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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name MATLOCK, JACK: FILES

Withdrawer

JET 4/6/2005

File Folder MATLOCK CHRON APRIL 1985 (5/6)

FOIA

F06-114/2

Box Number 9

YARHI-MILO

903

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
7311	LETTER	REDRAFT OF LETTER PRESIDENT REAGAN TO GORBACHEV R 11/21/2007 F06-114/2	14	4/29/1985	B1
7312	MEMO	ROBINSON TO MCFARLANE RE BREAKFAST MEETING AT 8:00 AM, SATURDAY APRIL 27, IN SUTATION ROOM ON U.S.-USSR JCC R 10/1/2012 F2006-114/2	4	4/26/1985	B1
7313	TALKING POINTS	TALKING POINTS FOR SATURDAY BREAKFAST BALDRIGE VISIT TO MOSCOW R 10/1/2012 F2006-114/2	2	ND	B1
7314	MEMO	OVERVIEW OF U.S.-USSR TRADE ISSUES FOR JOINT U.S.-USSR COMMERCIAL COMMISSION IN MOSCOW MAY 20-21, 1985 R 10/1/2012 F2006-114/2	13	ND	B1
7315	MEMO	WORKING GROUP (NO PAGE 1) R 10/1/2012 F2006-114/2	7	ND	B1
7316	MEMO	JOINT STATEMENT REGARDING US-USSR TRADE R 10/1/2012 F2006-114/2	1	ND	B1
7317	MEMO	US-USSR TRADE: POLITICAL AND ECONOMIC DETERMINANTS PAR 5/26/2011 F2006-114/2	2	ND	B3

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]
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- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
7318	MEMO	SAME TEXT AS DOC #7312 R 10/1/2012 F2006-114/2	4	4/26/1985	B1
7319	TALKING POINTS	SAME TEXT AS DOC #7313 R 10/1/2012 F2006-114/2	2	ND	B1
7320	MEMO	SAME TEXT AS DOC #7314 R 10/1/2012 F2006-114/2	1	ND	B1
7321	MEMO	SAME TEXT AS DOC #7315 R 10/1/2012 F2006-114/2	7	ND	B1
7322	MEMO	SAME TEXT AS DOC #7316 R 10/1/2012 F2006-114/2	1	4/23/1985	B1
7323	MEMO	SAME TEXT AS DOC #7317 PAR 5/26/2011 F2006-114/2	2	ND	B3

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WASHINGTON

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State Dept fixes
Approved by the Sec
7/29 2

Dear Mr. General Secretary:

As I mentioned in my letter of April 4, delivered by Speaker O'Neill, I have given careful thought to your letter of March 24 and wish to take this opportunity to address the questions you raised and to mention others which I feel deserve your attention. Given the heavy responsibilities we both bear to preserve peace in the world and life on this planet, I am sure that you will agree that we must communicate with each other frankly and openly so that we can understand each other's point of view clearly. I write in that spirit.

I had thought that we agreed on the necessity of improving relations between our countries, and I welcomed your judgment that it is possible to do so. Our countries share an overriding interest in avoiding war between us, and -- as you pointed out -- the immediate task we face is to find a way to provide a political impetus to move these relations in a positive direction.

Unfortunately, certain recent events have begun to cast doubt on the desire of your government to improve relations. In particular, I have in mind the public retraction of ~~the~~ ~~the~~ the commitment made earlier by a responsible Soviet official to take steps to make certain that lethal force is not used against members of the United States Military Liaison Mission in Germany.

DECLASSIFIED
NLS F06-114/2#7311
BY N2J NARA, DATE 11/21/07

Mr. General Secretary, this matter has importance beyond the tragic loss of life which has occurred. It involves fundamental principles which must be observed if we are to narrow our differences and resolve problems in our countries' relations. For this reason, I will give you my views in detail. The principles are those of dealing with each other on the basis of equality and reciprocity. The current Soviet position recognizes neither of these principles.

Now, I can understand that accidents occur in life which do not reflect the intention of political authorities. But when they do, it is the responsibility of the relevant political authorities to take appropriate corrective action.

For decades, members of our respective military liaison missions in Germany operated pursuant to the Huebner-Malinin agreement without a fatal incident. That encouraging record was broken when an unarmed member of our mission was killed by a Soviet soldier. Our military personnel are instructed categorically and in writing (in orders provided to your commander) never to use lethal force against members of the Soviet Military Liaison Mission, regardless of circumstances. Our forces ^{in the Federal Republic of} have never done so, even though Soviet military personnel have been apprehended repeatedly in restricted military areas. In fact, some Soviet officers were discovered in a prohibited area just three days before the fatal shooting of our officer and were escorted courteously and safely from the area.

✓
German

The position which your Government most recently presented to us, therefore, is neither reciprocal in its effect nor does it reflect a willingness to deal as equals. Instead of accepting the responsibility to insure that members of the United States Military Liaison Mission receive the same protection as that we accord members of the Soviet Military Liaison Mission, what we see is the assertion of a "right" to use lethal force under certain circumstances, determined unilaterally by the Soviet side, and in practice by enlisted men in the Soviet armed forces.

Now I will offer no comment on the desirability of allowing subordinate officials -- and indeed even rank-and-file soldiers -- to make decisions which can affect relations between great nations. If you choose to permit this, that is your prerogative. But in that case, your Government cannot escape responsibility for faulty acts of judgment by individuals acting in accord with standing orders.

I hope that you will reconsider the position your Government has taken on this matter, and take steps to see to it that your military personnel guarantee the safety of their American, ^{British + French} counterparts in Germany, just as American ^{British + French} military personnel guarantee the safety of their Soviet colleagues. If your Government is unwilling or unable to abide by even this elementary rule of reciprocity, the conclusion we will be forced to draw will inevitably affect the prospects for settling other

British + French

5

Rubs salt in the wounds

issues. ~~[After all, this is not the first time American lives have been lost as the result of a policy on the Soviet part of using lethal force without determining whether the circumstances justified it. And no agreements will be possible between us if one of the sides insists on preserving unilateral advantages.]~~

✓
✓

Your letter mentioned a number of other important principles, but here too our agreement on the principle should not be allowed to obscure the fact that, in our opinion, the principle cited has not been observed on the Soviet side. For example, I could not agree more with your statement that each social system should prove its advantages not by force, but by peaceful competition, and that all people have the right to go their chosen way without imposition from the outside. But if this is true, what are we to think of Soviet military actions in Afghanistan or of your country's policy of supplying arms to minority elements in other countries which are attempting to impose their will on a nation by force? Can this be considered consistent with that important principle?

Mr. General Secretary, my purpose in pointing this out is not to engage in a debate over questions on which we disagree, but simply to illustrate the fact that agreement on a principle is one thing, and practical efforts to apply it another. Since we seem to agree on many principles, we must devote our main effort to closing the gap between principle and practice.

In this regard, I am pleased to note that we both seem to be in agreement on the desirability of more direct consultation on various regional issues. That is a healthy sign, and I would hope that these consultations can be used to avoid the development of situations which might bring us to dangerous confrontations. I believe we should not be discouraged if, at present, our positions seem far apart. This is to be expected, given our differing interests and the impact of past events. The important thing is to make sure we each have a clear understanding of the other's point of view and act in a manner which does not provoke unintended reaction by the other.

One situation which has had a profoundly negative impact on our relations is the conflict in Afghanistan. Isn't it long overdue to reach a political resolution of this tragic affair? I cannot believe that it is impossible to find a solution which protects the legitimate interests of all parties, that of the Afghan people to live in peace under a government of their own choosing, and that of the Soviet Union to ensure that its southern border is secure. We support the United Nations Secretary General's effort to achieve a negotiated settlement, and would like to see a political solution that will deal equitably with the related issues of withdrawal of your troops to their homeland and guarantees of non-interference. I fear that your present course will only lead to more bloodshed, but I want you to know that I am prepared to work with you to move the region toward peace, if you desire.

Above all, we must see to it that the conflict in Afghanistan does not expand. Pakistan is a trusted ally of the United States and I am sure you recognize the grave danger which would ensue from any political or military threats against that country.

Turning to another of your comments, I must confess that I am perplexed by what you meant by your observation that trust "will not be enhanced if, for example, one were to talk as if in two languages...." Of course, this is true. And, if I am to be candid, I would be compelled to admit that Soviet words and actions do not always seem to us to be speaking the same language. But I know that this is not what you intended to suggest. I also am sure that you did not intend to suggest that expressing our respective philosophies or our views of actions taken by the other is inconsistent with practical efforts to improve the relationship. For, after all, it has been the Party which you head which has always insisted not only on the right but indeed the duty to conduct what it calls an ideological struggle.

However this may be, your remarks highlight the need for us to act so as to bolster confidence rather than to undermine it. In this regard, I must tell you that I found the proposal you made publicly on April 7 -- and particularly the manner in which it was made -- unhelpful. As for the substance of the proposal, I find no significant element in it which we have not made clear in

the past is unacceptable to us. I will not burden this letter with a reiteration of the reasons, since I am certain your experts are well aware of them. I cannot help but wonder what the purpose could have been in presenting a proposal which is, in its essence, not only an old one, but one which was known to provide no basis for serious negotiation. Certainly, it does not foster a climate conducive to finding realistic solutions to difficult questions. Past experience suggests that the best way to solve such issues is to work them out privately.

This brings me to the negotiations which ^{have begun} ~~have now been~~ underway in Geneva, ~~for several weeks~~. They have not made the progress we had hoped. It may now be appropriate to give them the political impetus about which we both have spoken. Let me tell you frankly and directly how I view them.

First, the January agreement by our Foreign Ministers to begin new negotiations was a good one. The problem has not been the terms of reference on the basis of which our negotiators met, even though each side may in some instances interpret the wording of the joint statement somewhat differently in its application to specifics. The problem is, rather, that your negotiators have not yet begun to discuss concretely how we can translate our commitment to a radical reduction of nuclear arsenals into concrete, practical agreements.

Indeed in Geneva, foreign minister Gromyko acknowledged the difficulty of verifying such a ban on research.

A particular obstacle to progress has been the demand by Soviet negotiators that, in effect, the United States agree to ban research on advanced defensive systems before other topics are dealt with seriously. I hope that I have misunderstood the Soviet position on this point, because, if that is the Soviet position, no progress will be possible. For reasons we have explained repeatedly and in detail, we see no way that a ban on research efforts can be verified. Nor do we think such a ban would be in the interest of either of our countries. To hold the negotiations hostage to an impossible demand creates an insurmountable obstacle from the outset. I sincerely hope that this is not your intent, since it cannot be in the interest of either of our countries. In fact, it is inconsistent with your own actions -- with the strategic defense you already deploy around Moscow and with your own major research program in strategic defense.

