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WITHDRAWAL SHEET

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Withdrawer

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File Folder MATLOCK CHRON JUNE 1986 (6/6)

FOIA

F06-114/5

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YARHI-MILO

1701

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
8428	MEMO	JUNE CHRON TO MATLOCK <i>R 3/14/2011 F2006-114/5</i>	1	ND	B1
8429	POST IT NOTE	CHRON <i>R 3/14/2011 F2006-114/5</i>	1	ND	B1
8430	MEMO	CHERNYAYEV TO GORBACHEV RE U.S. POLICY AND OUR DILEMNA: THE SDI ISSUE <i>R 6/23/2010 M125/2</i>	6	6/26/1986	B1
8431	MEMO	SAME TEXT AS DOC #8430 <i>R 6/23/2010 M125/2</i>	6	6/26/1986	B1
8432	MEMO	WHITE HOUSE <i>R 3/14/2011 F2006-114/5</i>	1	ND	B1
8433	MEMO	SAME TEXT AS DOC #8430 <i>R 6/23/2010 M125/2</i>	6	6/26/1986	B1
8434	MEMO	MATLOCK/COBB TO POINDEXTER RE CABLE TO SHULTZ ON WALDHEIM INAUGURATION <i>R 3/14/2011 F2006-114/5</i>	3	6/27/1986	B1
8435	MEMO	MATLOCK TO POINDEXTER RE SCHEDULING MEETING WITH SOVIETS <i>R 11/29/2007 NLRRF06-114/5</i>	2	6/28/1986	B1

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

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

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

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

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

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

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

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

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

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

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4817

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

June 24, 1986

ACTION

MEMORANDUM FOR RODNEY B. McDANIEL

FROM: JACK F. MATLOCK *JFM*

SUBJECT: Draft Testimony on US-Soviet Trade Policy

I have reviewed and concur with the attached draft statement of Franklin J. Vargo, Department of Commerce, on US-Soviet Trade Policy.

Sestanovich^{SS}, Sable^{JS}, Danzansky^{SD} and Mandel^{am} concur.

RECOMMENDATION

That you sign the memorandum at Tab I for Ronald Peterson indicating NSC concurrence.

Approve _____

Disapprove _____

Attachments

Tab I Memo for Peterson
Tab A Draft Testimony

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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4817

MEMORANDUM FOR RONALD K. PETERSON

FROM: RODNEY B. McDANIEL

SUBJECT: Draft Testimony on US-Soviet Trade Policy

Our staff has reviewed and has no objection to the attached draft statement of Franklin Vargo, Department of Commerce, before the Subcommittee on Commerce, Transportation and Tourism, and the House Committee on Energy and Commerce.

Attachment

Tab A Draft Testimony

4817₃



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
June 24, 1986

SPECIAL

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer-

United States Trade Representative (Johnston X3150)	23
Department of State (Berkenbile 647-4463)	25
Department of Labor (Zinman 523-8201)	18
Department of the Treasury (Carro 566-8523)	28
National Security Council	

SUBJECT: Commerce draft testimony on U.S.-Soviet trade policy for a June 25 hearing.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than 4:00 TODAY, TUESDAY, JUNE 24, 1986.

Questions should be referred to AnnetteRooney/SueThau (395-7300), the legislative analyst in this.

RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures

cc: J. Jukes
E. Stucky
T. Hauser
M. Driggs

SPECIAL

4

**STATEMENT OF
FRANKLIN J. VARGO
DEPUTY ASSISTANT SECRETARY FOR EUROPE
U.S. DEPARTMENT OF COMMERCE**

**BEFORE THE
SUBCOMMITTEE ON COMMERCE, TRANSPORTATION AND TOURISM
HOUSE COMMITTEE ON ENERGY AND COMMERCE**

JUNE 25, 1986

Mr. Chairman:

I am pleased to appear before you this morning to discuss U.S. trade policies with regard to the Soviet Union. With me is Mr. John Boldock, Director of the Export Administration's Office of Technology and Policy Analysis, who will respond to your questions concerning U.S. export licensing policy toward the U.S.S.R.

U.S. trade with the Soviet Union has been relatively stagnant over the past decade, with U.S. exports averaging about \$2.5 billion per year, mostly in agricultural products; U.S. imports from the USSR averaging about \$400 million; and a large favorable trade surplus of about \$2 billion.

Our trade last year fit almost perfectly into this mold. U.S. exports to the Soviet Union in 1985 were \$2.4 billion, making the U.S.S.R. our 17th largest market. These exports were less than 2 percent of our total exports worldwide, but they nevertheless provided employment for about 60 thousand Americans. These exports also contributed significantly to individual companies and industries, particularly to our agricultural industry.

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- 2 -

Three-fourths of our exports to the Soviet Union are agricultural products, and the nearly \$2 billion of American farm products purchased by the Soviets last year made the U.S.S.R. our xth (?) largest agricultural export market. Corn and wheat accounted for the vast bulk of these sales. Manufactured goods exports to the U.S.S.R. last year were \$x million. Phosphoric acid was the leading manufactured goods export.

