSY AMMAN PRIORITY 0000  
BT

~~SECRET~~ STATE 233975  
EXBTS

E.O. 12356: OADR 8/19 02 (BURT, RICHARD)  
TAGS: UR, LE, IS, US, PEPR  
SUBJECT: SOVIET DEMARCHE ON ALLEGED ISRAELI INTENTION  
TO MASSACRE PLO DURING WITHDRAWAL FROM LEBANON (S)

1. (SECRET) - ENTIRE TEXT.

2. SOVIET CHARGE BESSMERTNYKH CALLED ON ASSISTANT SECRETARY-DESIGNATE BURT AUGUST 19, ON INSTRUCTIONS FROM MOSCOW, TO DELIVER AN "URGENT" MESSAGE FOR THE SECRETARY'S ATTENTION ON THE LEBANON SITUATION. THE MESSAGE WAS AN AIDE MEMOIRE, JUST RECEIVED FROM MOSCOW, CLAIMING THE USSR HAD INFORMATION THAT ISRAEL INTENDED TO TAKE ADVANTAGE OF THE PLO WITHDRAWAL FROM LEBANON TO

MESSAGE (CONTINUED):

"MASSACRE" THE PLO (FULL TEXT OF SOVIET PAPER BELOW).

3. IN RESPONSE TO BURT'S QUESTION, BESSMERTNYKH SAID HE DID NOT KNOW WHAT THE SOURCE OF THIS INFORMATION WAS, AND COULD ONLY SAY IT WAS RELIABLE ENOUGH TO RAISE OFFICIALLY WITH THE U.S. GOVERNMENT. (WE HAVE NO INFORMATION THAT WOULD CORROBORATE THIS SOVIET REPORT.)

4. NEA DEP. ASST. SEC. SCHNEIDER, WHO ALSO SAT IN, EXPLAINED TO BESSMERTNYKH THAT THE WITHDRAWAL PLAN HAD BEEN CAREFULLY NEGOTIATED WITH ALL CONCERNED PARTIES AND HAD BEEN APPROVED BY THE GOVERNMENT OF ISRAEL. THE PLAN PROVIDED FOR THE SAFETY OF THE PLO, AND WE HAD EVERY CONFIDENCE ISRAEL WOULD ABIDE BY ITS TERMS.

BESSMERTNYKH SAID HE WAS ENCOURAGED TO HEAR THIS BUT STILL HOPED THE U.S. SIDE WOULD TAKE DUE NOTE OF HIS MESSAGE.

5. BURT ADDED THAT WE HAD CAREFULLY STUDIED THE SEVERAL MESSAGES BREZHNEV HAD ADDRESSED TO PRESIDENT REAGAN, AND THE U.S. HAD MADE CLEAR FROM THE OUTSET THAT OUR SOLE CONCERN WAS TO RESTORE PEACE IN THE REGION AND TO ASSIST WITH THE RECONSTRUCTION OF THE GOVERNMENT OF LEBANON. BESSMERTNYKH NOTED THAT IN THAT SENSE THE U.S. AND THE USSR HAD COMMON INTERESTS.

6. COMMENT: THIS DEMARCHE STRIKES US AS A LOW-KEY EFFORT BY THE SOVIETS TO POSE AS PROTECTORS OF THE PLO AND TO PUT THE USSR IN A POSITION TO BLAME THE U.S. SHOULD VIOLENCE ERUPT FROM THE ISRAEL SIDE DURING THE WITHDRAWAL. AND IF THERE IS NO VIOLENCE, THE SOVIETS WILL BE IN A POSITION TO CLAIM AT LEAST SOME OF THE CREDIT. IT IS NOTEWORTHY THAT IN CONTRAST TO BREZHNEV'S JULY 7 LETTER TO THE PRESIDENT, WHICH WARNED AGAINST INTRODUCTION OF U.S. TROOPS, THIS DEMARCHE TACITLY ACCEPTS A U.S. MILITARY ROLE IN THE WITHDRAWAL. IT IS ALSO NOTEWORTHY THAT THE SOVIET ROLE IN MIDDLE EAST EVENTS HAS BEEN REDUCED TO SUCH FEEBLE DEMARCHES TO THE UNITED STATES.