In this regard, I was struck by the characterization of our Strategic Defense Initiative which you made during your meeting with Speaker O'Neill's delegation -- that this research program has an offensive purpose for an attack on the Soviet Union. I can assure you that you are profoundly mistaken on this point. The truth is precisely the opposite. We believe that it is important to explore the technical feasibility of defensive systems which might ultimately give all of us the means to protect our people more safely than do those we have at present, and to provide the means of moving to the total abolition of

nuclear weapons, an objective on which we are agreed. I must ask you, how are we ever practically to achieve that noble aim if nations have no defense against the uncertainty that all nuclear weapons might not have been removed from world arsenals? Life provides no guarantee against some future madman getting his hands on nuclear weapons, the technology of which is already, unfortunately, far too widely known and knowledge of which cannot be erased from human minds.

This point seems, at one time, to have been clearly understood by the Soviet Government. I note that Foreign Minister Gromyko told the United Nations General Assembly in 1962 that anti-missile defenses could be the key to a successful agreement reducing offensive missiles. They would, he said then, "guard against the eventuality ... of someone deciding to violate the treaty and conceal missiles or combat aircraft." *Not only has your government said that missile defenses are good; you have acted on this belief as well. Not only have you* *↑ ↑ ↑
↑ ↑ ↑
↑ ↑ ↑
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↑ ↑ ↑*
Of course, I recognize that, in theory, the sudden deployment of effective defenses by one side in a strategic environment characterized by large numbers of "first-strike" weapons could be considered as potentially threatening by the other side. Nevertheless, such a theoretical supposition has no basis in reality, at least so far as the United States is concerned. Our scientists tell me that the United States will require some years of further research to determine whether potentially effective defensive systems can be identified which are worthy of consideration for deployment. If some options should at some

deployed an operational ABM system, but you have upgraded it and you are pursuing an active research program.

time in the future be identified, development of them by the United States could occur only following negotiations with other countries, including your own, and following thorough and open policy debates in the United States itself. And if the decision to deploy should be positive, then further years would pass until the systems could actually be deployed. So there is no possibility of a sudden, secretive, destabilizing move by the United States. During the research period our governments will have ample time to ~~reduce~~ ^{phase out} systems which could pose a "first-strike" threat and to develop a common understanding regarding the place of possible new systems in a safer, more stable, arrangement.

If such defensive systems are identified that would not be permitted by the Treaty on the Limitation of Anti-Ballistic Missile Systems, the United States intends to follow the procedures agreed upon at the time the Treaty was negotiated in 1972. In particular, Agreed Statement D attached to that Treaty calls upon the party developing a system based upon other physical principles to consult with the other party pursuant to Article XIII, with a view to working out pertinent limitations which could be adopted by amendment to the Treaty pursuant to Article XIV. I presume that it continues to be the intention of the Soviet Union to abide by Agreed Statement D in the event the long-continuing Soviet program in research on directed energy weapons were to have favorable results.

I hope this discussion will assist you in joining me in a search for practical steps to invigorate the negotiations in Geneva. One approach which I believe holds promise would be for our negotiators on strategic and intermediate-range nuclear systems to intensify their efforts to agree on specific reductions in the numbers of existing and future forces, with particular attention to those each of us find most threatening, while the negotiators dealing with defensive and space weapons concentrate on measures which prevent the erosion of the ABM Treaty and strengthen the role that Treaty can play in preserving stability as we move toward a world without nuclear weapons. Proceeding in this fashion might avoid a fruitless debate on generalities and open the way to concrete, practical solutions which meet the concerns of both sides.

I believe we also should give new attention to other negotiations and discussions underway in the security and arms control field. We know that some progress has been made in the Stockholm Conference toward narrowing our differences. An agreement should be possible this year on the basis of the framework which we have discussed with your predecessors. Specifically, we are willing to consider the Soviet proposal for a declaration reaffirming the principle not to use force, if the Soviet Union is prepared to negotiate agreements which will give concrete new meaning to that principle. Unfortunately, the response of your representatives to this offer has not been encouraging up to now. I hope that we may soon see a more favorable attitude toward this idea and

toward the confidence-building measures that we and our allies have proposed.

One pressing issue of concern to us both is the use of chemical weaponry in the Iran-Iraq war. This situation illustrates the importance of curbing the spread of chemical weapons, and I suggest that it might be useful in the near future for our experts to meet and examine ways in which we might cooperate on this topic. A verifiable complete global ban on these terrible weapons would provide a lasting solution, and I would ask you therefore to give further study to the draft treaty we have advanced in the Conference on Disarmament in Geneva.

Steps to improve our bilateral relationship are also important, not only because of the benefits which agreements in themselves can bring, but also because of the contribution they can make to a more confident working relationship in general.

Several of these issues seem ripe for rapid settlement. For example, we should be able to conclude an agreement on improving safety measures in the North Pacific at an early meeting and move to discussions of civil aviation issues. We are ready to move forward promptly to open our respective consulates in New York and Kiev. Our efforts to negotiate a new exchanges agreement have, after six months, reached the point where only a handful of issues remain to be resolved. But if I had to characterize these remaining issues, I would say that they result from efforts on

our side to raise our sights and look to more, not fewer, exchanges. Shouldn't we try to improve on past practices in this area? I am also hopeful that the meeting of our Joint Commercial Commission in May will succeed in identifying areas in which trade can increase substantially, but it is clear that this is likely to happen only if we succeed in improving the political atmosphere.

Handwritten notes in the right margin: "Hold", "on the", "a/27 m", and other illegible scribbles.

Finally, let me turn to an issue of great importance to me and to all Americans. As the Vice President informed you in Moscow, we believe strongly that strict observance of the Universal Declaration of Human Rights and of the Helsinki Final Act is an important element of our bilateral relationship. Last year we suggested that Ambassador Hartman meet periodically with Deputy Foreign Minister Korniyenko to discuss confidentially how we might achieve greater mutual understanding in this area. I am also prepared to appoint rapporteurs as you suggested to the Vice President, perhaps someone to join Ambassador Hartman in such meetings. Whatever procedures we ultimately establish, I hope we can agree to try, each in accord with his own legal structure, to resolve problems in this area. If we can find a way to eliminate the conditions which give rise to public recrimination, we will have taken a giant step forward in creating an atmosphere conducive to solving many other problems.

I was glad to receive your views on a meeting between the two of us, and agree that major formal agreements are not necessary to

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justify one. I assume that you will get back in touch with me when you are ready to discuss time and place. I am pleased that arrangements have been made for Secretary Shultz to meet Foreign Minister Gromyko in Vienna next month, and hope that they will be able to move us toward solutions of the problems I have mentioned as well as others on the broad agenda before us.

As I stated at the outset, I have written you in candor. I believe that our heavy responsibilities require us to communicate directly and without guile or circumlocution. I hope you will give me your frank view of these questions and call to my attention any others which you consider require our personal involvement. I sincerely hope that we can use this correspondence to provide a new impetus to the whole range of efforts to build confidence and to solve the critical problems which have increased tension between our countries.

Sincerely,

His Excellency
Mikhail Sergeyevich Gorbachev
General Secretary of the Central Committee
of the Communist Party of the Soviet Union
The Kremlin
Moscow

RECEIVED 25 MAR 85 20

TO PRESIDENT

FROM SHULTZ, G

DOCDATE 25 MAR 85

GORBACHEV, MIKHAIL S

24 MAR 85

DECLASSIFIED

White House Guidelines, August 28, 1997

By CAS NARA, Date 6/14/02

KEYWORDS: USSR

ARMS CONTROL

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HS

SUBJECT: GORBACHEV LTR

ACTION: FOR INFORMATION VIA PDB

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FOR CONCURRENCE

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MCFARLANE *Pres*

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THE SECRETARY OF STATE
WASHINGTON

March 25, 1985

~~SECRET/SENSITIVE~~
~~EYES ONLY FOR THE PRESIDENT AND NSC ADVISOR MCFARLANE~~

MEMORANDUM FOR: THE PRESIDENT
FROM: George P. Shultz *GPS*
SUBJECT: Letter from Gorbachev

Soviet Chargé Oleg Sokolov delivered to Rick Burt today the attached letter to you from Gorbachev. Dobrynin had called me earlier with a preview. The tone of the letter tracks closely with Gorbachev's comments to the Vice President and me, and could therefore reflect his personal touch.

I draw your attention in particular to the final paragraphs of the letter, in which Gorbachev says he has a "positive attitude" to the idea of holding a summit. He indicates that it would not be necessary to sign documents at such a meeting, although agreements on issues of mutual interest which had been previously worked out could be "formalized" during the meeting. He defines the main purpose of a meeting as a "search for mutual understanding on the basis of equality and taking account of the legitimate interests of each side." Gorbachev thanks you for your invitation to Washington, but asks that you agree to return to the question of timing and venue for a summit at a later point. The Soviets may be thinking of suggesting a summit in Helsinki in August, on the occasion of the tenth anniversary of the CSCE Final Act. In a meeting last week with Art Hartman, Gromyko pointedly asked for our plans on attendance at Helsinki.

Gorbachev's letter is also notable for its non-polemical tone. In fact, his message seems to be that we should both tone down public rhetoric and do business in a calm way that avoids "deepening our differences" and "whipping up animosity." Predictably, he also stresses the priority he attaches to arms control and my January agreement with Gromyko on the "subject and objectives" for Geneva. Here too he picks up themes he used with George and me in Moscow.

I am holding the text of the letter very closely, and will be sending you a suggested draft response for Gorbachev in the next few days. In answering press inquiries about a Soviet response to your summit invitation, I suggest we reply simply that our two governments are in touch, but that as the media knows, we do not intend to discuss our confidential diplomatic exchanges in public.

Attachment: As stated.

DECLASSIFIED
Authority: *NLSA 99-051 #373 CAS 7/25/0*
BY: *CAS*, NARA, Date: *6/14/02*

His Excellency
Ronald W. REAGAN,
The President of the United States of America,
Washington, D.C.

March 24, 1985

Dear Mr. President:

Let me first of all express gratitude for the sympathy shown by you personally on the occasion of a sad event for the Soviet people - the death of K.U. Chernenko.

We also appreciate the participation in the mourning rites in Moscow of the Vice-President of the United States Mr. George Bush and the Secretary of State Mr. George Shultz. I think that the conversation we had with them was - though it had to be brief - mutually useful and, one might say, even necessary under the current circumstances.

We value the practice of exchanges of views between the leaders of our two countries on the key issues of Soviet-American relations and the international situation as a whole. In this context I attach great importance to the exchange of letters, which has started between the two of us.