U.S. imports from the Soviet Union last year were also typical, at \$440 million. The resulting large surplus in our favor was \$2 billion, which in fact was our third largest bilateral surplus last year (following The Netherlands and Australia).

U.S. Trade Policy Toward the U.S.S.R.

The United States does not have a "normal" trade relationship with the Soviet Union. The United States restricts its exports to the Soviet Union for national security purposes and sometimes for foreign policy purposes, does not grant the USSR "Most Favored Nation" treatment (MFN), does not provide official credits such as Eximbank financing or Commodity Credit Corporation (CCC) credits, and does not have a trade agreement with the USSR.

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Our trade policy toward the Soviet Union reflects the fact that the political and security aspects of the relationship between the two superpowers are the dominant features of the total relationship. Trade with the Soviet Union is only x percent of U.S. global trade, and trade with the United States is only x percent of the USSR's global trade.

Within this framework, however, the Administration's trade policy is a positive one of seeking to develop peaceful trade with the Soviet Union where that is possible.

The foundation of our trade policy is the President's desire to build a more constructive overall working relationship with the Soviet Union. This is the third of the major objectives the President laid out in January 1984 for U.S.-Soviet relations. The President determined that expansion of peaceful trade which benefits both parties can and should be a an important part of our effort to build a more constructive relationship.

At the same time, however, we are cognizant that trade relations with the Soviet Union cannot be viewed separately from our overall relations and that major improvements in the trade relationship cannot take place without parallel improvements or progress in other aspects of the relationship.

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- 4 -

A prime example is human rights, which are fundamental to our American values. As a moral people, we cannot abandon those in need. The Jackson-Vanik amendment links extension of MFN to Soviet emigration and expresses the U.S. interest in encouraging freer emigration and respect for human rights. We have made it clear that the Administration and the American people view freer emigration and human rights as fundamental U.S. concerns which bear on possibilities for improving the trade relationship.

Additionally, we believe that trade with the USSR needs to be approached with realism and sound commercial calculation, neither exaggerating nor minimizing opportunities and benefits for either side. And finally, in all considerations of U.S.-Soviet trade policy our national security remains paramount. Strategic goods and technology are not areas where we are or will be interested in trade expansion. Our efforts to expand US-Soviet trade are limited only to non-strategic goods and services.

These basic policies do not lay out an easy course. They are, however, policies which we believe are realistic and which provide a solid basis for carrying out a consistent, principled, long-term trade policy which is understandable to our own business community, the Soviets, and our allies.

We believe our policies provide for mutually-beneficial expansion of trade in a way that will allow trade to contribute to the overall U.S.-Soviet relationship, and to the health of the U.S. economy and to employment. There are areas in which trade can be expanded now, and it is the Administration's policy to encourage and promote that expansion. The growth prospects, however, are more limited than those, for example, in a full trade relationship such as could occur under conditions of significantly increased emigration from the Soviet Union.

Steps Toward Expansion of Peaceful U.S.-Soviet Trade

The Administration, Mr. Chairman, has taken positive steps to improve the prospects for peaceful trade. Two years ago, in June 1984, the President agreed to a ten-year extension of the U.S.-U.S.S.R. Long-Term Agreement on Economic, Industrial, and Technical Cooperation. The Agreement provides in general terms for the two governments to facilitate nonstrategic trade and commercial cooperation. This was followed by a number of important steps to resume high-level bilateral trade contacts, reestablish a mechanism for discussing trade issues, improve market access, and assist U.S. business development efforts.

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- 6 -

To convey our policy on expansion of peaceful trade and identify areas where progress might be possible, last year we reestablished an official government-to-government trade dialog. In January 1985 then- Under Secretary of Commerce Lionel Olmer led an interagency delegation to Moscow for the first meeting of the Trade Working Group since 1979. This Working Group led the way to a meeting of the Cabinet-level Joint U.S.-USSR Commercial Commission, which had not met in six years.

That Commission met in May 1985, when Secretary Baldrige traveled to Moscow to co-chair the meeting with the Soviet Minister of Foreign Trade, Nikolai Patolichev. The Secretary was able to reestablish a mechanism for resolving commercial problems, improve market access for U.S. companies in the Soviet Union, and improve the overall trade relationship. Secretary Baldrige traveled to Moscow a second time last year, to participate in the ninth meeting of the U.S.-USSR Trade and Economic Council (a private sector group on the U.S. side), and to meet the new Soviet Foreign Trade Minister, Boris Aristov.

During both visits to the Soviet Union, Secretary Baldrige met with General Secretary Gorbachev. While other aspects of the overall U.S.-Soviet relationship were discussed during these meetings, they focused on trade and the interest of both sides in seeing trade expand where that was possible.

- 7 -

Our efforts will continue during the next meeting of the Joint Commercial Commission. Soviet Foreign Trade Minister Aristov has accepted Secretary Baldrige's invitation to come to Washington for this meeting, which we expect to be held later this year.

