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**Collection:** Duberstein, Kenneth M.: Files  
**Folder Title:** [Moscow Summit:] Background Book for the Meetings of President Reagan and General Secretary Gorbachev, Moscow, 05/29/1988-06/02/1988 (3)  
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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection:** Duberstein, Kenneth M.: Files:  
Office of the Chief of Staff

**Archivist:** kdb

**OA/Box:** Box 2

**FOIA ID:** F1997-066/7, D. Cohen

**File Folder:** [Moscow Summit:] Background Book for the  
Meetings of President Reagan and General  
Secretary Gorbachev, Moscow, 05/29/1988-  
06/02/1988 (3)

**Date:** 08/24/2004

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
<del>1. report</del>	<del>re US-USSR science and technology exchange, 2p R 10/29/10 F97-066/7 #32</del>	<del>n.d.</del>	<del>B1</del>
<del>2. report</del>	<del>re global climate and environmental change initiative, 1p R " " #33</del>	<del>n.d.</del>	<del>B1</del>
<del>3. report</del>	<del>re embassy management issues, 1p R " " #34</del>	<del>n.d.</del>	<del>B1</del>
<del>4. report</del>	<del>re consulate exchange, 1p R " " #35</del>	<del>n.d.</del>	<del>B1</del>
<del>5. report</del>	<del>re information and media issues, 1p R " " #36</del>	<del>n.d.</del>	<del>B1</del>
<del>6. report</del>	<del>re arctic contacts, 1p R " " #37</del>	<del>n.d.</del>	<del>B1</del>
<del>7. report</del>	<del>re Soviet economic performance, 1p R 3/16/06 NLSF97-066/7 #38</del>	<del>n.d.</del>	<del>B1</del>
<del>8. report</del>	<del>re Soviet international economic initiatives, 3p R 10/29/10 F97-066/7 #39</del>	<del>n.d.</del>	<del>B1</del>
<del>9. report</del>	<del>re US-Soviet trade, 1p R " " #40</del>	<del>n.d.</del>	<del>B1</del>
<del>10. report</del>	<del>re agriculture: long-term grains agreement, 1p R " " #41</del>	<del>n.d.</del>	<del>B1</del>
<del>11. report</del>	<del>re fisheries/whaling, 1p R " " #42</del>	<del>n.d.</del>	<del>B1</del>
<del>12. report</del>	<del>re narcotics trafficking, 1p R " " #43</del>	<del>n.d.</del>	<del>B1</del>
<del>13. report</del>	<del>re Soviet commercial space launch vehicles, 1p R " " #44</del>	<del>n.d.</del>	<del>B1</del>
<del>14. report</del>	<del>re Gorbachev's leadership and the opposition, 1p R " " #45</del>	<del>n.d.</del>	<del>B1</del>
<del>15. report</del>	<del>re Soviet economic performance, 2p R " " #46</del>	<del>n.d.</del>	<del>B1</del>

### RESTRICTIONS

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- 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.

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**Date:** 08/24/2004

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<del>16. report</del>	<del>re Soviet foreign policy trends, 1p R 10/29/10 F97-066/7 #47</del>	<del>n.d.</del>	<del>B1</del>
<del>17. report</del>	<del>re the National Republics, 2p R 10/29/10 F97-066/7 #48</del>	<del>n.d.</del>	<del>B1</del>
<del>18. report</del>	<del>re Soviet military doctrine, 2p R " " " #49</del>	<del>n.d.</del>	<del>B1</del>

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US-USSR SCIENCE AND TECHNOLOGY EXCHANGES

I. HEALTH AND MEDICAL SCIENCE AGREEMENTS

- o HHS delegation in May explored potential in new areas of alcohol/drug abuse; July trip planned to discuss possible cooperation in AIDS, if no new Soviet disinformation.

II. PEACEFUL USES OF ATOMIC ENERGY AGREEMENT

- o Joint Committee Meeting here in May agreed to new accord in nuclear reactor safety, and agreed current Agreement would be extended for 1 year to allow for conclusion of necessary amendments.

III. HOUSING AND OTHER CONSTRUCTION AGREEMENT

- o Proceeding normally; conclusion of new protocol in April with US Army Corps of Engineers will enhance cooperation in construction research in permafrost.

IV. ENVIRONMENTAL PROTECTION AGREEMENT

- o At February Joint Committee Meeting in Moscow EPA's Lee Thomas explored global climate/environmental change and Arctic projects.