First of all I would like to say that we deem improvement of relations between the USSR and USA to be not only extremely necessary, but possible, too. This was the central point that I was making in the conversation with your representatives in Moscow.

For your part, you also expressed yourself in favor of more stable and constructive relations, and we regard this positively. We have also taken note of your words about the new opportunities which are opening up now.

This being the case, the problem, as we understand it, is to give - through joint effort on the level of political leadership - a proper impetus to our relations in the direction the two of us

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Authority NLSF99-051 #324 S.M.E. 10/16/00
BY CJS, NARA, Date 6/4/02

are talking about, to translate into the language of concrete policy the mutually expressed willingness to improve relations, with account taken of the special responsibility borne by our two countries, of the objective fact that the Soviet Union and the United States of America are great powers and that relations between them are of decisive importance for the situation in the world in general.

Our countries are different by their social systems, by the ideologies dominant in them. But we believe that this should not be a reason for animosity. Each social system has a right to life, and it should prove its advantages not by force, not by military means, but on the path of peaceful competition with the other system. And all people have the right to go the way they have chosen themselves, without anybody imposing his will on them from outside, interfering in their internal affairs. We believe that this is the only just and healthy basis for relations among states. For our part, we have always striven to build our relations with the United States, as well as with other countries, precisely in this manner.

Besides, the Soviet leadership is convinced that our two countries have one common interest uniting them beyond any doubt: not to let things come to the outbreak of nuclear war which would inevitably have catastrophic consequences for both sides. And both sides would be well advised to recall this more often in making their policy.

I am convinced that given such approach to the business at hand, on the basis of a reasonable account of the realities of today's world and treating with a due respect the rights and legitimate interests of the other side, we could do quite a bit to benefit the peoples of our countries, as well as the whole world having embarked upon the road of a real improvement of relations.

It appears to us that it is important first of all to start conducting business in such a manner so that both we ourselves and others could see and feel that both countries are not aiming at deepening their differences and whipping up animosity, but, rather, are making their policy looking to the prospect of revitalizing the situation and of peaceful, calm development. This would

help create an atmosphere of greater trust between our countries. It is not an easy task, and I would say, a delicate one. For, trust is an especially sensitive thing, keenly receptive to both deeds and words. It will not be enhanced if, for example, one were to talk as if in two languages: one - for private contacts, and the other, as they say, - for the audience.

The development of relations could well proceed through finding practical solutions to a number of problems of mutual interest. As I understand it, you also speak in favor of such a way.

We believe that this should be done across the entire range of problems, both international and bilateral. Any problem can be solved, of course, only on a mutually acceptable basis, which means finding reasonable compromises, the main criterion being that neither side should claim some special rights for itself or advantages, both on subjects between the two of them and in international affairs.

No matter how important the questions involved in our relation or affecting them in this or that manner might be, the central, priority area is that of security. The negotiations underway in Geneva require the foremost attention of the two of us. Obviously, we will have to turn again and again to the questions under discussion there. At this point I do not intend to comment on what is going on at the talks - they have just started. I shall say, though that some statements which were made and are being made in your country with regard to the talks cannot but cause concern.

I would like you to know and appreciate the seriousness of our approach to the negotiations, our firm desire to work towards positive results there. We will invariably adhere to the agreement on the subject and objectives of these negotiations. The fact that we were able to agree on this in January is already a big achievement and it should be treated with care.

I hope, Mr. President, that you will feel from this letter that the Soviet leadership, including myself personally, intends to act vigorously to find common ways to improving relations between our countries.

I think that it is also clear from my letter that we attach great importance to contacts at the highest level. For this reason I have a positive attitude to the idea you expressed about holding a personal meeting between us. And, it would seem that such a meeting should not necessarily be concluded by signing some major documents. Though agreements on certain issues of mutual interest, if they were worked out by that time, could well be formalized during the meeting.

The main thing is that it should be a meeting to search for mutual understanding on the basis of equality and account of the legitimate interests of each other.

As to a venue for the meeting, I thank you for the invitation to visit Washington. But let us agree that we shall return again to the question of the place and time for the meeting.

Sincerely,

M. GORBACHEV .

NATIONAL SECURITY COUNCIL

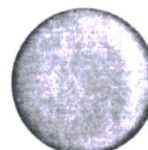
April 26, 1985

~~SECRET~~ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: ROGER W. ROBINSON *RWR*SUBJECT: Breakfast Meeting at 8:00 a.m., Saturday,
April 27, in the Situation Room, on U.S.-
Soviet JCC

DECLASSIFIED

NLRR F06-114/2 # 7312BY KML NARA DATE 10/1/12*Matlock 22*
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Jack Matlock and I have coordinated closely in preparation for your "principals only" Saturday breakfast meeting on the JCC with Shultz, Weinberger, Casey, Regan, Baker and Baldrige. We received the final Commerce paper yesterday afternoon and immediately transmitted it to the designated attendees (attached at Tab III).

The revised Commerce paper has incorporated the comments from the agencies which stemmed from an April 17 IG on JCC preparations (although no agencies cleared the revised paper prior to its distribution by NSC). After a number of positive conversations with Commerce and State over the past week, we reached agreement that the energy-related issues for the JCC be handled identically to the guidelines established in NSDD-155 for the January Economic Working Group meetings. This development represents a significant change from the original intention by Commerce to seek a narrowing of technology controls on U.S. oil and gas equipment. In addition, Jack and I have no problems whatsoever with the revised proposed Joint Statement to be issued in Moscow at the conclusion of the JCC (included in the Commerce paper).

Prior to reviewing the policy positions outlined in the Commerce paper, Jack and I have discussed the issue of whether or not to proceed with a JCC meeting on May 20-21. We share the view that the JCC should be held as scheduled for the following reasons:

-- The U.S. response to the Nicholson affair can be effectively handled through the implementation of measures other than postponement or cancellation of the JCC.

-- Commerce is convinced that any postponement of the JCC would result in its cancellation by the Soviets and thereby unnecessarily estrange a segment of the U.S. business community, some members of which are prominent supporters of the President.

-- The charting of a steady course in U.S.-Soviet relations tends to argue for going forward with the JCC despite setbacks in other areas of the relationship.

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-- The security community's concerns have been accommodated by Commerce in large part due to the tentative atmospherics in U.S.-Soviet relations (CIA report attached at Tab IV).

-- Holding the first JCC meeting in six years offers an area (expanded non-strategic trade) for progress and improved relations that is consistent with the President's broader objectives and partially offsets the more troublesome aspects of our bilateral relationship.

Jack has prepared a one page options paper (Tab II) that we recommend be distributed at the breakfast meeting to focus the discussion and hopefully assist in the development of a consensus. We recommend that Option 2 be adopted which calls for going forward with the JCC as scheduled, but uses the occasion to point out the damage done by the Nicholson killing and stresses that improvements in our trade relations will depend on improved political relations.

Jack has also drafted suggested talking points to open the meeting and set the scene for the discussion (Tab I).

JCC Policy Positions

The JCC agenda basically has not changed from the January Working Group meetings. As preparations for the January meetings were extensive, we have considerable interagency agreement on issues (consistent with NSDD-155) for review at your Saturday breakfast. The April 17 IG merely reviewed and updated where we stand. In January, the U.S. side laid out six agenda items for discussion, and the Soviets countered with eight of their own. The six U.S.-initiated issues and bottom-line proposed positions for the JCC on each are as follows:

1. Joint statement in support of trade -- draft statement attached would be negotiated and issued at conclusion of meeting.
2. Bid invitations -- seek written agreement to put all interested U.S. firms on bid lists.
3. Equal treatment -- seek visible actions by Soviet Foreign Trade Ministry that indicate elimination of discriminatory treatment.
4. Sign some long-outstanding contracts -- i.e. Abbott baby food package or International Harvester combine factory.
5. Agree on future project areas -- nine sectors -- Agribusiness, pulp and paper, pollution control, textiles, land reclamation and irrigation, materials handling, transportation, petrochemicals, and consumer goods. Seek to establish Projects Working Group.
6. Soviet Support for USCO -- seek termination of Soviet ban on company seminars and exhibitions at U.S. Commercial Office in Moscow. Accept Soviet offer to pay half the cost of program to provide small U.S. companies. Defense may object on the basis that small companies are primary diverters of controlled technologies.

Soviet-initiated issues and proposed U.S. responses will include:

1. MFN and Human Rights -- U.S. will stress that major improvement in human rights practices must accompany improvement in trade relations.
2. Furskins Embargo -- U.S. will explain that, in return for greater access to Soviet market, Administration will introduce legislation to remove furskins ban.
3. Nickel Certification -- U.S. will reiterate offer to consider Soviet FTO as signatory to certification if Soviets provide written commitment that FTO acting on behalf of Foreign Trade Ministry.
4. Aeroflot Landing Rights -- U.S. will reiterate readiness to enter into civil aviation discussions when North Pacific safety measures are agreed and an equitable package of concessions for U.S. carriers is negotiated.
5. Port Access -- Soviets want relief from 14 day advance request requirement. U.S. will restate that reciprocal arrangement should be negotiated in bilateral maritime framework.
6. Tax Protocol -- U.S. will reiterate offer to move forward in negotiating and signing a protocol.
7. Supplier Reliability -- U.S. will explain two "contract sanctity" provisions that are presently slated for the new EAA that has passed the House and is awaiting Senate action. This is an important item. EAA now contains general provision to limit foreign policy controls to only circumstances that the President determines breach the peace and poses a serious and direct threat to U.S. strategic interests.
8. Antidumping -- not currently an issue. U.S. will try to improve Soviet understanding of U.S. law and practices.

Yesterday, Jack received a call from Jim Giffin, President of the U.S.-USSR Trade and Economic Council, to convey a message from the Soviets which indicated that Gorbachev would respond positively to a request for a Baldrige meeting if one of three conditions are met:

1. JCC meetings make progress on a "major" issue. Those cited were contract sanctity, MFN, and support for energy-related projects.
2. That Mac carry a "substantive" letter from the President.
3. The U.S. proposes a "major" project signaling economic cooperation.

Jack told Giffin that he would take note of this, but that he was certain that we would make no decisions on the basis of whether it would foster a meeting with Gorbachev. He added that such a meeting would be welcome, but the decision is entirely up to the Soviets; we would certainly not pay a price for one.

For my part, it is interesting to note the implicit confirmation by the Soviets of the importance they attach to U.S. promotion and support of energy-related projects. Finally, I was just informed

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that Cap is likely to oppose proceeding with the JCC as scheduled despite my efforts to soften the DOD position. Nevertheless, I believe that he can live with a meeting tightly circumscribed by an NSDD (as recommended by John Poindexter).