Market Access.

Of greatest concern to us initially was the curtailed access to the Soviet market which American firms had been experiencing. Secretary Baldrige made improved market access for U.S. companies his main objective in his meetings with Minister Patolichev, and as a result, the Soviets agreed to take steps to ensure American companies could bid for business in the Soviet Union.

In an unprecedented letter to all Soviet foreign trade organizations, Minister Patolichev instructed them to invite interested American firms to bid on projects, to provide American companies with access to appropriate Soviet officials, and to consider American company proposals on their economic merits. His letter also stated the interest of the Soviet Government in developing more business with the United States in areas that both countries agreed were in their mutual interest. Secretary Baldrige, in turn, published in Business America an open letter to the American business community advising U.S. firms of the results of the Joint Commercial Commission and encouraging them to explore trade opportunities in the Soviet Union.

- 8 -

Since that time, American companies have reported a sharp improvement. They are receiving bid inquiries. They are getting in to see Soviet officials. They are being asked to come up with new proposals. And most significantly, business is up. Soviet orders for machinery and equipment from U.S. firms in 1985 rose to \$240 million, compared to only about \$70 million in 1984. Those new orders mean about six thousand new jobs for American firms.

In response to this positive step by the Soviets, Secretary Baldrige announced that the Administration would seek legislation to remove a 34-year-old embargo on imports of seven types of Soviet furskins. The House has incorporated that legislation into the Miscellaneous Tariffs provision of the trade bill recently passed by the House, and the Senate is now considering the furskin legislation. We urge your support.

Removal of the embargo is strongly in the interest of the United States. The steps undertaken by the Soviets are leading to increased U.S. exports that are already creating thousands of U.S. jobs, while analysis indicates there will be little or no negative effect on the domestic furskin industry. This is a modest step, but one of very significant symbolic importance. It would demonstrate the willingness of the President and the Congress to take concrete steps to improve the bilateral relationship with the Soviet Union where that is possible and in the interest of both sides.

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- 9 -

Trade Promotion

An important task now is to take advantage of the improved policy climate for trade by using it to conclude more new business. We are doing this both directly through U.S. government export promotion and market development activities. We are also doing this by supporting the activities of the U.S.-USSR Trade and Economic Council (USTEC), a private sector organization which has operated successfully since its creation in 19xx to assist U.S. companies in dealing with the complex Soviet economic system.

In order to assist U.S. companies in their efforts to sell to the Soviet market, the U.S. Department of Commerce has expanded its export promotion assistance. We have added a second U.S. Department of Commerce market development officer to our U.S. Trade Development Office in Moscow, have devoted increased resources in the United States to identifying specific market prospects, and have developed a program of export promotion events for U.S. companies in the Soviet Union.

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With information provided by the U.S.-U.S.S.R. Trade and Economic Council and Soviet foreign trade officials, we have identified sectors and projects where U.S. companies are highly competitive, where the equipment and technologies are clearly non-strategic, and where there is strong Soviet demand. We are looking at nine major areas:

- o Food Production and Processing
- o Earthmoving Equipment
- o Mining and Forestry Equipment
- o Agricultural Chemicals
- o Housing and Construction Equipment
- o Medical Equipment and Supplies
- o Pollution Control Equipment
- o Irrigation Equipment
- o Pulp and Paper Equipment

Last week eleven U.S. medical equipment companies participated in the first of our new series of Marketing Sales Seminars in the Soviet Union. They had an opportunity to present their capabilities in cardiology, ophthalmology and surgery to over 130 Soviet end-user specialists. This provides highly valuable product exposure to key Soviet purchasing officials, and provides one of the only ways to "advertise" U.S. company capabilities in the USSR.

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- 11 -

We have selected food processing and agribusiness as the key area on which we will be focussing for the next few years, because of special American capability in this field and the priority assigned it in Soviet economic plans. In September we are sponsoring a major U.S. exhibit at the the Soviet food industry show, INPRODTORGMASH. This will be our first major sponsored event in the Soviet Union in seven years. Last month, a senior Commerce Department official led a mission to the Soviet Union to identify the food industry equipment and technologies the Soviets are most interested in seeing at this exhibition.

Over 40 U.S. companies, two-thirds of them new to the Soviet market, will display their wares and services at this show. The interest shown by U.S. companies in expanding peaceful, non-strategic, trade is evident in the fact that these companies are all paying the full cost of this trade promotion effort -- including the exhibition space, the cost of transportation of their exhibits, their personal transportation, expenses while in Moscow, and even Department of Commerce overhead. There is no U.S. government subsidy involved in our promotion program anywhere in the world, including the Soviet Union.

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- 12 -

Export Licensing Policy

In addition to our export expansion efforts, you have asked that we discuss U.S. export licensing policy toward the Soviet Union. With me here today is John Boidock, Director of the Office of Technology and Policy Analysis in the Export Administration of the Commerce Department who will respond to your questions in this area. I would only like to note two developments in U.S. trade policy affecting the U.S.S.R.