V. CIVIL SPACE COOPERATION AGREEMENT

- o Soviets accepted invitation for new space summit initiative calling for modest expansion of space exchanges; new activities also in global climate/environmental change.

VI. WORLD OCEAN AGREEMENT

- o One year renewal agreed at Washington summit to revive cooperation; talks here March 2-4 explored possible projects which could be agreed later this summer.

VII. AGRICULTURE AGREEMENT

- o September meetings in Washington called for revitalization of projects, including Arctic activity, after year of little movement.

VIII. MAGNETIC FUSION

- o US, USSR, Japan and EC began three-year conceptual design in May of fusion test reactor (ITER) under auspices of IAEA.

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IX. ARCTIC CONTACTS AND COOPERATION

- o Expansion of scientific cooperation under existing bilateral agreements and regional arrangements; plans for increased people-to-people contacts between Alaska and Soviet Far East.



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GLOBAL CLIMATE AND ENVIRONMENTAL CHANGE INITIATIVE

I. BACKGROUND

- o US proposed before Washington summit new initiative in global climate and environmental change under bilateral Environmental Agreement and new Space Agreement.
- o Soviets agreed to proposal, and language was inserted in joint summit statement to promote broad international and bilateral cooperation in this increasingly important area.
- o Initiative called specifically for joint studies in areas of mutual concern, such as protection and conservation of stratospheric ozone and for increased data exchanges, as well as a detailed study on the climate of the future.
- o In February EPA Administrator Lee Thomas led a delegation under the Environmental Agreement to Moscow for a Joint Committee Meeting where concrete programs were identified for implementation of the initiative.
- o A Joint Working Group on Earth Sciences under Space Agreement met in Moscow May 10-17 to discuss joint projects for monitoring global climate change from space.
- o Congressional and NGO interest in ozone and global warming issues high. Forty-two Senators and many concerned groups have urged this issue be addressed at Moscow summit.

II. US POSITION

- o New Space Initiative for expanded data and scientist exchanges, as well as exchanges of instrumentation on each other's spacecraft, will make possible new projects in global change area.
- o In response to Washington summit initiative, new joint working group being formed under Environmental Agreement to consider policy strategies.
- o US wants to record progress and call for strengthened cooperation in this important area at Moscow summit.

III. SOVIET POSITION

- o Increased Soviet interest in environmental issues evidenced by creation after summit of new State Committee for Protection of the Environment.

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EMBASSY MANAGEMENT ISSUES

I. EXISTING OFFICE BUILDING (EOB)

- o EOB being thoroughly rehabilitated to be made as secure, safe and habitable as possible.
- o Likely to be in EOB at least 3 to 5 years. Have told Soviets we may use it even after we move into new chancery.
- o New secure communications center began operations in March.
- o New heating and fire safety systems to be fully operational by October.
- o EOB project scheduled for completion by end of next year.

II. NEW OFFICE BUILDING (NOB)

- o Technical investigation of Soviet bugging will enter new phase this spring with large shipments of NOB masonry back to the US.
- o Major dismantling and rebuilding will be necessary before we can move into NOB.
  - Congressional ban on FY 88 NOB spending except for feasibility survey of deconstruction/reconstruction options.
  - Contract awarded in April; study to be complete in August.
  - Final decision on future of NOB must take results of this technical engineering and security survey into account.
- o Indications are that Soviets are prepared to cooperate and want to get NOB problem behind them.

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KIEV-NEW YORK CONSULATE EXCHANGE

I. ORIGINAL PLANS FOR KIEV STILL ON HOLD

- o For the foreseeable future, commitments in Moscow preclude costly and complex project required to make Kiev consulate building secure, permanent facility for classified use.
- o At same time, reasons for wanting people on the ground in Kiev are more compelling than ever.
  - Monitoring changes in the Soviet Union is one of Foreign Service's highest reporting priorities.
- o A window of opportunity now exists to open a third listening post in the Soviet Union.

II. NEW APPROACH

- o Secretary Shultz has approved concept of 5-6 person post in Kiev without classified communications or document storage.
  - With this pared-down approach, much of security superstructure required in Moscow will be unnecessary, keeping costs and reconstruction to a minimum.
  - Classified reporting can still be done from Moscow during regular trips to the Embassy.
- o Provision in State's FY 88-89 authorization would ban any new Soviet consulate in US until we have "permanent, secure" facilities in Kiev, but consultations show Congress is inclined to support new, lean concept.
- o Secretary Shultz raised concept with Soviets at Geneva ministerial.
  - They accept idea of starting with smaller post;
  - They strongly object to our condition that they must rent office space in New York rather than use the permanent consulate building they own.
- o Condition that they not use that building is necessary for reciprocity and to meet Congressional concerns.
- o We will hold working level meetings to seek approach acceptable to both sides.