RECOMMENDATIONS:

That you approve our recommendation to seek concurrence on Option 2 with the JCC proceedings circumscribed by an NSDD updating and referencing NSDD-155.

Approve _____ Disapprove _____

That you use the suggested talking points at Tab I.

Approve _____ Disapprove _____

That the options paper at Tab II be distributed at the meeting.

Approve _____ Disapprove _____

Don Fortier, ^{not available} Jack Matlock, Doug McMinn and Dave Wigg concur.

Attachments

- Tab I Talking Points
- Tab II Options Paper Prepared by Matlock
- Tab III Commerce Paper Distributed to Agencies
- Tab IV CIA Report

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TALKING POINTS FOR SATURDAY BREAKFAST

Baldrige Visit to Moscow

-- The first question we should address is whether, in light of the Soviet handling of the Nicholson killing, the meeting should be postponed. What are your views?

-- [In commenting, note as appropriate, pros and cons attached, then:] Though emotionally I frankly would like to delay the JCC meeting, I believe a delay would not serve our long-term interests, and actually would diminish the potential leverage these trade issues provide us in managing the overall U.S.-Soviet relationship.

-- However, I think it important for Mac to make clear that any improvement of the trade atmosphere beyond the very limited issues in the position he takes with him will be dependent on an improved political atmosphere. He should make the point that the Soviet reaction to the Nicholson shooting has damaged the atmosphere, and -- privately -- let the Soviets know that we are looking for improvements in the human rights situation before moving on any of the larger issues they are interested in.

-- If the meeting is held on schedule, the question will arise as to whether Mac should carry a substantive letter from the President, to present in case he gets an appointment with Gorbachev. Are there any views on this?

[If there is a consensus for proceeding with the meeting:]

-- I'll take this up with the President, and believe he will agree.

[If there are divided views:]

-- I'll let the President know how you feel about this and will let you know early next week what he decided.

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OPTIONS RE JOINT COMMERCIAL COMMISSION MEETINGS

1. Ask for delay in JCC Meeting to show displeasure with the Soviet handling of the Nicholson killing.

PRO: a. Would convey our view that the Soviet reaction is totally unsatisfactory.
b. Would make clear to the Soviets that their behavior can affect unrelated areas of importance to them.

CON: a. Would seem inconsistent with a policy of trying to expand communication.
b. Would undermine effort to use Soviet desire for better trade relations to achieve goals in other areas (e.g., human rights).
c. Would be interpreted by some as backing off stated long-term policy for short-term reasons.
d. Would offend some influential U.S. business circles, including strong supporters of the President.
e. Not likely to encourage a Soviet effort to avoid such incidents in the future.

2. Hold meeting as scheduled, but use occasion to point out the damage that the Soviet handling of the Nicholson killing has done to bilateral relations, and stress the point that substantial improvements in our trading relationship will be dependent on an improvement in political relations.

PRO: a. Appropriate means of retaliating for Nicholson are available in more directly related areas (restrictions on Soviets, possible PNG action, letter from President, etc.)
b. The obverse of the "cons" noted under Option 1.

CON: Will leave impression with some that we have not reacted with sufficient vigor to the Nicholson tragedy and affront.

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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

April 24, 1985

MEMORANDUM FOR ROBERT C. MCFARLANE
Assistant to the President for
National Security Affairs

SUBJECT: Policy Guidance for US-USSR Joint Commercial
Commission Meeting

Basic policy positions on Soviet trade issues were considered by the SIG-IEP and approved by the President in January as part of the preparations for the US-USSR Working Group of Experts meeting. The attached paper has been reviewed at the IG level and represents what we believe to be an updated interagency view of the policy positions and guidance the U.S. delegation should follow in Moscow.(U)

I am asking for NSC or other appropriate Cabinet-level review of the policy positions in the attached paper to ensure they represent a unified and updated Administration view of what the JCC should accomplish and the policy framework in which it is taking place.(U)

A handwritten signature in dark ink, appearing to be "Blair", written in a cursive style.

Secretary of Commerce

Attachment

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OVERVIEW OF U.S.-SOVIET TRADE ISSUES
FOR JOINT U.S.-U.S.S.R. COMMERCIAL COMMISSION
IN MOSCOW, MAY 20-21, 1985

The purpose of the meeting is to review the objectives and policy positions for the U.S. delegation to the Joint U.S.-U.S.S.R. Commercial Commission (JCC), to be held in Moscow, May 20-21, co-chaired by Secretary Baldrige and Soviet Foreign Trade Minister Patolichev. (U)

Policy positions on Soviet trade issues were considered by the SIG-IEP and approved by the President in January prior to the Working Group of Experts meeting in Moscow, the purpose of which was to lay the groundwork for a JCC meeting. The NSC is being asked to review the policy positions to ensure they represent a unified and updated Administration view of what the JCC should accomplish and the policy framework in which it is taking place. (U)

On energy matters the U.S. delegation will follow the policy set out for the Working Group in NSDD 155 of January 4, 1985 -- "U.S. oil and gas equipment sales should not be an area in which the United States should agree to an active policy of trade expansion pending further policy clarification." If oil and gas export policy is raised by the Soviet delegation, the U.S. delegation will explain our current export control policy. (S)

BACKGROUND

Last year the President indicated his decision to build a more constructive working relationship with the Soviet Union, identifying non-strategic trade as an area where further cooperation might be possible. The President agreed to a 10-year extension of the bilateral Long-Term Agreement to Facilitate Economic, Industrial, and Technical Cooperation. He announced that preparations would begin for a meeting of the JCC, and he approved a meeting of the "Working Group of Experts" to identify areas in which mutually beneficial non-strategic trade could be expanded in conformity with present export control policies and to help determine whether there were sufficient grounds for a meeting of the JCC. (U)

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The Working Group discussions were confined to the non-strategic area, with the U.S. delegation telling the Soviets that the United States was not willing to consider any changes in strategic trade controls. The U.S. delegation also stressed human rights and the fact that neither MFN nor any other fundamental change in the trading relationship could occur in the absence of an increase in emigration. (U)

The U.S. maintained that nevertheless there were opportunities for an expansion of trade. There were non-strategic areas such as food processing where the U.S. was interested in selling, but where the Soviets have curbed U.S. exports by removing U.S. firms from bid lists, curtailing U.S. company promotion efforts, and encouraging a policy of avoiding American products whenever possible. For their part, the Soviets pointed to a variety of U.S. restraints on Soviet exports. (U)

Both sides agreed that while the near-term prospects were not huge, there were opportunities for expanding trade within the confines of present controls and laws, there was mutual interest in increasing trade where possible, and there were concrete actions that could be taken to expand bilateral trade on a mutually beneficial basis. (U)

The Experts Group laid out the parameters for the JCC meeting, with the U.S. side stipulating six issues for discussion, and the Soviets laying out eight. Those issues comprise the framework of the JCC meeting, and NSC concurrence with the positions to be taken by the U.S. delegation is sought. (C)

U.S.-INITIATED ISSUES

These six issues pertain principally to obtaining greater market access for U.S. companies seeking to sell non-strategic goods and services to the U.S.S.R., and were approved as goals by the SIG-IEP meeting in December. (C)

1. Joint Statement in Support of Mutually Beneficial Trade -- In January the Soviets agreed to the concept of a joint statement in favor of expanding bilateral trade. We should seek a statement that will make clear that economic relations cannot be isolated from other elements of the overall relationship; express the support of both sides for expansion of mutually beneficial non-strategic trade in a manner consistent with present laws; and indicate those steps they intend to take to support trade -- including trade exhibitions, business facilitation assistance, and publicizing trade opportunities. A basic purpose of the joint statement is to make clear to Soviet purchasing officials and to U.S. business that both governments encourage efforts to develop new mutually beneficial business. (C)

The draft joint statement is attached. It takes into account all agency views provided to the Commerce Department. (FOUO)

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2. Bid Invitations -- Being invited to bid on projects or contracts is the only way companies have an opportunity to sell in the U.S.S.R. At the Experts meeting the Soviets agreed in principle to reinstitute the provision of bid invitations to U.S. firms. Embassy Moscow reports that they have begun doing so. The U.S. should seek written agreement to put all interested U.S. firms on bid lists. This should be included in the "Joint Statement". We should also seek Soviet agreement that the U.S. Commercial Office in Moscow will be able to participate in the process. (C)

3. Equal Treatment for U.S. Firms -- Soviet Foreign Trade Organizations (FTOs) have maintained de facto discrimination against U.S. firms in non-strategic areas. The U.S. should seek visible Soviet Foreign Trade Ministry action, such as a letter to Soviet FTOs from Minister Patolichev or some other ranking official stating that U.S. firms are not to be discriminated against, and that the proposals of U.S. firms should be given full consideration on the basis of their economic merit. (C)

4. Sign Some Long-Outstanding Contracts -- The U.S. should seek to have the Soviets sign some major long-standing contracts as a firm signal of their intention to do non-strategic business with U.S. firms. In January the Soviets agreed in principle, and since then have signed two or three small contracts (\$5-10 million). We should seek to have some large contracts signed, such as the Abbott baby food plant or International Harvester (Tenneco) combine factory. (C)

5. Agree on Future Project Areas -- The Soviets agreed to discuss a range of industry sectors and specific projects of mutual interest in which the Soviets would then seek U.S. company proposals. While this would not guarantee U.S. companies the contracts, it would provide an inside track for drawing up specs, etc. Beginning with a list of sectors identified by the U.S.-U.S.S.R. Trade and Economic Council, we have told the Council we are interested in exploring projects in nine sectors:

- Agribusiness
- Pulp and paper
- Pollution control
- Textiles
- Land reclamation and irrigation
- Materials handling
- Transportation
- Petrochemicals
- Consumer goods. (C)

We should seek Soviet statements that they will make special efforts in these areas to work with U.S. companies in attempting to develop projects that will be brought to fruition. While this will not

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guarantee business to U.S. firms, it would greatly improve their ability to design projects in ways that would emphasize their competitive strengths. A Projects Working Group would be established under the JCC to monitor progress and seek to maximize U.S. business. The Soviets understand that all such projects will have to be in full compliance with U.S. export control regulations. (C)

6. Soviet Support for USCO -- The Soviets have agreed to terminate their ban on company seminars and exhibitions at the U.S. Commercial Office in Moscow (USCO) and to begin providing the necessary facilitative support, if the Department of Commerce will also reinstitute participation in some Soviet trade fairs. The U.S. would announce its intention to begin an initial promotion program in the U.S.S.R. which would include a small number of trade missions, U.S. exhibits in one or more appropriate Soviet trade fairs, and a full range of solo and multiple exhibitions and seminars at USCO. (C)