One concerns the reliability of American companies as suppliers to the Soviet market. In recent years, many American companies have been told by Soviet trade officials that they could not be viewed as reliable suppliers. They have been told that long-term relations with U.S. firms cannot be entered into with a high degree of confidence as long as the U.S. government can force the cancellation of contracts.

The new Export Administration Act makes a clear statement on contract sanctity. The Act states that contracts may not be cancelled for foreign policy reasons unless the President 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.

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- 13 -

The second area concerns our foreign policy controls. In January of this year, the Commerce Department adjusted its licensing policy for foreign policy controls on the export of technical data relating to oil and gas exploration and production. Applications for the export of technical data for oil or gas exploration or production will be reviewed on a case-by-case basis and not on a "presumption of denial," as before. Applications for the export of exploration and production equipment will continue to be reviewed on a case-by-case basis and generally will be approved, unless subject to multilateral review in COCOM.

This policy modification was made after reviewing the positive steps that the Soviets had taken in their relations with us to that time. If our bilateral relationship continues to improve, and we see further progress in areas of interest to us, we will consider further changes in our foreign policy controls.

- 14- 17Trade Outlook

Mr. Chairman, let me conclude by stressing the need for realism in U.S.- Soviet trade. There are definite growth prospects for peaceful trade, even within the present policy framework. However, the Soviet Union is not going to be a booming market across the board. The Soviet Union is the world's second largest economy, but it is not a major trading nation. It imports only about \$30 billion annually from the West -- an amount which makes its hard currency market for Western products about the same size as Switzerland's.

The U.S.S.R. has plans for significant increases in economic activity, including imports. Recent events, however, will affect their plans. The nuclear disaster at Chernobyl certainly is a factor. But in dollar terms the major Soviet problem is their declining hard currency revenue from energy exports. Oil and gas exports account for about two-thirds of Soviet exports to the West. Every dollar decline in the price of a barrel of oil reduces Soviet hard currency exports by about \$500 million, and the reduction of world oil prices may cost the Soviet Union a hard currency loss of \$5 billion or so.

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World demand for Soviet raw materials -- timber, metals, and other industrial materials -- will grow slowly; and future Soviet earnings are likely to be a function of price changes in key commodities. While the Soviet Union can certainly cope with the decline in hard currency availability in the short term by selling gold and making greater use of credits, the longer-term outlook is uncertain. The Soviet Union is not a large exporter of manufactured goods, a fact which will have to be changed if the Soviets are to increase their ability to trade with the West over the longer-run. This change, however, will not come easily.

So Mr. Chairman, we must be realistic regarding the role of trade in U.S. - Soviet relations. Trade must continue to be viewed in the context of political and national security concerns. And trade must be viewed in the context of the Soviet economic situation. Nevertheless, there are prospects for trade growth -- and the Administration believes we should seek to expand trade where possible.

While it is unlikely that the United States and the Soviet Union would ever become major trading partners, the growth opportunities that exist are of worthwhile economic benefit to both countries. The employment possibilities in this trade are not inconsequential, and the contribution of this trade to the overall relationship must not be overlooked either -- particularly if such trade were to contribute to an improvement in human rights and emigration.

Thank you, Mr. Chairman

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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June 25, 1986

MEMORANDUM FOR RONALD K. PETERSON

FROM:

RODNEY B. McDANIEL

Rob for

SUBJECT:

Draft Testimony on US-Soviet Trade Policy

Our staff has reviewed and has no objection to the attached draft statement of Franklin Vargo, Department of Commerce, before the Subcommittee on Commerce, Transportation and Tourism, and the House Committee on Energy and Commerce.

Attachment

Tab A Draft Testimony



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OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
June 24, 1986

SPECIAL

LEGISLATIVE REFERRAL MEMORANDUM

TO: **Legislative Liaison Officer-**

United States Trade Representative (Johnston X3150)	23
Department of State (Berkenbile 647-4463)	25
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Questions should be referred to AnnetteRooney/SueThau (395-7300), the legislative analyst in this.

RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures

cc: J. Jukes
E. Stucky
T. Hauser
M. Driggs

SPECIAL

21

**STATEMENT OF
FRANKLIN J. VARGO
DEPUTY ASSISTANT SECRETARY FOR EUROPE
U.S. DEPARTMENT OF COMMERCE**

**BEFORE THE
SUBCOMMITTEE ON COMMERCE, TRANSPORTATION AND TOURISM
HOUSE COMMITTEE ON ENERGY AND COMMERCE**

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Within this framework, however, the Administration's trade policy is a positive one of seeking to develop peaceful trade with the Soviet Union where that is possible.

The foundation of our trade policy is the President's desire to build a more constructive overall working relationship with the Soviet Union. This is the third of the major objectives the President laid out in January 1984 for U.S.-Soviet relations. The President determined that expansion of peaceful trade which benefits both parties can and should be a an important part of our effort to build a more constructive relationship.