SECSTATE WASHDC 3975 DTG: 200128Z AUG 82 PSN: 053247  
MESSAGE (CONTINUED):

7. TEXT OF SOVIET "NON-PAPER" FOLLOWS:

BEGIN TEXT:

THE U.S. SIDE IS WELL AWARE OF THE SOVIET VIEW ON THE SITUATION IN WEST BEIRUT AND AROUND IT, WHICH RESULTED FROM ISRAEL'S AGGRESSION. THAT VIEW STANDS UNCHANGED.

AT THIS TIME IT IS CONSIDERED NECESSARY IN MOSCOW TO URGENTLY DRAW THE ATTENTION OF THE U.S. LEADERSHIP TO THE FOLLOWING SPECIFIC ISSUE.

IN CONNECTION WITH THE UNDERSTANDING REACHED ON THE TERMS OF THE WITHDRAWAL OF PALESTINIAN UNITS FROM WEST BEIRUT IT IS SAID THAT THE PHYSICAL SECURITY OF PALESTINIANS IS GUARANTEED BY THE UNITED STATES.

AT THE SAME TIME THERE IS INFORMATION THAT ISRAEL INTENDS TO TAKE ADVANTAGE OF THE WITHDRAWAL OF PALESTINIANS FROM WEST BEIRUT IN ORDER TO MASSACRE THEM, FIRST OF ALL THE PLO LEADERSHIP, PRESENTING IT AFTERWARDS AS IF IT HAD HAPPENED AS A RESULT OF "UNAUTHORIZED" ACTIONS BY SOME ISRAELI TROOPS. CONCERN RAISED BY THIS INFORMATION IS ALL THE MORE JUSTIFIED SINCE THE ENTIRE MODE OF ACTION OF TEL AVIV SO FAR GIVES SERIOUS GROUND FOR RECKONING WITH A REAL POSSIBILITY OF SUCH DEVELOPMENTS.

INFORMING THE U.S. SIDE ABOUT THAT THE SOVIET LEADERSHIP AND L. I. BREZHNEV PERSONALLY PROCEED FROM THE PREMISE THAT IT SHOULD BE CLEAR TO THE U.S. GOVERNMENT AND TO PRESIDENT REAGAN WHAT CONSEQUENCES SUCH A PERFDIOUS ACT ON OF ISRAEL WOULD HAVE, SHOULD IT BE TAKEN, AND WHAT RESPONSIBILITY FOR THAT WOULD REST ON THE UNITED STATES AS WELL, SHOULD IT FAIL TO PREVENT IT.

END TEXT.

MINIMIZE BEIRUT AND DAMASCUS CONSIDERED. SHULTZ

~~SECRET~~

~~SECRET~~

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WHITE HOUSE SITUATION ROOM

PAGE 02 OF 02 SECSTATE WASHDC 3975

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SECSTATE WASHDC 3975

DTG: 200128Z AUG 82 PSN: 053247

~~SECRET~~



~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

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170704

PAGE 01 MOSCOW 0108 DTG: 201429Z AUG 82 PSN: 054037  
SIT137 DATE 08/20/82 TOR: 232/1714Z

TO EXTEND.

DISTRIBUTION: REPT /001

6. EMBASSY WILL POUCH ORIGINAL OF SOVIET NOTE TO  
EUR/SOV ASAP. ZIMMERMANN

WHTS ASSIGNED DISTRIBUTION:

SIT: RDTG  
EOB:  
WHSR COMMENT: RED TAG

**DECLASSIFIED**

MESSAGE ANNOTATIONS:

NLRR 748 23-3-9-0

MOSCOW 0108

DTG: 201429Z AUG 82 PSN: 054037

NO MESSAGE ANNOTATIONS

BY 603 NARA DATE 11/23/85

MESSAGE:

IMMEDIATE  
DE RUEHMO #0108 2321429  
O 201429Z AUG 82  
FM AMEMBASSY MOSCOW

TO DECSTATE ASHDC IMMEDIATE 7849

~~CONFIDENTIAL~~ MOSCOW 0108  
EXDIS

PASS AGRICULTURE FOR SECRETARY BLOCK, UNDER SECRETARY  
LOEWICH, FAS SMITHKOVOTNY  
E.O. 1.1956: DECL: UNDR  
TAGS: EAGR, ECON, ECMS, US, UR  
SUBJECT: SOVIET ACCEPT GRAIN AGREEMENT EXTENSION

REF: MOSCOW 9393

1. ~~C~~ ENTIRE TEXT.
  2. USA DEPARTMENT DEPUTY CHIEF VIKTOR ISAKOV CALLED  
IN ACTING DCM LATE AFTERNOON AUGUST 20 TO CONVEY  
SOVIET ACCEPTANCE OF U.S. AUGUST 4 PROPOSAL FOR ONE-YEAR  
EXTENSION OF LONG TERM GRAIN AGREEMENT.
  3. DURING COURSE OF BRIEF EXCHANGE, ISAKOV HANDED  
OVER NOTE WHICH, AFTER QUOTING RELEVANT PASSAGES OF  
EMBASSY'S AUGUST 4 NOTE, (REFTEL) STATED: BEGIN TEXT  
(UNOFFICIAL EMBASSY TRANSLATION)  
THE MINISTRY OF FOREIGN AFFAIRS OF THE USSR IS  
INSTRUCTED TO CONVEY AGREEMENT TO THE PROPOSAL OF  
THE EMBASSY OF THE UNITED STATES OF AMERICA AS
- MESSAGE (CONT NUED):
- OUTLINED IN THE EMBASSY'S NOTE. IN THIS FASHION, THE  
NOTE OF THE EMBASSY OF THE UNITED STATES OF AMERICA  
AND THE PRESENT REPLY NOTE SIGNIFY THE FURTHER EXTENSION  
UNTIL SEPTEMBER 30, 1983, OF THE PERIOD OF VALIDITY OF  
THE ABOVE-MENTIONED INTERGOVERNMENTAL AGREEMENT DATED  
OCTOBER 10, 1975. MOSCOW, AUGUST 20, 1982. END TEXT.
4. IN HANDING OVER THE SOVIET NOTE, ISAKOV OBSERVED  
THAT THE SOVIET SIDE WOULD CONSIDER AGREEMENT ON THE  
EXTENSION TO BE EFFECTIVE AS OF AUGUST 20.
  5. ADGM ADVISED ISAKOV HE WOULD IMMEDIATELY REPORT  
SOVIET RESPONSE AND CONFIRMED THAT SOVIETS REGARDED  
THIS EXCHANGE OF NOTES TO CONSTITUTE A BINDING AGREEMENT

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL

August 20, 1982

TO: JOHN POINDEXTER

FROM: NORMAN BAILEY

Please transmit the attached message to Judge Clark ASAP.



MEMORANDUM

NATIONAL SECURITY COUNCIL

August 20, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY

The Dresser matter was taken up this morning, at which time it was announced that Dresser had sent USTR English translations of letters sent among Dresser U.S., Dresser France and the French government concerning the shipment of compressors to the Soviet Union. Originals were not provided. Despite the fact that the Commerce Department has been in touch with Dresser all week, no such copies were sent to the Commerce Department. The argument now is that since Dresser has done everything a court order would ask it to do, there is no point in asking for the court order. The whole matter of enforcement will be taken up at the SIG-IEP meeting Tuesday, August 24.

My comment. It is obvious that Dresser prepared itself in such a way as to try to be immune from judicial enforcement action, besides dealing with the wrong government agency. Also, everything was done by such timing as to be too late to catch the compressors while they were still under Dresser control. There is no question now that the compressors will be shipped. I am not competent to discuss the legal points.