In addition, the U.S. should accept the Soviet offer to pay half the cost of a program to help small U.S. companies sell in the Soviet Union. The U.S. should propose that in part this should be in the form of sharing the cost of small business information centers that the Commerce Department would set up in appropriate Soviet trade fairs. We will note that this agreement in no way constitutes a precedent for similar action in the U.S. (C)

A successful program which would generate U.S. sales in the U.S.S.R. requires facilitative assistance on the part of the Soviets, and the U.S. should, on a reciprocal basis, offer to provide appropriate technical facilitation to the Soviets should they desire to commence an export promotion program in the United States. Such assistance would be limited to technical advice on how to use trade fairs in the United States, and would not include any direct marketing assistance to Soviet exporters. (C)

SOVIET-INITIATED ISSUES

1. MFN and Human Rights -- The U.S.S.R. will reiterate its official view at the JCC that human rights and trade should not be linked. At the January Experts meeting the Soviets were told of our serious concerns about Soviet human rights abuses and emigration policy. The U.S. delegation made it clear that there could be no fundamental change in the trade relationship in the absence of major improvement in emigration practice. MFN, export credits, a trade agreement, and other aspects of a fundamentally-improved trade relationship were out of the question unless that happened. (C)

The U.S. delegation should reiterate these serious concerns in the most effective manner possible and should stress that major improvement in Soviet human rights practices must accompany any fundamental improvement in the trade relationship. (C)

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2. Furskin Embargo -- Since 1951 the United States has banned imports from the U.S.S.R. of seven types of furskins. The U.S. has a global trade surplus in furskins, with high quality pelts exported and lower quality pelts imported. A Commerce review of the industry indicates lifting the embargo would have little or no effect on domestic production. The Soviets are seeking elimination of the ban more for political than economic reasons. (C)

In January the President decided to indicate to the Soviets a willingness to discuss with Congress lifting the ban if the Soviets were willing to improve business conditions and prospects for U.S. firms. The Soviets have begun to make such improvements, and preliminary explorations on options for removing the furskins embargo have been held by the Commerce Department with the relevant House and Senate staffs. They indicated the best approach would be for the Administration to introduce legislation to eliminate the ban, and indicated the prospects for passage were good if properly handled. (C)

The U.S. delegation should be authorized to tell the Soviets at the JCC that in return for concrete steps to increase U.S. company access to the Soviet market, the Administration will introduce legislation to eliminate the embargo of the seven Soviet furskins. (C)

3. Nickel Certification -- Under the economic embargo against Cuba, the U.S. banned imports of unfabricated nickel-bearing materials from the U.S.S.R. in December 1983 since the U.S.S.R. imports large amounts of Cuban nickel. The U.S.S.R. was given the opportunity to negotiate a certification arrangement similar to ones negotiated with our allies, but has been unwilling to discuss a government-to-government agreement. At the Experts meeting the U.S. delegation reiterated an offer to consider the relevant Soviet foreign trade organization (FTO) as the signatory if the Soviets would provide a written commitment that the FTO was acting on behalf of the Ministry of Foreign Trade. (C)

The Soviets have not responded positively to the U.S. offer. If the Soviets raise this issue, the U.S. delegation should inform the Soviets that we have already attempted to accommodate certain of their expressed concerns and believe the problem is resolvable if they in turn demonstrate some flexibility. This position is consistent with the view informally communicated by Treasury to the Soviet Embassy representative since the Experts meeting. (C)

4. Aeroflot Landing Rights -- As a result of Afghanistan-, Poland-, and KAL-related sanctions, all scheduled Aeroflot service to the United States and virtually all ties between Aeroflot and the U.S. travel industry have been terminated. In the January Experts Group meeting the Soviets were told that the U.S. was

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willing to begin discussion of civil aviation matters, but only after conclusion of an agreement to improve safety on North Pacific air routes, and with the understanding that any restoration of Aeroflot service would have to be part of a package offering an equitable balance of concessions for U.S. carriers. (C)

Meetings were held in Washington between U.S., Soviet and Japanese representatives on the question of North Pacific air safety February 26 - March 3. These sessions made some progress, but an agreement has not yet been reached. We are hoping to arrange a follow-up meeting in May. The U.S. delegation should reiterate our readiness to enter into civil aviation discussions as soon as North Pacific safety measures are agreed, reminding the Soviets that such negotiations will require an equitable balance of economic benefits. (C)

5. Port Access Regulations -- The Soviets seek relief from the port access regulations imposed upon them following termination of the bilateral maritime agreement and the imposition of martial law in Poland, and particularly for their grain vessels seek easing of the requirement for 14-day advance requests before being given permission to enter U.S. ports. Under the expired maritime agreement, from 1974 to 1981 Soviet vessels were required to make only 4-day advance requests. (C)

U.S. agribusiness is concerned that the current policy has an adverse effect on U.S. grain exports to the U.S.S.R. The U.S. maritime industry, however, believes that the 4-day notification is their principal leverage on the Soviets in getting a new maritime agreement with reciprocal benefit for the U.S. industry. (C)

Up until January, as a Poland-related sanction, the United States was unwilling to hold maritime discussions. During the January Experts meeting, the Soviets were told that the United States was willing to consider a change in port notification requirements as part of an overall discussion of maritime issues within our traditional maritime framework, and that such discussions would have to encompass U.S. maritime interests. The Soviets noted this offer with great interest in Moscow and made a follow-up inquiry in Washington, but have not responded. (C)

The U.S. should inform the Soviets in advance of the JCC that we are willing to include a Maritime expert on our delegation to have an exchange of views on the parameters of a possible maritime agreement. (C)

6. Tax Protocol -- A tax protocol amending various provisions of the U.S.-U.S.S.R. income tax treaty was agreed to in May 1981, but not signed. Among other matters, the protocol addressed Soviet concerns regarding U.S. tax treatment of Soviet employees of Aeroflot. A compromise was worked out under which such employees

would pay back income taxes and interest, but would be exempt from social security and unemployment taxes retroactive to 1976, when the basic treaty took effect. Changes in tax laws since 1981 would have to be reflected in any new protocol, and it may be very difficult to make refunds from the Social Security Trust Fund. (C)

The Soviets were told in January that the United States was willing to move forward on the unsigned protocol, but that changes may have to be made. No response has been received from the Soviets, and no further U.S. action should be taken other than to reiterate the January offer. (C)

7. Supplier Reliability -- The Soviets want a discussion of this at the JCC meeting. The U.S. delegation should explain the meaning of the contract sanctity provisions of the Export Administration Amendments Act, which passed the House and is awaiting Senate action. The Act contains two "contract sanctity" provisions. As to agricultural commodities, forest products and fisheries products, short supply export restrictions will not apply to any contract to export which was entered into before the date on which the controls are imposed. (C)

The Export Administration Amendments Act also contains a general contract sanctity provision applicable to controls imposed in the future on foreign policy grounds. The President is forbidden to prohibit or curtail the export or reexport of goods, technology or other information unless he determines and certifies to Congress that there exists a breach of the peace which poses a serious and direct threat to the strategic interest of the United States. (C)

These contract sanctity provisions would not apply to new controls imposed under other authority (national security provisions of the EAA, the International Emergency Economic Powers Act, or new legislation), but the recent legislative action on the subject will have a restraining influence on the exercise of such other authorities. (C)

8. Antidumping -- Not currently an issue. The January Experts Group conducted a seminar for Soviet officials addressing Soviet concerns and their inadequate understanding of U.S. law and practice. The Soviet potash case was terminated in March, because the International Trade Commission found that U.S. potash producers were not being materially injured. In April, Commerce issued the Administrative review of the antidumping order on titanium sponge, finding a margin of 83.96 percent. The result was based on the best information available because the Soviet exporter submitted an inadequate response to our questionnaire. (C)

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Drafted by: Commerce/ITA/EUR: 4-16-85/Revised 4/24/85

Clearances:

Commerce/TA:	DSchlechty, 4/23/85
	GKaplan, 4/24/85
Commerce/TD:	HMisisco, 4/23/85
Commerce/GC:	CNovelli, 4/24/85
Commerce/CA:	GMcKiernan, 4/24/85
Agriculture:	LSebranek, 4/23/85
State/EB:	EHurwitz, 4/24/85
State/EUR:	DKursch, 4/23/85
Transportation:	RBourdon, 4/23/85
	CHeckman, 4/24/85
Treasury:	GClapp, 4/22/85
	MMuench, 4/24/85
USTR:	RJohnson, 4/23/85

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NLRRF06-114/2 #7316

JOINT STATEMENT
REGARDING U.S.-U.S.S.R. TRADE BY KML NARA DATE 10/1/12

The following statement was issued by U.S. Secretary of Commerce Malcolm Baldrige and Soviet Minister of Foreign Trade Nikolai Patolichev, at the end of the US-USSR Joint Commercial Commission meeting in Moscow, May 21, 1985:

The governments of the United States and the Soviet Union believe that mutually-beneficial trade can make a significant contribution to a more constructive overall relationship. They also recognize the economic benefits of peaceful trade. Accordingly, both sides support the development and expansion of such trade between the two countries.

Each also recognizes that respect for the concerns of the other, including those outside the field of economic relations, are required for trade to make its full contribution. Each will consider future steps toward improving conditions for a fuller trade relationship, and will consult with the other.

Both agree, however, that currently there are opportunities to increase mutually-beneficial trade and economic cooperation. Noting the positive results and the anticipated further gains in agricultural trade, both sides will take steps to expand commerce in nonstrategic industrial goods and services.

These steps will include the removal of obstacles to trade expansion where possible and consistent with the laws and regulations of each country. Both sides will encourage firms and organizations to explore prospects for expanding peaceful trade. Each government will initiate an official program of trade exhibitions as appropriate, and will encourage purchasing officials and buyers to visit the other's exhibitions.

The U.S. government is interested in American companies serving as suppliers for appropriate Soviet projects under the upcoming 12th five-year plan. The Soviet government agrees that all interested American firms will have full opportunity to bid on Soviet projects and purchases open to Western participation, and will have access to Soviet trade and purchasing officials.

Each government intends the expansion of trade and economic cooperation to reflect its own laws, national security, and vital interests and recognizes that it is reasonable for each side to restrict its exports for these reasons. Accordingly, both sides agree to focus their economic expansion activities on sectors where such concerns will be minimal.

Controlled by: Franklin J. Vargo
Decontrol on: O.A.D.R.

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US-Soviet Trade:
Political and
Economic Determinants



Key Judgments
Information available
as of 10 April 1985
was used in this report.