At the same time, however, we are cognizant that trade relations with the Soviet Union cannot be viewed separately from our overall relations and that major improvements in the trade relationship cannot take place without parallel improvements or progress in other aspects of the relationship.

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Additionally, we believe that trade with the USSR needs to be approached with realism and sound commercial calculation, neither exaggerating nor minimizing opportunities and benefits for either side. And finally, in all considerations of U.S.-Soviet trade policy our national security remains paramount. Strategic goods and technology are not areas where we are or will be interested in trade expansion. Our efforts to expand US-Soviet trade are limited only to non-strategic goods and services.

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Our efforts will continue during the next meeting of the Joint Commercial Commission. Soviet Foreign Trade Minister Aristov has accepted Secretary Baldrige's invitation to come to Washington for this meeting, which we expect to be held later this year.

Market Access.

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- 9 -

Trade Promotion

An important task now is to take advantage of the improved policy climate for trade by using it to conclude more new business. We are doing this both directly through U.S. government export promotion and market development activities. We are also doing this by supporting the activities of the U.S.-USSR Trade and Economic Council (USTEC), a private sector organization which has operated successfully since its creation in 19xx to assist U.S. companies in dealing with the complex Soviet economic system.

In order to assist U.S. companies in their efforts to sell to the Soviet market, the U.S. Department of Commerce has expanded its export promotion assistance. We have added a second U.S. Department of Commerce market development officer to our U.S. Trade Development Office in Moscow, have devoted increased resources in the United States to identifying specific market prospects, and have developed a program of export promotion events for U.S. companies in the Soviet Union.

- 10 -

With information provided by the U.S.-U.S.S.R. Trade and Economic Council and Soviet foreign trade officials, we have identified sectors and projects where U.S. companies are highly competitive, where the equipment and technologies are clearly non-strategic, and where there is strong Soviet demand. We are looking at nine major areas:

- o Food Production and Processing
- o Earthmoving Equipment
- o Mining and Forestry Equipment
- o Agricultural Chemicals
- o Housing and Construction Equipment
- o Medical Equipment and Supplies
- o Pollution Control Equipment
- o Irrigation Equipment
- o Pulp and Paper Equipment

Last week eleven U.S. medical equipment companies participated in the first of our new series of Marketing Sales Seminars in the Soviet Union. They had an opportunity to present their capabilities in cardiology, ophthalmology and surgery to over 130 Soviet end-user specialists. This provides highly valuable product exposure to key Soviet purchasing officials, and provides one of the only ways to "advertise" U.S. company capabilities in the USSR.

- 11 -

We have selected food processing and agribusiness as the key area on which we will be focussing for the next few years, because of special American capability in this field and the priority assigned it in Soviet economic plans. In September we are sponsoring a major U.S. exhibit at the the Soviet food industry show, INPRODTORGMASH. This will be our first major sponsored event in the Soviet Union in seven years. Last month, a senior Commerce Department official led a mission to the Soviet Union to identify the food industry equipment and technologies the Soviets are most interested in seeing at this exhibition.

Over 40 U.S. companies, two-thirds of them new to the Soviet market, will display their wares and services at this show. The interest shown by U.S. companies in expanding peaceful, non-strategic, trade is evident in the fact that these companies are all paying the full cost of this trade promotion effort -- including the exhibition space, the cost of transportation of their exhibits, their personal transportation, expenses while in Moscow, and even Department of Commerce overhead. There is no U.S. government subsidy involved in our promotion program anywhere in the world, including the Soviet Union.

Export Licensing Policy

In addition to our export expansion efforts, you have asked that we discuss U.S. export licensing policy toward the Soviet Union. With me here today is John Boldock, Director of the Office of Technology and Policy Analysis in the Export Administration of the Commerce Department who will respond to your questions in this area. I would only like to note two developments in U.S. trade policy affecting the U.S.S.R.

One concerns the reliability of American companies as suppliers to the Soviet market. In recent years, many American companies have been told by Soviet trade officials that they could not be viewed as reliable suppliers. They have been told that long-term relations with U.S. firms cannot be entered into with a high degree of confidence as long as the U.S. government can force the cancellation of contracts.

The new Export Administration Act makes a clear statement on contract sanctity. The Act states that contracts may not be cancelled for foreign policy reasons unless the President 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.

37

- 13 -

The second area concerns our foreign policy controls. In January of this year, the Commerce Department adjusted its licensing policy for foreign policy controls on the export of technical data relating to oil and gas exploration and production. Applications for the export of technical data for oil or gas exploration or production will be reviewed on a case-by-case basis and not on a "presumption of denial," as before. Applications for the export of exploration and production equipment will continue to be reviewed on a case-by-case basis and generally will be approved, unless subject to multilateral review in COCOM.

This policy modification was made after reviewing the positive steps that the Soviets had taken in their relations with us to that time. If our bilateral relationship continues to improve, and we see further progress in areas of interest to us, we will consider further changes in our foreign policy controls.