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BY RW NARA DATE 12/29/10



## INFORMATION AND MEDIA ISSUES - DISINFORMATION

### I. US GOALS

- o Media Reciprocity: Increase Soviet public's exposure to American values, policies, officials, through Soviet print and electronic media.
- o Free Flow of Information: Increase availability of American periodicals and newspapers to the Soviet public.
- o Disinformation: End to Soviet disinformation campaigns directed against the US.
- o Jamming: End to Soviet jamming of all VOA language service broadcasts, as well as Radio Liberty, Radio Free Europe, and other Western radios.

### II. US-SOVIET INFORMATION TALKS

- o At Washington summit, USIA Director Wick proposed, Gorbachev accepted, idea of regular meetings of officials and media experts to promote freer exchange of views on information issues.
- o First round of Information Talks held between Wick and Novosti Chairman Falin April 20-22 in Washington.
  - Talks unprecedented in level, comprehensiveness of representation: US delegation included private media as well as government officials; Soviet side included state, party and media officials.
  - Both sides agreed talks were useful, should continue. No new dates set.

### III. DISINFORMATION

- o At December summit, Gorbachev informed Director Wick he had given instructions that Soviet disinformation should end.
- o Soviet charges that US is responsible for creating the AIDS virus have dropped off markedly. Soviet media have repeatedly acknowledged the natural origins of AIDS.
- o However, Soviets continue to disseminate false charges that the US is involved in creation of an "ethnic weapon," and to publish virulent anti-US tracts such as Army of the Night accusing the CIA of such "crimes" as the assassination of Olof Palme, Indira Gandhi and the attempted assassination of the Pope.

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ARCTIC CONTACTS AND COOPERATION

I. BACKGROUND

- o President and Gorbachev agreed at Washington summit to encourage expanded contacts and cooperation on issues relating to the Arctic.
- o They also expressed support for the development of bilateral and regional cooperation, including coordination of scientific research and protection of the region's environment.
- o Agreement has since been reached on expanding Arctic cooperation under Environmental and World Ocean Agreements, as well as other bilateral agreements.
- o Stockholm scientific conference on Arctic came close to agreement on creation of International Arctic Scientific Committee.
- o US has rejected Soviet attempt to insert unacceptable Murmansk security proposals under rubric of Arctic initiative.
- o Possibilities for expansion of cultural, people-to-people, and humanitarian contacts between Alaska and Soviet Far East currently being pursued, including airflights and cruise ship visits.
- o Alaskan Congressional delegation and Governor interested in summit mention of expanded Alaskan-Soviet contacts.

II. US POSITION

- o US unwilling to pursue new bilateral "Arctic initiative" with Soviets where security issues could be inserted into dialogue.
- o Will continue to coordinate closely with allies and other Arctic partners on approaches to both bilateral and regional cooperation.

III. SOVIET POSITION

- o Gorbachev Murmansk speech of October 1987 an attempt to give momentum to unacceptable Soviet regional security proposals, take credit for ongoing multilateral cooperation.
- o Giving modest response of governments to Murmansk, Soviets pushing Arctic proposals through parliamentary contacts.

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US-SOVIET ECONOMIC ISSUES

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White House Guidelines, August 23, 1997

By CBIS NARA Date 9/16/04

US-SOVIET ECONOMIC ISSUES

1. Soviet Economic Performance
2. Soviet International Economic Initiatives
3. US-Soviet Trade
4. Agriculture: Long Term Grains Agreement (LTA)
5. Fisheries/Whaling
6. US-USSR Cooperation Against Narcotics Trafficking
7. Soviet Commercial Space Launch Vehicles