The ramifications of the scheduled late May 1985 meeting of the US-USSR Joint Commercial Commission will be more political than economic. Although generally disappointed with the contributions of Western technology and equipment to their overall economy, the Soviets continue to hope for economic benefit in obtaining US technology and goods. More important, they view increased trade with the United States as a necessary adjunct to and facilitator of a general "normalization" of relations. They also view renewed government-to-government trade negotiations as an opportunity to gauge US commitment to the process of normalization.

Moscow probably expects the United States to show some flexibility on trade matters and particularly hopes to obtain access to selected technologies and equipment. Although the Soviets may not expect substantial progress on key issues—export control lists or restrictive trade practices—they will look for, and probably will publicly acclaim, any positive movement. Moscow thinks that any evidence of improved US-Soviet economic relations will contribute to the American public's skepticism about US defense programs and about administration resistance to Soviet initiatives abroad. Last, the Soviets may hope that prospects of increased trade could cause affected US businessmen to urge US policymakers to adopt conciliatory positions on arms control issues or, similarly, to avoid policy decisions that Moscow might view as hostile—such as stronger controls by the Coordinating Committee for Multilateral Export Control (COCOM) or an assertive human rights posture.

Although Moscow will undoubtedly agree to some commercial deals over the next several months, economic realities constrain any rapid growth in bilateral trade over the next several years:

- Moscow has developed alternative suppliers in Eastern and Western Europe to reduce dependence on US goods; their proximity to the USSR, moreover, gives them a marked advantage in raw materials trade and the compensation deals that the Soviets favor.
- The Soviets will have a smaller capacity for hard currency earnings, at least through 1990—largely a result of constraints on oil exports. Even if monies were available, Moscow would continue to be selective in its equipment imports, because of past problems in diffusing Western technology.

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BY RW NARA DATE 5/26/11

- Efforts to interest US businessmen in Soviet exports will probably continue to be unsuccessful. Under almost any circumstances, however, the United States will continue to be a major supplier of grain to the USSR.

This information is ~~Confidential~~.

MEMORANDUM

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NATIONAL SECURITY COUNCIL

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NRREF06-114/2 # 7318 April 26, 1985

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ACTION

BY KML NARA DATE 10/1/12

RCM HAS SEEN

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Breakfast Meeting at 8:00 a.m., Saturday, April 27, in the Situation Room, on U.S.-Soviet JCC

Jack Matlock and I have coordinated closely in preparation for your "principals only" Saturday breakfast meeting on the JCC with Shultz, Weinberger, Casey, Regan, Baker and Baldrige. We received the final Commerce paper yesterday afternoon and immediately transmitted it to the designated attendees (attached at Tab III).

The revised Commerce paper has incorporated the comments from the agencies which stemmed from an April 17 IG on JCC preparations (although no agencies cleared the revised paper prior to its distribution by NSC). After a number of positive conversations with Commerce and State over the past week, we reached agreement that the energy-related issues for the JCC be handled identically to the guidelines established in NSDD-155 for the January Economic Working Group meetings. This development represents a significant change from the original intention by Commerce to seek a narrowing of technology controls on U.S. oil and gas equipment. In addition, Jack and I have no problems whatsoever with the revised proposed Joint Statement to be issued in Moscow at the conclusion of the JCC (included in the Commerce paper).

Prior to reviewing the policy positions outlined in the Commerce paper, Jack and I have discussed the issue of whether or not to proceed with a JCC meeting on May 20-21. We share the view that the JCC should be held as scheduled for the following reasons:

-- The U.S. response to the Nicholson affair can be effectively handled through the implementation of measures other than postponement or cancellation of the JCC.

-- Commerce is convinced that any postponement of the JCC would result in its cancellation by the Soviets and thereby unnecessarily estrange a segment of the U.S. business community, some members of which are prominent supporters of the President.

-- The charting of a steady course in U.S.-Soviet relations tends to argue for going forward with the JCC despite setbacks in other areas of the relationship.

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-- The security community's concerns have been accommodated by Commerce in large part due to the tentative atmospherics in U.S.-Soviet relations (CIA report attached at Tab IV).

-- Holding the first JCC meeting in six years offers an area (expanded non-strategic trade) for progress and improved relations that is consistent with the President's broader objectives and partially offsets the more troublesome aspects of our bilateral relationship.

Jack has prepared a one page options paper (Tab II) that we recommend be distributed at the breakfast meeting to focus the discussion and hopefully assist in the development of a consensus. We recommend that Option 2 be adopted which calls for going forward with the JCC as scheduled, but uses the occasion to point out the damage done by the Nicholson killing and stresses that improvements in our trade relations will depend on improved political relations.

Jack has also drafted suggested talking points to open the meeting and set the scene for the discussion (Tab I).

JCC Policy Positions

The JCC agenda basically has not changed from the January Working Group meetings. As preparations for the January meetings were extensive, we have considerable interagency agreement on issues (consistent with NSDD-155) for review at your Saturday breakfast. The April 17 IG merely reviewed and updated where we stand. In January, the U.S. side laid out six agenda items for discussion, and the Soviets countered with eight of their own. The six U.S.-initiated issues and bottom-line proposed positions for the JCC on each are as follows:

1. Joint statement in support of trade -- draft statement attached would be negotiated and issued at conclusion of meeting.
2. Bid invitations -- seek written agreement to put all interested U.S. firms on bid lists.
3. Equal treatment -- seek visible actions by Soviet Foreign Trade Ministry that indicate elimination of discriminatory treatment.
4. Sign some long-outstanding contracts -- i.e. Abbott baby food package or International Harvester combine factory.
5. Agree on future project areas -- nine sectors -- Agribusiness, pulp and paper, pollution control, textiles, land reclamation and irrigation, materials handling, transportation, petrochemicals, and consumer goods. Seek to establish Projects Working Group.
6. Soviet Support for USCO -- seek termination of Soviet ban on company seminars and exhibitions at U.S. Commercial Office in Moscow. Accept Soviet offer to pay half the cost of program to provide small U.S. companies. Defense may object on the basis that small companies are primary diverters of controlled technologies.

Soviet-initiated issues and proposed U.S. responses will include:

1. MFN and Human Rights -- U.S. will stress that major improvement in human rights practices must accompany improvement in trade relations.
2. Furskins Embargo -- U.S. will explain that, in return for greater access to Soviet market, Administration will introduce legislation to remove furskins ban.
3. Nickel Certification -- U.S. will reiterate offer to consider Soviet FTO as signatory to certification if Soviets provide written commitment that FTO acting on behalf of Foreign Trade Ministry.
4. Aeroflot Landing Rights -- U.S. will reiterate readiness to enter into civil aviation discussions when North Pacific safety measures are agreed and an equitable package of concessions for U.S. carriers is negotiated.
5. Port Access -- Soviets want relief from 14 day advance request requirement. U.S. will restate that reciprocal arrangement should be negotiated in bilateral maritime framework.
6. Tax Protocol -- U.S. will reiterate offer to move forward in negotiating and signing a protocol.
7. Supplier Reliability -- U.S. will explain two "contract sanctity" provisions that are presently slated for the new EAA that has passed the House and is awaiting Senate action. This is an important item. EAA now contains general provision to limit foreign policy controls to only circumstances that the President determines breach the peace and poses a serious and direct threat to U.S. strategic interests.
8. Antidumping -- not currently an issue. U.S. will try to improve Soviet understanding of U.S. law and practices.

Yesterday, Jack received a call from Jim Giffin, President of the U.S.-USSR Trade and Economic Council, to convey a message from the Soviets which indicated that Gorbachev would respond positively to a request for a Baldrige meeting if one of three conditions are met:

1. JCC meetings make progress on a "major" issue. Those cited were contract sanctity, MFN, and support for energy-related projects.
2. That Mac carry a "substantive" letter from the President.
3. The U.S. proposes a "major" project signaling economic cooperation.

Jack told Giffin that he would take note of this, but that he was certain that we would make no decisions on the basis of whether it would foster a meeting with Gorbachev. He added that such a meeting would be welcome, but the decision is entirely up to the Soviets; we would certainly not pay a price for one.

For my part, it is interesting to note the implicit confirmation by the Soviets of the importance they attach to U.S. promotion and support of energy-related projects. Finally, I was just informed

that Cap is likely to oppose proceeding with the JCC as scheduled despite my efforts to soften the DOD position. Nevertheless, I believe that he can live with a meeting tightly circumscribed by an NSDD (as recommended by John Poindexter).

Cap confirmed this to me at Chum meeting today.

RECOMMENDATIONS:

That you approve our recommendation to seek concurrence on Option 2 with the JCC proceedings circumscribed by an NSDD updating and referencing NSDD-155.

Approve _____ Disapprove _____

That you use the suggested talking points at Tab I.

Approve _____ Disapprove _____

That the options paper at Tab II be distributed at the meeting.

Approve _____ Disapprove _____

Don Fortier, ^{not available} Jack Matlock, Doug McMinn and Dave Wigg concur.

Attachments

- Tab I Talking Points
- Tab II Options Paper Prepared by Matlock
- Tab III Commerce Paper Distributed to Agencies
- Tab IV CIA Report

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TALKING POINTS FOR SATURDAY BREAKFAST

Baldrige Visit to Moscow

-- The first question we should address is whether, in light of the Soviet handling of the Nicholson killing, the meeting should be postponed. What are your views?

-- [In commenting, note as appropriate, pros and cons attached, then:] Though emotionally I frankly would like to delay the JCC meeting, I believe a delay would not serve our long-term interests, and actually would diminish the potential leverage these trade issues provide us in managing the overall U.S.-Soviet relationship.

-- However, I think it important for Mac to make clear that any improvement of the trade atmosphere beyond the very limited issues in the position he takes with him will be dependent on an improved political atmosphere. He should make the point that the Soviet reaction to the Nicholson shooting has damaged the atmosphere, and -- privately -- let the Soviets know that we are looking for improvements in the human rights situation before moving on any of the larger issues they are interested in.

-- If the meeting is held on schedule, the question will arise as to whether Mac should carry a substantive letter from the President, to present in case he gets an appointment with Gorbachev. Are there any views on this?

[If there is a consensus for proceeding with the meeting:]

-- I'll take this up with the President, and believe he will agree.

[If there are divided views:]

-- I'll let the President know how you feel about this and will let you know early next week what he decided.

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NLRRF06-114/2 #7319

BY KML NARA DATE 10/1/12

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OPTIONS RE JOINT COMMERCIAL COMMISSION MEETINGS

1. Ask for delay in JCC Meeting to show displeasure with the Soviet handling of the Nicholson killing.

PRO: a. Would convey our view that the Soviet reaction is totally unsatisfactory.
b. Would make clear to the Soviets that their behavior can affect unrelated areas of importance to them.