34

- 14 -

Trade Outlook

Mr. Chairman, let me conclude by stressing the need for realism in U.S.- Soviet trade. There are definite growth prospects for peaceful trade, even within the present policy framework. However, the Soviet Union is not going to be a booming market across the board. The Soviet Union is the world's second largest economy, but it is not a major trading nation. It imports only about \$30 billion annually from the West -- an amount which makes its hard currency market for Western products about the same size as Switzerland's.

The U.S.S.R. has plans for significant increases in economic activity, including imports. Recent events, however, will affect their plans. The nuclear disaster at Chernobyl certainly is a factor. But in dollar terms the major Soviet problem is their declining hard currency revenue from energy exports. Oil and gas exports account for about two-thirds of Soviet exports to the West. Every dollar decline in the price of a barrel of oil reduces Soviet hard currency exports by about \$500 million, and the reduction of world oil prices may cost the Soviet Union a hard currency loss of \$5 billion or so.

World demand for Soviet raw materials -- timber, metals, and other industrial materials -- will grow slowly; and future Soviet earnings are likely to be a function of price changes in key commodities. While the Soviet Union can certainly cope with the decline in hard currency availability in the short term by selling gold and making greater use of credits, the longer-term outlook is uncertain. The Soviet Union is not a large exporter of manufactured goods, a fact which will have to be changed if the Soviets are to increase their ability to trade with the West over the longer-run. This change, however, will not come easily.

So Mr. Chairman, we must be realistic regarding the role of trade in U.S. - Soviet relations. Trade must continue to be viewed in the context of political and national security concerns. And trade must be viewed in the context of the Soviet economic situation. Nevertheless, there are prospects for trade growth -- and the Administration believes we should seek to expand trade where possible.

While it is unlikely that the United States and the Soviet Union would ever become major trading partners, the growth opportunities that exist are of worthwhile economic benefit to both countries. The employment possibilities in this trade are not inconsequential, and the contribution of this trade to the overall relationship must not be overlooked either -- particularly if such trade were to contribute to an improvement in human rights and emigration.

Thank you, Mr. Chairman.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

June 24, 1986

ACTION

MEMORANDUM FOR RODNEY B. McDANIEL

FROM:

JACK F. MATLOCK *JFM*

SUBJECT:

Draft Testimony on US-Soviet Trade Policy

I have reviewed and concur with the attached draft statement of Franklin J. Vargo, Department of Commerce, on US-Soviet Trade Policy.

Sestan^{SS}ovich, Sable^{JS}, Danzansky^{SD} and Mandel^{mm} concur.

RECOMMENDATION

That you sign the memorandum at Tab I for Ronald Peterson indicating NSC concurrence.

Approve

WJP

Disapprove

Attachments

Tab I Memo for Peterson
Tab A Draft Testimony

4796 37
✓

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

ACTION

June 25, 1986

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: PETER R. SOMMER *PS*
SUBJECT: Reply to Joe Godson

You have received a rather nasty letter from CSIS's European Coordinator, Joe Godson. He is "sadly disappointed that at the last moment you had to cancel" your meeting with CSIS' European Working Group. He also notes that you couldn't attend a dinner in his honor. In forwarding an extract from a critical London Observer article, he indirectly takes a shot at Ambassador Price and Embassy London. On the plus side, Joe did write a thoughtful op-ed piece on anti-Americanism in Europe.

Because of the tone of Godson's letter, Jack and I believe you should give him a straightforward reply.

RECOMMENDATION

That you sign the Tab I reply to Godson.

Approve _____

Disapprove _____

GM
Jack Matlock concurs. ✓

cc: Paula Dobriansky

Attachments

Tab I Reply to Godson
Tab II Godson's incoming

38

THE WHITE HOUSE

WASHINGTON

Dear Joe:

Thank you for your recent letter.

I, too, am disappointed. In all due respect, I had hoped you would have greater understanding for the demands on my schedule. I would have liked very much to have spoken to the Working Group. But unfortunately, my time is not always my own. I am often called away, as I was the day your group was here.

Because of the importance we attach to US-European relations and your Working Group, I made a special effort to send one of my most senior assistants, Jack Matlock, to address the group. I am confident he did an outstanding job.

I am also surprised by the comments in the London Observer article; but then coming from the Observer, I guess I shouldn't be surprised. For the record, Charlie Price is one of our most active and effective Ambassadors. And there are many in government who are highly knowledgeable about the UK. Indeed, one of my staff lived four years in London.

Again, thank you for writing. I found your op-ed piece to be thoughtful and perceptive. Keep up the good work.

Sincerely,

Mr. Joseph Godson
European Coordinator
Center for Strategic and
International Studies
8 Campden Hill Court
Campden Hill Road
London W8 7HX, England



JUN 20 1986

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Center for Strategic & International Studies
Georgetown University • Washington DC

Joseph Godson
European Coordinator

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 12958, Sec. 1.3(a)

By NARA CVS Date 6/21/02

June 16, 1986.

~~Private & Confidential~~

Admiral John M. Poindexter,
National Security Adviser,
West Wing,
White House,
Washington, D.C.,
U.S.A.