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SOVIET ECONOMIC PERFORMANCE

- o Economic turmoil slowed growth in 1987. GNP (preliminary CIA estimate) rose only 0.5%, less than the pre-Gorbachev average and far below the strong 3.9% pace of 1986. Turmoil resulted from harsh winter weather, new inspection procedures for industrial output, new managerial and financial arrangements, and massive industrial retooling.
- o Industrial performance was poor. Overall output rose about 1.5%, versus 2.5% in 1986. Energy sector did well, but output of other basic materials slowed. Machine-building sector -- top-priority focus of Gorbachev's modernization drive -- was far below plan in both quantity and quality.
- o Agricultural performance was mixed. Good forage crop and 211-million-ton grain harvest boosted meat, milk and egg output to new records. Fruit, vegetable, and cotton crops declined. Overall output fell 3% from record 1986 level.
- o Soviet consumers have little to cheer about. Growth in state retail sales fell short of the 3.5% annual average for 1981-1986, partly due to drastic reduction in legal vodka sales. Stagnant living standards discourage public support for economic reform. Soviet leaders are trying to improve supply and distribution of food and durable goods, and promising more attention to consumers this year. Nascent coop sector is still too small to have an impact.
- o Soviet trade balance improved but along traditional lines. Hard currency trade surplus doubled to \$4.6 billion in 1987. Nominal earnings rose 10% thanks to higher value and volume of oil exports and continued arms sales (on credit) to Third World. Spending was level in current dollars but bought about 15% less in real terms: industrial imports fell sharply. Soviet gross external debt rose about \$5.0 billion in 1987 compared to \$7.2 billion increase in 1986.
- o Annual plan for 1988 keeps targets unrealistically high: GNP and industrial output are to rise 4% and 4.5% respectively over planned, but unachieved, 1987 levels. Such targets fit the 1986-1990 Five Year Plan mold, but don't allow for the inevitable disruptions of implementing the comprehensive economic reform program announced in 1987. June Party Congress may debate the trade-off between short-term growth and long-term reform.

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BY: AL, NARA, DATE 5/16/06



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SOVIET INTERNATIONAL ECONOMIC INITIATIVES

- o Designed to assert international economic role commensurate with superpower status, give Moscow more say in development of international economic system, buttress domestic reforms, improve the balance of payments, and reduce technological lag.

I. GATT/IMF MEMBERSHIP

- o Stated goal is to participate in formulation of international trade and finance policy, expand trade, acquire experience for possible eventual full membership.
- o Soviet bid for GATT observer status in 1986 failed as most GATT members reacted negatively. But Soviet interest in participation persists, ranks high on their agenda with us.
- o The US strongly opposes Soviet participation in GATT or IMF:
  - Soviet centralized economy and non-market trade system are incompatible with market-oriented philosophy.
  - Without substantial changes in Soviet economic and trade systems, Soviet participation offers little to GATT or IMF members. The Soviets could not fulfill membership commitments.
  - Some changes pursued by Gorbachev suggest Soviet practices might eventually move in direction of greater compatibility with GATT norms. But it is too soon to draw any conclusions: we should await outcome of these changes.
  - We also share concern of other GATT and IMF members that Soviet participation could politicize and undermine efficacy of key economic forums.

II. FOREIGN TRADE SECTOR REORGANIZATION

- o Goal is to increase and diversify exports, improve access to Western capital and high technology, improve quality and mix of imports from East Europe.
- o In 1986 Foreign Economic Commission (under Council of Ministers) was created to oversee changes and coordinate activities of trade entities; selected ministries and enterprises were given legal right to engage directly in foreign trade. In 1988 Ministry of Foreign Trade was shaken up, pared down, and renamed Ministry of Foreign Economic Relations; many of its traditional trade functions passed directly to branch ministries.

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BY RW NARA DATE 10/29/10

III. JOINT VENTURES WITH WESTERN FIRMS

- o Goal is to tap Western capital and management, marketing, and quality control methods, broaden access to Western technology, increase exports and substitute for imports.
- o Legal framework was promulgated in January 1987. Law has flexibility to tailor regulations to a given project, but restrictions and lack of clarity prompt Western concern over transfer of profits, management control, protection of their legal and commercial rights.
- o Western firms interested but skeptical. Most firms discussing joint ventures with Soviets already do business there. Many see joint ventures as entree into Soviet domestic market, few interested in promoting Soviet exports to compete with their own products in third countries.
  - Soviets have signed about 24 joint venture agreements, of which three with US firms: Combustion Engineering, Occidental Petroleum, and Honeywell. Dozens of others are under discussion, but fruition is the exception.
  - An "American Trade Consortium" (ATC) involving ADM, Chevron, Nabisco, Ford, & Kodak has high-level Soviet attention, is discussing a broad range of projects with counterpart Soviet consortium which could lead to more joint ventures in months ahead. ATC went public during mid-April US/USSR Trade and Economic Council session in Moscow: Soviets applauded, USG kept its distance.
- o To create attractive conditions for Western investment, Soviets are being pressed to reduce barriers against outside world and central political controls over economic decision-makers.
- o USG neither encourages nor discourages joint ventures. Any joint venture must comply with US and COCOM export controls. The commercial and political risk is borne by the private sector.
- o During meeting of US-Soviet Joint Commercial Commission in Moscow April 12-14, Secretary Verity signed a Protocol expanding the 1974 Agreement on Economic, Industrial, and Scientific Cooperation so that it now governs US-USSR joint ventures. This expansion will probably be registered in the Joint Statement.