Attachment

Translation of Letter from Dresser France to Sofecoms:

QUOTE

TO: Sofecoms (Packing services)  
170 Bld. Jules Durand  
Le Havre

REF: Compressor for USSR Gas Pipeline

11th August, 1982.

Dear Sirs,

Following the order for storage given to you recently by Mr. Alexandre (and which has not yet been confirmed) we confirm that the equipment in your warehouse in connection with this order (i.e. 3 complete compressor units) is not considered as ready for shipment.

To be more precise, and for all equipment for the above contract, all shipment is forbidden until further instructions are given to you in writing and from the signatory of this letter.

Yours etc. Signed: J. Lery.

UNQUOTE

Translation Received By The President of Dresser France:

QUOTE

Minister of State  
Minister of Research and Industry,  
Paris.

10th August, 1982

Dear Mr. President,

By its 'communiqué' of 21st July, 1982 the French Government made known its decision concerning contracts made by French companies for the construction of the Urengoy gas pipeline: these contracts must be honored and deliveries quoted for 1982 made on time.

This decision has been reached bearing in mind the concern to respect the signature of French companies and their workload.

As a result, the Government wishes that the contract made by your company for the construction of the Urengoy gas pipeline be carried out and that you keep the Government informed of the arrangements you will be making in this respect.

The Government reserves the possibility to take any administrative or statutory measures that its decision may make necessary.

Yours etc. signed Jean-Pierre Chevenement.

UNQUOTE

Translated from the French  
17082 (4)

Minister of State  
Minister of Research & Industry  
101 rue de Grenelle  
75007 PARIS

August 17, 1982

Dear Mr Minister:

We beg to refer to the problems raised by the implementation of the export by our company of pipeline boosters for the construction of the Urenqoy Gas Pipeline.

We have noted the position expressed in your letter of August 10, 1982. We are most desirous of meeting our contractual commitments but we have a serious problem in this respect due to the present circumstances.

Our company, a grand-daughter company of Dresser Industries, Inc., a U.S. company, manufactures pipeline boosters from French material and labor based on technology and data received from the U.S. under a license agreement with Dresser Industries, Inc.

Such technology and data were received prior to December 30, 1981 and prior to the imposition of sanctions by the United States Government on Trade with the Soviet Union. We have thus been in a position to fulfill our contractual obligations until the imposition of the most recent sanctions by the United States Government.

At the present time, three of the pipeline boosters, which were near completion when the recent sanctions were imposed, are ready for shipment.

Naturally, we fully intend to comply with the laws and regulations of France. We however have been advised by counsel that if we were to ship these pipeline boosters under our contract, this would raise serious questions under U.S. law and could in the future place in jeopardy our company's access to the technology licensed to it by Dresser Industries, Inc. Further, we have been advised that neither the communiqué of July 21, 1982 from the French Government nor your letter to us dated August 10, 1982 constitute a binding order of the French Government requiring shipment of the materials.

I would like to assure you that the primary concern of the Management of Dresser France, which has some 1000 people on its payroll - not to mention people on sub-contractors' payrolls - in an area already plagued by unemployment, is to ensure the continued existence of the company and to provide continued employment of as many people as possible both at our Le Havre plant and at our subcontractors' plants. Any action on our part which would result in an inability of our U.S. parent company to continue to supply needed technology would force us to cease all operations in a very short time.

In view of the uncertainty of our position, we have been led to instruct the company in charge of storage in Le Havre harbor not to release the goods for shipment to the U.S.S.R. pending further advice.

Materials for completion of the remaining pipeline boosters scheduled for 1982 and 1983 shipments have been received in our factories and the factories of our suppliers, but manufacturing progress has been halted as a result of the U.S. sanctions.

We have been informed that a Soviet vessel has been dispatched to arrive in Le Havre August 24-27 for the purpose of loading the three completed pipeline boosters mentioned above.

We shall welcome any suggestions you may have regarding possible resolution of this difficult question, and would be honored to meet with you at your convenience to discuss the various aspects of this matter.

Respectfully,

R.E. Tren  
President

Copy of this report sent to  
Richard Dugstad State Department