Dear John,

I was sadly disappointed that at the last moment you had to cancel out your scheduled meeting with the European Working Group, which I brought to Washington for the fourth time in so many years.

I have been working closely with these Europeans - all pro-American in one way or another - since 1979. These people have a message to convey and I would have thought some of our people would go out of their way to encourage them in what they are trying to do. But this was not the case - others as well also had to back out.

In connection with the above, I enclose an op-ed piece which I did for the New York Times of June 11. This was based on my remarks at a dinner given in my honour by the National Strategy Information Center last month, which you couldn't attend. Also enclosed is a piece from the London Observer about our Embassy.

Best wishes,

Yours sincerely,

Joseph Godson

Encls:

Anti-Americanism Grows New Roots

40
The New York Times

WEDNESDAY, JUNE 11, 1986

By Joseph Godson

LONDON — Widespread European criticism of President Reagan's announcement that the United States may no longer comply with the second strategic arms limitation accord has brought into focus the increasingly common European view that American society is violent, chaotic, crime-ridden and, under President Reagan, hell-bent on the use of force.

Many European critics of America call themselves liberals. But what underlies their attitude, known as neo-anti-Americanism, is in fact a repudiation of liberal democratic capitalism and most of its values.

United States officialdom must handle this phenomenon with care and tact. How America deals with this challenge will be a test of its superpower status. How its friends and allies respond to it in their own countries will be a test of their maturity.

The assault on American values is especially troubling because it comes at a time when a new generation is about to assume the leadership of Western Europe — a changing of the guard that will have important implications in the 1990's and beyond. The European peace movement, which is largely dominated by young people and motivated by deep suspicion of America, provides a kind of window on the coming changes.

Postwar Europeans have matured under circumstances of affluence and political stability. They do not remember the postwar reconstruction or the first, most difficult days of the cold war: they have at best only a vague memory of the building of the Berlin Wall. They came of age during a period of détente, and their views of Soviet society have been colored by Leonid I. Brezhnev and Mikhail S. Gorbachev rather than Stalin. For them, America does not connote the Marshall Plan, the Berlin airlift or even John F. Kennedy, but rather the Vietnam War and the installation of Pershing and cruise missiles. The rifts opened by the debate over those deployments are deep and enduring.

Earlier bouts of European anti-Americanism were rooted mainly in resentment of what was seen as American hegemony. The current strain, on the other hand, reflects fear rather than resentment — fear generated by apocalyptic visions of nuclear

disaster. Many Europeans are also frustrated by their inability to control their own destiny in the nuclear era — an exasperation that is probably here to stay, regardless of any change in the occupancy of the White House.

Most troubling of all, however, are those Europeans who equate American power with that of the Soviet Union. It is a view best expressed by the pernicious formulation of Neil Kinnock, the leader of the British Labor Party, that "the two countries pose an equal threat to world peace." This may not exactly reflect pro-Sovietism, but far too many Europeans are now inclined to say that, if it is American, it must be suspect.

Americans should, however, remember that Europeans have always viewed Russia rather differently than we do: the sheer propinquity of the Soviet Union inevitably softens Europeans' attitudes. Yet few people in Europe have any liking for the Soviet system. The Chernobyl nu-

Europeans fear nuclear Armageddon

clear disaster was informative in this respect. In Europe, as in America, Moscow's handling of the catastrophe showed the inefficiency of the Soviet system and the implausibility of Mr. Gorbachev's claim to be making radical changes in that system.

That is the good news. The bad news is that things may get worse after the next round of national elections in Europe. In the next year or so, Labor may come to power in Britain and the Social Democrats may win in West Germany. The Labor Party almost certainly, and perhaps the Social Democrats, too, would require the removal of cruise and Pershing missiles from their territories — decisions that could have devastating effects for the alliance. Americans must not, however, announce that they do not wish Labor or the Social Democrats to win — for this would almost certainly help both parties at the polls.

What, then, can Americans do? Alas, not very much. The roots of the new anti-Americanism run deep and have little to do with anything that we actually do in the world. What's needed on both sides is sensitivity. That is our only hope for preventing the trouble from getting worse and doing us all needless damage. □

Joseph Godson, a former Foreign Service officer, is the European coordinator of Georgetown University's Center for Strategic and International Studies.

Circumstances at the US embassy contribute to the transatlantic gap. The last ambassador had to be removed because he was so hopeless that even Washington noticed; and the man who abruptly replaced him, Mr Charles Price, the former head of a candy company in Kansas City, is scarcely visible. When he arrived, he said he was glad to be given London because the people spoke English, which made it an advance on Brussels, his previous post.

Marked change

Robert Cheshyre, until recently *The Observer's* correspondent in Washington, says he noticed a marked change even in five years. 'When I went there you had a one-in-ten chance of finding someone in the State Department who knew Britain; now it's one-in-fifty.' Britain these days is one of about six countries that comes under the same desk. Cheshyre says the young chap in charge of the desk talks about the special relationship, 'but you can tell he doesn't believe a word of it.'