IV. UNITED NATIONS ACTIVISM

- o Each year since 1985, in context of their proposed "Comprehensive System of International Security", Soviets have won UN General Assembly support for resolutions on "International Economic Security". These advance Soviet and Third World rhetoric along "New International Economic Order" lines.

- o The US opposes such Soviet resolutions as extremely vague, duplicative of the purpose and role of the UN Charter, and wasteful of the UN's scarce time and resources.





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US-SOVIET TRADE

- o Soviets have clear interest in expanding economic ties with the US. Desire to increase bilateral trade and investment indicated by reception of US representatives to Joint Commercial Commission meeting in Mid-April.
- o Soviets showing new interest in Jackson-Vanik. May believe have done enough on emigration to warrant movement on our part. Most Favored Nation (MFN) raised in Verity-Gorbachev meeting at Joint Commercial Commission; Stevenson raised between Shifter and Adamishin.
- o Timing not yet right. Jewish groups are split, no consensus on the Hill. We have said we will respond to pressures for change in Jackson-Vanik, but not initiate.
- o Administration's policy is to favor expansion of peaceful, non-strategic commerce with Soviets within existing legal framework. Substantial increase in trade depends on progress in other areas of political relationship and on emigration.
  - Recent Soviet steps on emigration encouraging, but more needs to be done.
- o Sustained performance on emigration, assurances that practices have changed, not declarations and words are required. Important constituencies in US and Congress must be convinced before Administration will move on Jackson-Vanik waiver.
- o US-Soviet trade small -- less than 1% of total US trade, 2% of Soviet trade. Nevertheless, Soviets want increased economic cooperation, joint ventures with West, US.
- o Tight hard currency, reluctance to borrow, low quality of exports are substantive obstacles to expansion of Soviet trade.
- o MFN may become increasingly important factor for Soviets when/if joint ventures with US firms ever get off ground.

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AGRICULTURE: LONG TERM GRAINS AGREEMENT (LTA)

I. BACKGROUND

- o Two rounds of negotiations on new LTA held, March 19 and May 3-4. Differences over pricing, min/max purchase levels and product mix are main points of contention. Dates for next round not yet set, but probably late June.
- o This year, USDA has offered the Soviets EEPs for 8.75 million metric tons (mmt) of wheat; Soviets have taken up most of it (expected to complete purchases very soon), relatively large amounts of soybeans/meal and about 4 mmt corn.

II. SOVIET VIEWS AND OBJECTIVES

- o Soviets seek guaranteed access to grain supplies at minimum cost while they try to improve own agriculture to eliminate import needs.
- o They are also seeking to tie other trade issues to the LTA, such as port access and imbalances in bilateral trade.
- o Will not purchase US wheat at uncompetitive prices. Recent problems of grain quality/insect infestation now seem resolved, but quality remains an issue.

III. US VIEWS AND OBJECTIVES

- o The US goal is twofold: To promote and stabilize US grain exports; and to exclude non-grain issues from the LTA.

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FISHERIES/WHALING

I. BACKGROUND

- o Dip notes on arrangement for access by US industry to resources in Soviet EEZ signed at February ministerial. Implementing technical annexes being put together.
- o Secretary Verity announced resolution of whaling issue by decertifying on April 14 following exchange of letters with Ambassador Dubinin with assurances that Soviets will adhere to international moratorium on commercial whaling.
- o We are now seeking to complete negotiations on a Comprehensive Fisheries Agreement (CFA) to replace the current Governing International Fisheries Agreement and the February (interim) access agreement. Meetings with Soviet Deputy Minister of Fisheries in Washington in late April went well.  
  
-- We tabled draft CFA and are awaiting Soviet response. More talks begin in Moscow May 18.

II. SOVIET VIEWS AND OBJECTIVES

- o To earn hard currency from fisheries.
- o To ensure access to US fisheries resources.

III. US VIEWS AND OBJECTIVES

- o To maximize access for US fishermen to resources in the Soviet EEZ.