CON: a. Would seem inconsistent with a policy of trying to expand communication.
b. Would undermine effort to use Soviet desire for better trade relations to achieve goals in other areas (e.g., human rights).
c. Would be interpreted by some as backing off stated long-term policy for short-term reasons.
d. Would offend some influential U.S. business circles, including strong supporters of the President.
e. Not likely to encourage a Soviet effort to avoid such incidents in the future.

2. Hold meeting as scheduled, but use occasion to point out the damage that the Soviet handling of the Nicholson killing has done to bilateral relations, and stress the point that substantial improvements in our trading relationship will be dependent on an improvement in political relations.

PRO: a. Appropriate means of retaliating for Nicholson are available in more directly related areas (restrictions on Soviets, possible PNG action, letter from President, etc.)

b. The obverse of the "cons" noted under Option 1.

CON: Will leave impression with some that we have not reacted with sufficient vigor to the Nicholson tragedy and affront.

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44
THE SECRETARY OF COMMERCE
Washington, D.C. 20230

April 24, 1985

MEMORANDUM FOR ROBERT C. MCFARLANE
Assistant to the President for
National Security Affairs

SUBJECT: Policy Guidance for US-USSR Joint Commercial
Commission Meeting

Basic policy positions on Soviet trade issues were considered by the SIG-IEP and approved by the President in January as part of the preparations for the US-USSR Working Group of Experts meeting. The attached paper has been reviewed at the IG level and represents what we believe to be an updated interagency view of the policy positions and guidance the U.S. delegation should follow in Moscow.(U)

I am asking for NSC or other appropriate Cabinet-level review of the policy positions in the attached paper to ensure they represent a unified and updated Administration view of what the JCC should accomplish and the policy framework in which it is taking place.(U)

A handwritten signature in black ink, appearing to be "Blair".

Secretary of Commerce

Attachment

THIS DOCUMENT IS AUTOMATICALLY
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ENCLOSURES ARE REMOVED

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OVERVIEW OF U.S.-SOVIET TRADE ISSUES
FOR JOINT U.S.-U.S.S.R. COMMERCIAL COMMISSION
IN MOSCOW, MAY 20-21, 1985

The purpose of the meeting is to review the objectives and policy positions for the U.S. delegation to the Joint U.S.-U.S.S.R. Commercial Commission (JCC), to be held in Moscow, May 20-21, co-chaired by Secretary Baldrige and Soviet Foreign Trade Minister Patolichev. (U)

Policy positions on Soviet trade issues were considered by the SIG-IEP and approved by the President in January prior to the Working Group of Experts meeting in Moscow, the purpose of which was to lay the groundwork for a JCC meeting. The NSC is being asked to review the policy positions to ensure they represent a unified and updated Administration view of what the JCC should accomplish and the policy framework in which it is taking place. (U)

On energy matters the U.S. delegation will follow the policy set out for the Working Group in NSDD 155 of January 4, 1985 -- "U.S. oil and gas equipment sales should not be an area in which the United States should agree to an active policy of trade expansion pending further policy clarification." If oil and gas export policy is raised by the Soviet delegation, the U.S. delegation will explain our current export control policy. (S)

BACKGROUND

Last year the President indicated his decision to build a more constructive working relationship with the Soviet Union, identifying non-strategic trade as an area where further cooperation might be possible. The President agreed to a 10-year extension of the bilateral Long-Term Agreement to Facilitate Economic, Industrial, and Technical Cooperation. He announced that preparations would begin for a meeting of the JCC, and he approved a meeting of the "Working Group of Experts" to identify areas in which mutually beneficial non-strategic trade could be expanded in conformity with present export control policies and to help determine whether there were sufficient grounds for a meeting of the JCC. (U)

CLASSIFIED BY: Multiple Sources
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BY KML NARA DATE 10/1/12

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BY KML NARA DATE 10/1/12

The Working Group discussions were confined to the non-strategic area, with the U.S. delegation telling the Soviets that the United States was not willing to consider any changes in strategic trade controls. The U.S. delegation also stressed human rights and the fact that neither MFN nor any other fundamental change in the trading relationship could occur in the absence of an increase in emigration. (U)

The U.S. maintained that nevertheless there were opportunities for an expansion of trade. There were non-strategic areas such as food processing where the U.S. was interested in selling, but where the Soviets have curbed U.S. exports by removing U.S. firms from bid lists, curtailing U.S. company promotion efforts, and encouraging a policy of avoiding American products whenever possible. For their part, the Soviets pointed to a variety of U.S. restraints on Soviet exports. (U)

Both sides agreed that while the near-term prospects were not huge, there were opportunities for expanding trade within the confines of present controls and laws, there was mutual interest in increasing trade where possible, and there were concrete actions that could be taken to expand bilateral trade on a mutually beneficial basis. (U)

The Experts Group laid out the parameters for the JCC meeting, with the U.S. side stipulating six issues for discussion, and the Soviets laying out eight. Those issues comprise the framework of the JCC meeting, and NSC concurrence with the positions to be taken by the U.S. delegation is sought. (C)

U.S.-INITIATED ISSUES

These six issues pertain principally to obtaining greater market access for U.S. companies seeking to sell non-strategic goods and services to the U.S.S.R., and were approved as goals by the SIG-IEP meeting in December. (C)

1. Joint Statement in Support of Mutually Beneficial Trade -- In January the Soviets agreed to the concept of a joint statement in favor of expanding bilateral trade. We should seek a statement that will make clear that economic relations cannot be isolated from other elements of the overall relationship; express the support of both sides for expansion of mutually beneficial non-strategic trade in a manner consistent with present laws; and indicate those steps they intend to take to support trade -- including trade exhibitions, business facilitation assistance, and publicizing trade opportunities. A basic purpose of the joint statement is to make clear to Soviet purchasing officials and to U.S. business that both governments encourage efforts to develop new mutually beneficial business. (C)

The draft joint statement is attached. It takes into account all agency views provided to the Commerce Department. (FOUO)

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2. Bid Invitations -- Being invited to bid on projects or contracts is the only way companies have an opportunity to sell in the U.S.S.R. At the Experts meeting the Soviets agreed in principle to reinstitute the provision of bid invitations to U.S. firms. Embassy Moscow reports that they have begun doing so. The U.S. should seek written agreement to put all interested U.S. firms on bid lists. This should be included in the "Joint Statement". We should also seek Soviet agreement that the U.S. Commercial Office in Moscow will be able to participate in the process. (C)

3. Equal Treatment for U.S. Firms -- Soviet Foreign Trade Organizations (FTOs) have maintained de facto discrimination against U.S. firms in non-strategic areas. The U.S. should seek visible Soviet Foreign Trade Ministry action, such as a letter to Soviet FTOs from Minister Patolichev or some other ranking official stating that U.S. firms are not to be discriminated against, and that the proposals of U.S. firms should be given full consideration on the basis of their economic merit. (C)

4. Sign Some Long-Outstanding Contracts -- The U.S. should seek to have the Soviets sign some major long-standing contracts as a firm signal of their intention to do non-strategic business with U.S. firms. In January the Soviets agreed in principle, and since then have signed two or three small contracts (\$5-10 million). We should seek to have some large contracts signed, such as the Abbott baby food plant or International Harvester (Tenneco) combine factory. (C)

5. Agree on Future Project Areas -- The Soviets agreed to discuss a range of industry sectors and specific projects of mutual interest in which the Soviets would then seek U.S. company proposals. While this would not guarantee U.S. companies the contracts, it would provide an inside track for drawing up specs, etc. Beginning with a list of sectors identified by the U.S.-U.S.S.R. Trade and Economic Council, we have told the Council we are interested in exploring projects in nine sectors:

- Agribusiness
- Pulp and paper
- Pollution control
- Textiles
- Land reclamation and irrigation
- Materials handling
- Transportation
- Petrochemicals
- Consumer goods. (C)

We should seek Soviet statements that they will make special efforts in these areas to work with U.S. companies in attempting to develop projects that will be brought to fruition. While this will not

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guarantee business to U.S. firms, it would greatly improve their ability to design projects in ways that would emphasize their competitive strengths. A Projects Working Group would be established under the JCC to monitor progress and seek to maximize U.S. business. The Soviets understand that all such projects will have to be in full compliance with U.S. export control regulations. (C)

6. Soviet Support for USCO -- The Soviets have agreed to terminate their ban on company seminars and exhibitions at the U.S. Commercial Office in Moscow (USCO) and to begin providing the necessary facilitative support, if the Department of Commerce will also reinstitute participation in some Soviet trade fairs. The U.S. would announce its intention to begin an initial promotion program in the U.S.S.R. which would include a small number of trade missions, U.S. exhibits in one or more appropriate Soviet trade fairs, and a full range of solo and multiple exhibitions and seminars at USCO. (C)

In addition, the U.S. should accept the Soviet offer to pay half the cost of a program to help small U.S. companies sell in the Soviet Union. The U.S. should propose that in part this should be in the form of sharing the cost of small business information centers that the Commerce Department would set up in appropriate Soviet trade fairs. We will note that this agreement in no way constitutes a precedent for similar action in the U.S. (C)

A successful program which would generate U.S. sales in the U.S.S.R. requires facilitative assistance on the part of the Soviets, and the U.S. should, on a reciprocal basis, offer to provide appropriate technical facilitation to the Soviets should they desire to commence an export promotion program in the United States. Such assistance would be limited to technical advice on how to use trade fairs in the United States, and would not include any direct marketing assistance to Soviet exporters. (C)

SOVIET-INITIATED ISSUES

1. MFN and Human Rights -- The U.S.S.R. will reiterate its official view at the JCC that human rights and trade should not be linked. At the January Experts meeting the Soviets were told of our serious concerns about Soviet human rights abuses and emigration policy. The U.S. delegation made it clear that there could be no fundamental change in the trade relationship in the absence of major improvement in emigration practice. MFN, export credits, a trade agreement, and other aspects of a fundamentally-improved trade relationship were out of the question unless that happened. (C)

The U.S. delegation should reiterate these serious concerns in the most effective manner possible and should stress that major improvement in Soviet human rights practices must accompany any fundamental improvement in the trade relationship. (C)

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2. Furskin Embargo -- Since 1951 the United States has banned imports from the U.S.S.R. of seven types of furskins. The U.S. has a global trade surplus in furskins, with high quality pelts exported and lower quality pelts imported. A Commerce review of the industry indicates lifting the embargo would have little or no effect on domestic production. The Soviets are seeking elimination of the ban more for political than economic reasons. (C)