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US-USSR COOPERATION AGAINST NARCOTICS TRAFFICKING

I. BACKGROUND

- o On basis of agreement at December 1987 summit to develop bilateral cooperation to combat international narcotics trafficking, Assistant Secretary Wroblewski led State/DEA delegation to Moscow April 28-29 for initial consultations.
- o Bilateral cooperation to interdict narcotics transiting the USSR from Southeast and Southwest Asia can bolster overall US interdiction efforts. Soviet interest in cooperation reflects their growing concern and openness about domestic drug abuse.
- o Working level cooperation will begin with projected visit of Vienna DEA representative to Moscow in June; next round of government-to-government consultations is projected for Washington later this year, could produce a formal MOU on cooperation.

II. SOVIET VIEWS AND OBJECTIVES

- o Initial consultations indicate Soviets are ready for practical cooperation against trafficking, but also seek broader "framework" agreement covering drug abuse as well.

III. US VIEWS AND OBJECTIVES

- o We seek practical mechanism to gain information about, and to better interdict, narcotics transiting the USSR towards the US. We defer consideration of potential cooperation against drug abuse to existing HHS/Soviet Ministry of Health venue.

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SOVIET COMMERCIAL SPACE LAUNCH VEHICLES

I. SOVIET LAUNCH VEHICLES

- o The Soviets are promoting use of their launch vehicles, particularly the Proton, by US and other commercial satellite industries and by the international satellite communication organizations INTELSAT and INMARSAT.
- o Support for use of Soviet launchers is growing among satellite operators in US, abroad, and in INMARSAT.
  - INMARSAT Director General Lundberg has called Proton financially and commercially attractive, blamed US export controls for preventing INMARSAT's use of it.
  - INMARSAT members increasingly willing to consider using Soviet launchers because they are much cheaper and to avoid politicization of INMARSAT.
  - Space Commerce Corp. (US firm) stated publicly in 1987 that it will seek a license to export a US satellite to the USSR for launch on a Soviet vehicle; has not done so yet.
- o Lack of Western boosters, US refusal to permit US satellite technology to be launched by Soviets, has created a serious backlog of Western satellites waiting for launch.
- o At US initiative, non-use of Soviet launch services will be discussed at COCOM in early June. We seek to formalize and ensure uniform compliance with denial policies.

II. SOVIET VIEWS AND OBJECTIVES

- o Offer heavily subsidized launch services to exploit the backlog of commercial payloads resulting from the Challenger loss and failures of other Western boosters.
- o Enhance image of Soviet space achievements and technology.

III. US VIEWS AND OBJECTIVES

- o US export control laws (the ITAR) require a license for transfer to the USSR of US satellite technology: US policy is to deny such licenses - with no exceptions - for national security, foreign policy and commercial reasons:
  - lack of adequate assurance that US technology can be safeguarded while being processed for a Soviet launch;
  - use of Soviet launchers, if only to meet the current shortage of Western launchers, could leave the US (and the West) dependent on the USSR for access to space.
  - US (and Western) use of Soviet launchers would undermine the commercialization of the nascent US (and international) launch industry.

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SOVIET DEVELOPMENTS

1. Gorbachev's Leadership and the Opposition
2. Prospects for Soviet Economic Reform
3. Soviet Foreign Policy Trends
4. Unrest in the National Republics
5. Soviet Military Doctrine Debate

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GORBACHEV'S LEADERSHIP AND THE OPPOSITION

I. "SECOND SECRETARY" LIGACHEV AT CENTER OF CONTROVERSY

- o Gorbachev has faced public challenges from both supporters and opponents of reform.
- o Boris Yel'tsin, outspoken reform advocate, was ousted as Moscow party leader last fall.
- o Moscow now swirling with rumors that conservative Yegor. Ligachev will be removed from Politburo or moved to ceremonial position.
- o Either would be major victory for Gorbachev.
- o Ligachev has long been a rallying point for opponents of change.
- o In March Ligachev reportedly approved publishing a letter sharply critical of reform in a Soviet newspaper.
- o Gorbachev and his allies responded with an authoritative Politburo statement in Pravda.
  - It reasserted Gorbachev's central theme that economic reform is impossible without greater openness and more democratic decision-making.
- o Officially, the Soviets deny that there is a rift between Gorbachev and Ligachev, and Ligachev continues to appear next to Gorbachev in public ceremonies.

II. JUNE PARTY CONFERENCE COULD BE IMPORTANT MILESTONE

- o Provides an opportunity to review party rules and make personnel changes
- o Letters in Soviet press have called for consideration of a maximum of two five-year terms and a mandatory retirement age for party officials.
- o While Gorbachev has support of intelligentsia, main opposition to him comes from members of vast party apparatus who feel threatened by reforms.
- o Attitude of Soviet working class is difficult to judge, but many workers appear skeptical, fearing sacrifices and thus far seeing few benefits.

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SOVIET ECONOMIC PERFORMANCE

I. ECONOMIC REVITALIZATION

- o The goal: Gorbachev describes revitalization of the Soviet economy as his top priority. The Soviets want to reverse a decade of economic slowdown which has produced a "pre-crisis" stagnation and malaise and threatens to bring the USSR into the 21st century well behind the West.
  - Annual Soviet GNP growth averaged 4% in 1960-1975 but only about 2% between 1975-1985. Soviet GNP was 60% of US GNP in 1975, but declined to 55% by 1985. Gorbachev aims to restore 4% annual growth rates for the current 12th Five Year Plan (1986-90) and to the year 2000.
- o The means: two-track policy of industrial modernization and structural reform.
  - Investment in the machine-building sector is to rise 80% for 1986-90 compared to 1981-85, to retool Soviet industry with more productive capital.
  - Structural reforms embodied in the comprehensive set of laws and decrees approved at the 1987 June Party Plenum are to introduce a streamlined "New Economic Mechanism" by 1991, in time for the next Five Year Plan. Decentralizing measures cover planning, pricing, supply, finance and credit, and reduction of central bureaucracy, but leave basic pillars of Soviet socialism in place.
- o Where things stand on revitalization:
  - The modernization effort has been underway since 1986; open question whether faster retooling is achievable and if so, whether it will really put more modern equipment onto shop floors. Systemic disincentives to innovation persist.
  - Partial structural reforms have been underway since 1985, with specific measures like enterprise self-financing and tougher quality control being gradually applied to specific sectors. Comprehensive structural reform - the application across the economy of the decentralizing measures approved last June - began only in 1988. But crucial, painful price reforms have been put off for later.

II. ECONOMIC PERFORMANCE

- o Where things stand on economic performance:

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- Economic turmoil slowed growth in 1987. GNP rose only 0.5%, less than the pre-Gorbachev average and well below the strong 3.9% pace of 1986.
- It is probably impossible to restructure the economy and boost growth simultaneously. Economic performance in 1987 suggests reform got precedence over growth. But the annual plan for 1988 keeps targets unrealistically high: GNP and industrial output are to rise 4% and 4.5% respectively over planned - but unachieved - 1987 levels.

### III. PROSPECTS

o Prospects: many unanswered questions:

- How will Soviets manage trade-off between reform and short-term growth?
- How will Soviets tackle the toughest reform measures, e.g., the traditional but inefficient "social contract" of consumer goods subsidies and guaranteed employment?
- How will the non-Russian nationalities respond to "decentralization"?
- Does economic reform have enough of an elite and mass constituency to overcome the stiff resistance that remains?

o Prospects: some early answers:

- Ambitious growth targets for 1986-90 Five Year Plan are unlikely to be met; average 2% growth is likely.
- If current disruptions pay off in successful implementation of retooling and reform, growth rates could improve a bit in the 1990s.
- But Gorbachev's reform perpetuates a goal which has stymied Soviet leaders since Stalin: finding a viable non-market alternative to a command economy which both ensures central control and promotes efficiency. This goal will remain elusive, and the Soviet economy will either settle back into familiar patterns, or be pushed to further reform. Upcoming June Party Conference should give signs of which way things are heading.



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SOVIET FOREIGN POLICY TRENDS

I. POLICY OBJECTIVES

- o Gorbachev's primary foreign policy objective has been to improve Soviet image and to achieve stability and predictability in foreign relations in order to create breathing room for domestic reforms.
  - Stress on cooperation with the world community to resolve "global problems."
  - Soviet diplomacy pursues parallel private and public tracks. Soviet play on public opinion abroad has sharply increased, with positive results.
- o Primary focus has continued to be directed toward US-Soviet relations, particularly arms control.
  - Gorbachev has muted the portrayal of an external threat in shifting resources to domestic programs.
  - INF portrayed as reducing US missile threat; an agreement on strategic arms -- both offensive and defensive -- remains the top priority.