In January the President decided to indicate to the Soviets a willingness to discuss with Congress lifting the ban if the Soviets were willing to improve business conditions and prospects for U.S. firms. The Soviets have begun to make such improvements, and preliminary explorations on options for removing the furskins embargo have been held by the Commerce Department with the relevant House and Senate staffs. They indicated the best approach would be for the Administration to introduce legislation to eliminate the ban, and indicated the prospects for passage were good if properly handled. (C)

The U.S. delegation should be authorized to tell the Soviets at the JCC that in return for concrete steps to increase U.S. company access to the Soviet market, the Administration will introduce legislation to eliminate the embargo of the seven Soviet furskins. (C)

3. Nickel Certification -- Under the economic embargo against Cuba, the U.S. banned imports of unfabricated nickel-bearing materials from the U.S.S.R. in December 1983 since the U.S.S.R. imports large amounts of Cuban nickel. The U.S.S.R. was given the opportunity to negotiate a certification arrangement similar to ones negotiated with our allies, but has been unwilling to discuss a government-to-government agreement. At the Experts meeting the U.S. delegation reiterated an offer to consider the relevant Soviet foreign trade organization (FTO) as the signatory if the Soviets would provide a written commitment that the FTO was acting on behalf of the Ministry of Foreign Trade. (C)

The Soviets have not responded positively to the U.S. offer. If the Soviets raise this issue, the U.S. delegation should inform the Soviets that we have already attempted to accommodate certain of their expressed concerns and believe the problem is resolvable if they in turn demonstrate some flexibility. This position is consistent with the view informally communicated by Treasury to the Soviet Embassy representative since the Experts meeting. (C)

4. Aeroflot Landing Rights -- As a result of Afghanistan-, Poland-, and KAL-related sanctions, all scheduled Aeroflot service to the United States and virtually all ties between Aeroflot and the U.S. travel industry have been terminated. In the January Experts Group meeting the Soviets were told that the U.S. was

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- 6 -

willing to begin discussion of civil aviation matters, but only after conclusion of an agreement to improve safety on North Pacific air routes, and with the understanding that any restoration of Aeroflot service would have to be part of a package offering an equitable balance of concessions for U.S. carriers. (C)

Meetings were held in Washington between U.S., Soviet and Japanese representatives on the question of North Pacific air safety February 26 - March 3. These sessions made some progress, but an agreement has not yet been reached. We are hoping to arrange a follow-up meeting in May. The U.S. delegation should reiterate our readiness to enter into civil aviation discussions as soon as North Pacific safety measures are agreed, reminding the Soviets that such negotiations will require an equitable balance of economic benefits. (C)

5. Port Access Regulations -- The Soviets seek relief from the port access regulations imposed upon them following termination of the bilateral maritime agreement and the imposition of martial law in Poland, and particularly for their grain vessels seek easing of the requirement for 14-day advance requests before being given permission to enter U.S. ports. Under the expired maritime agreement, from 1974 to 1981 Soviet vessels were required to make only 4-day advance requests. (C)

U.S. agribusiness is concerned that the current policy has an adverse effect on U.S. grain exports to the U.S.S.R. The U.S. maritime industry, however, believes that the 4-day notification is their principal leverage on the Soviets in getting a new maritime agreement with reciprocal benefit for the U.S. industry. (C)

Up until January, as a Poland-related sanction, the United States was unwilling to hold maritime discussions. During the January Experts meeting, the Soviets were told that the United States was willing to consider a change in port notification requirements as part of an overall discussion of maritime issues within our traditional maritime framework, and that such discussions would have to encompass U.S. maritime interests. The Soviets noted this offer with great interest in Moscow and made a follow-up inquiry in Washington, but have not responded. (C)

The U.S. should inform the Soviets in advance of the JCC that we are willing to include a Maritime expert on our delegation to have an exchange of views on the parameters of a possible maritime agreement. (C)

6. Tax Protocol -- A tax protocol amending various provisions of the U.S.-U.S.S.R. income tax treaty was agreed to in May 1981, but not signed. Among other matters, the protocol addressed Soviet concerns regarding U.S. tax treatment of Soviet employees of Aeroflot. A compromise was worked out under which such employees

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would pay back income taxes and interest, but would be exempt from social security and unemployment taxes retroactive to 1976, when the basic treaty took effect. Changes in tax laws since 1981 would have to be reflected in any new protocol, and it may be very difficult to make refunds from the Social Security Trust Fund. (C)

The Soviets were told in January that the United States was willing to move forward on the unsigned protocol, but that changes may have to be made. No response has been received from the Soviets, and no further U.S. action should be taken other than to reiterate the January offer. (C)

7. Supplier Reliability -- The Soviets want a discussion of this at the JCC meeting. The U.S. delegation should explain the meaning of the contract sanctity provisions of the Export Administration Amendments Act, which passed the House and is awaiting Senate action. The Act contains two "contract sanctity" provisions. As to agricultural commodities, forest products and fisheries products, short supply export restrictions will not apply to any contract to export which was entered into before the date on which the controls are imposed. (C)

The Export Administration Amendments Act also contains a general contract sanctity provision applicable to controls imposed in the future on foreign policy grounds. The President is forbidden to prohibit or curtail the export or reexport of goods, technology or other information unless he determines and certifies to Congress that there exists a breach of the peace which poses a serious and direct threat to the strategic interest of the United States. (C)

These contract sanctity provisions would not apply to new controls imposed under other authority (national security provisions of the EAA, the International Emergency Economic Powers Act, or new legislation), but the recent legislative action on the subject will have a restraining influence on the exercise of such other authorities. (C)

8. Antidumping -- Not currently an issue. The January Experts Group conducted a seminar for Soviet officials addressing Soviet concerns and their inadequate understanding of U.S. law and practice. The Soviet potash case was terminated in March, because the International Trade Commission found that U.S. potash producers were not being materially injured. In April, Commerce issued the Administrative review of the antidumping order on titanium sponge, finding a margin of 83.96 percent. The result was based on the best information available because the Soviet exporter submitted an inadequate response to our questionnaire. (C)

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Drafted by: Commerce/ITA/EUR: 4-16-85/Revised 4/24/85

Clearances:

Commerce/TA:	DSchlechty, 4/23/85
	GKaplan, 4/24/85
Commerce/TD:	HMisisco, 4/23/85
Commerce/GC:	CNovelli, 4/24/85
Commerce/CA:	GMcKiernan, 4/24/85
Agriculture:	LSebranek, 4/23/85
State/EB:	EHurwitz, 4/24/85
State/EUR:	DKursch, 4/23/85
Transportation:	RBourdon, 4/23/85
	CHeckman, 4/24/85
Treasury:	GClapp, 4/22/85
	MMuench, 4/24/85
USTR:	RJohnson, 4/23/85

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DRAFT 4/23/85

JOINT STATEMENT
REGARDING U.S.-U.S.S.R. TRADE

The following statement was issued by U.S. Secretary of Commerce Malcolm Baldrige and Soviet Minister of Foreign Trade Nikolai Patolichev, at the end of the US-USSR Joint Commercial Commission meeting in Moscow, May 21, 1985:

The governments of the United States and the Soviet Union believe that mutually-beneficial trade can make a significant contribution to a more constructive overall relationship. They also recognize the economic benefits of peaceful trade. Accordingly, both sides support the development and expansion of such trade between the two countries.

Each also recognizes that respect for the concerns of the other, including those outside the field of economic relations, are required for trade to make its full contribution. Each will consider future steps toward improving conditions for a fuller trade relationship, and will consult with the other.

Both agree, however, that currently there are opportunities to increase mutually-beneficial trade and economic cooperation. Noting the positive results and the anticipated further gains in agricultural trade, both sides will take steps to expand commerce in nonstrategic industrial goods and services.

These steps will include the removal of obstacles to trade expansion where possible and consistent with the laws and regulations of each country. Both sides will encourage firms and organizations to explore prospects for expanding peaceful trade. Each government will initiate an official program of trade exhibitions as appropriate, and will encourage purchasing officials and buyers to visit the other's exhibitions.

The U.S. government is interested in American companies serving as suppliers for appropriate Soviet projects under the upcoming 12th five-year plan. The Soviet government agrees that all interested American firms will have full opportunity to bid on Soviet projects and purchases open to Western participation, and will have access to Soviet trade and purchasing officials.

Each government intends the expansion of trade and economic cooperation to reflect its own laws, national security, and vital interests and recognizes that it is reasonable for each side to restrict its exports for these reasons. Accordingly, both sides agree to focus their economic expansion activities on sectors where such concerns will be minimal.

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Controlled by: Franklin J. Vargo
Decontrol on: O.A.D.R.

NLRR F06-114/2 # 7322

BY KML NARA DATE 10/1/12

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FOIA(b)(3)

US-Soviet Trade:
Political and
Economic Determinants

Key Judgments

Information available
as of 10 April 1985
was used in this report.

The ramifications of the scheduled late May 1985 meeting of the US-USSR Joint Commercial Commission will be more political than economic. Although generally disappointed with the contributions of Western technology and equipment to their overall economy, the Soviets continue to hope for economic benefit in obtaining US technology and goods. More important, they view increased trade with the United States as a necessary adjunct to and facilitator of a general "normalization" of relations. They also view renewed government-to-government trade negotiations as an opportunity to gauge US commitment to the process of normalization.

Moscow probably expects the United States to show some flexibility on trade matters and particularly hopes to obtain access to selected technologies and equipment. Although the Soviets may not expect substantial progress on key issues—export control lists or restrictive trade practices—they will look for, and probably will publicly acclaim, any positive movement. Moscow thinks that any evidence of improved US-Soviet economic relations will contribute to the American public's skepticism about US defense programs and about administration resistance to Soviet initiatives abroad. Last, the Soviets may hope that prospects of increased trade could cause affected US businessmen to urge US policymakers to adopt conciliatory positions on arms control issues or, similarly, to avoid policy decisions that Moscow might view as hostile—such as stronger controls by the Coordinating Committee for Multilateral Export Control (COCOM) or an assertive human rights posture.

Although Moscow will undoubtedly agree to some commercial deals over the next several months, economic realities constrain any rapid growth in bilateral trade over the next several years:

- Moscow has developed alternative suppliers in Eastern and Western Europe to reduce dependence on US goods; their proximity to the USSR, moreover, gives them a marked advantage in raw materials trade and the compensation deals that the Soviets favor.
- The Soviets will have a smaller capacity for hard currency earnings, at least through 1990—largely a result of constraints on oil exports. Even if monies were available, Moscow would continue to be selective in its equipment imports, because of past problems in diffusing Western technology.

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- Efforts to interest US businessmen in Soviet exports will probably continue to be unsuccessful. Under almost any circumstances, however, the United States will continue to be a major supplier of grain to the USSR.

This information is ~~Confidential~~.