II. REGIONAL CONFLICTS

- o At the same time, Gorbachev has devoted more attention to rest of the world, particularly Europe, Middle East, Asia.
  - Soviets have sought to retain close ties to traditional friends and allies like India, Vietnam, Angola, Cuba, Syria.
  - But Moscow has also actively courted improved relationships with countries like China, Indonesia, Egypt, Mexico.
  - Soviets working to revive the prestige of the UN and other international bodies to enhance their own diplomatic leverage at the West's expense.
- o Soviet regional policies under Gorbachev have sought to discourage local adventurism and hold down costs.
  - Clients have been signalled that greater cost accountability will be applied to aid grants.
  - Soviet withdrawal from Afghanistan signals Moscow's intention to limit involvements abroad.
  - In regional dialogue, as elsewhere, Soviets pursue equal status with US as a world power.

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UNREST IN THE NATIONAL REPUBLICS

I. GLASNOST RELEASES ETHNIC TENSIONS

- o Glasnost, perestroika and democratization have brought into the open long-standing tensions in the non-Russian regions of the USSR. Since Gorbachev came to power, protests and demonstrations have become more frequent, larger and encompassed a broader range of issues.
  - This increase actually reflects the new opportunities provided by the regime's greater tolerance of dissent-- rather than a rise in popular anger.
  - Except for those in the Baltic republics, few protest actions could be described as anti-Soviet; in Armenia, for example, protesters carried pictures of Gorbachev and slogans backing his program.
  - In fact, most non-Russians appear to be Gorbachev supporters. There is widespread belief that his program will benefit them and that the available alternatives--particularly Ligachev--would be much worse.

II. ARMENIANS ACHIEVE GOALS

- o Despite the tough stance Moscow adopted in the Nagorno-Karabakh crisis, the Armenians achieved some of their goals, e.g., the survival of the Demirchyan leadership and expanded benefits for Nagorno-Karabakh. Thus, more protests are likely both there and elsewhere in the coming months.
  - Elsewhere in the USSR, other republics have more than three dozen claims analogous to the Armenian one, and similar demonstrations about language, environmental and cultural issues are likely.
  - Some demonstrations are already scheduled: Ukrainian Catholics plan to protest the Moscow-based celebration of the millenium of Christianity in Kievan Rus'; all three Baltic nationalities have a full slate of national anniversaries to commemorate.

III. POPULATION PROBLEMS

- o Such protest actions are not Gorbachev's main national problem; the multinational make-up of the population is.
  - Every policy he adopts has ethnic consequences, and each national group will consequently have its own distinct views on every policy.

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--: Gorbachev has recently established a special commission to prepare "ethnic impact statements" for all policies under consideration; as a result of its deliberations, Gorbachev and the rest of the leadership are likely to proceed more cautiously in many areas.



SOVIET MILITARY DOCTRINE DEBATE

I. REASONABLE SUFFICIENCY

- o Gorbachev has been touting the concept of "reasonable sufficiency" in military affairs since late 1985.
  - Abroad, the theme plays a major role in Soviet peace diplomacy. At home, it has helped to justify compromises in arms control and is seen as part of a debate on whether to shift resources from defense to civilian modernization.
  - "Sufficiency," however, is not a new concept. Both Khrushchev (1960) and Brezhnev (1977) used it, and the military have traditionally described their doctrine as "defensive."
  - Khrushchev's and Brezhnev's earlier invocations of "sufficiency" coincided with the demobilization of over one million troops and the having of defense spending growth, respectively.

II. NO CONSENSUS

- o Given the precedents, the military has naturally been uneasy over the implications of "reasonable sufficiency." The military speaks of a "defensive doctrine." There is no simplistic civilian/military split.
  - Some civilian analysts have praised Khrushchev's manpower cuts and urged similar reductions now; some military spokesmen warn against drastic measures.
- o As yet there is no consensus on the implications of "reasonable sufficiency" or "defensive doctrine" for military operations.
  - While more attention is now paid to defensive operations in Soviet exercises, this is a military response to new NATO doctrines.
  - As such, it preceded Gorbachev's pronouncements on "reasonable sufficiency" and supports the military's traditional emphasis on "active defense."
  - In his meeting in March with Secretary Carlucci, Yazov was vague about the practical impact of "new" doctrine on Soviet forces and operations. He suggested, however, that any reductions in Soviet forces are more likely to come through arms control agreements than through unilateral cutbacks.



- o While the debate continues, the bottom line is that we have seen no reduction of Soviet force posture and indeed it continues to be enhanced, supported by 3% of annual increases in military spending which amounts to 15-17% of Soviet GNP.