Privacy

June Chron: Spooz II 42

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June 26, 1986

TO: MIKHAIL S. GORBACHEV
FROM: ANATOLY CHERNYAYEV
SUBJECT: U.S. Policy and Our Dilemma: The SDI Issue

You will recall that I promised in my memorandum of June 9 to follow up the general assessment by our group with a more detailed discussion of the particular issues. We started with SDI, and frankly, I wish we hadn't. I apologize that it took more than the two days I initially thought. The truth is that, when we went from the general to the particular, most of our consensus vanished. The decibel level of our deliberations rose at times to alarming magnitudes, and unfortunately Svyatoslav is going to be out of action for a while. The doctors in the Kremlin hospital managed to set his broken jaw, but what with the bruises on his face and his dislocated shoulder, we thought it better that he not show up for a while. The bright side is that when he can talk again he probably won't be making cracks like "The only thing wrong with the American strike on Libya is that they didn't get Qaddafi." Candor is candor, but there are limits. (And don't worry about the security aspects. As always, they are uppermost in our minds and we're spreading the story that his wife caught him with Ludmila. Anyone who knows his wife and knows Ludmila is bound to believe it!)

What follows is a summary of the conflicting opinions that were voiced. Since we couldn't get agreement, all we can do is throw the problems in your lap -- and recommend a course of action that may give us further clues as to what the Americans are really after.

American Objectives in SDI

The attempt to stop the American SDI program has been such a prominent part of our propaganda that we need to take a hard look to see if your predecessors were right in saddling you with that stance. If we look back to the fall of 1983 when the decision was made to do this, the reason was that Reagan's speech that spring scared the pants off some of our marshals. They said, "We don't know what he's up to, but if he pulls it off, there go down the drain two decades of sacrifice to build the greatest ICBM force in the world. We won't even be a second rate power."

Of course, this was at the same time the Americans were getting ready to put their Pershings in Europe -- weapons which could be landing in your office three or four minutes after our radar sees them coming. (Given the way communications work around here, that would probably be about a half hour before it occurred to the

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guys who watch the radar screens to let you know what was coming -- they would assume their equipment was faulty.) And it was just a few months after the "Evil Empire" speech, when Reagan openly set the goal to wipe us out. It was not unreasonable to suppose that this was part of a master plan: put Pershing II's in Europe to wipe out our national command authority, deploy the MX and D-5 to take care of our silos, then put up an impregnable defense. Zippo: end of the "Evil Empire."

We've had three years now to look at things more carefully, and though some of us are still convinced that this scenario is the correct one, it really has a lot of holes in it. None of us really know what Regan's intentions are, so we must look at the objective facts. Some of the relevant ones are as follows:

-- None of our scientists think the Americans have a hope of deploying an impregnable defense in the foreseeable future. Even if they develop parts of a system to provide some defense, they couldn't test the full system under realistic conditions, which means that they couldn't rely on it for immunity if they were to launch a first strike.

-- Our military agree than an impregnable defense is not possible, but worry that the Americans are up to something else. If they could protect their missiles better, they could get the edge on us with all the new systems they have coming. Also, the whole program could be a cover for developing exotic space-based offensive weapons.

For example, some projects could produce very dangerous offensive technologies. The Americans have been working on an X-ray laser just as we have, and although our scientists are not making much progress, we cannot be sure the Americans won't solve the problem if they keep trying. Some of our people think the whole SDI program is an elaborate cover for this research. They point out that although Reagan talks about abolishing nuclear weapons, this project has to use a nuclear device. And if it ever works, they would orbit that device in space. So this makes clear that whatever Reagan tells you about the defensive character of SDI, he is not really sincere. (By the way, our people also think that the research on the X-ray laser is the real reason the Americans won't join us in a nuclear testing moratorium.)

-- There are also puzzles in the way SDI has been handled in the U.S. If the Americans are really serious about the program as they have described it, why would they talk about it so much? They didn't tell the world they were developing the atomic bomb. They built it in complete secrecy, then dropped it on the Japanese. We do the same with serious weapons systems, as does every other responsible power.

Yuri, the fellow who just came back from our Embassy in Washington, tried to persuade us that the Americans talk a lot about their military programs because the President has to get funds out of Congress. Of course, he didn't convince the rest of us, because we know that the President can get what he wants when he really wants it. He runs it as a "black" program, like he's doing with "Stealth." (I'd suggest we take a closer look at the people we send to Washington -- some of them come back with the most absurd ideas. Is Chebrikov sure that the CIA didn't set up a Swiss bank account for Yuri, to pay him for the disinformation he spreads here?)

-- In fact, Congress is just a cover for conducting propaganda campaigns for other purposes. For example, who in his right mind would believe an American President has to mount a public campaign to get a measly hundred mil for the contras? That's not enough to buy a year's supply of toilet paper for the Pentagon. (It may surprise you that Americans spend real money on such non-essentials. They could save by giving everyone a subscription to Pravda and letting them use it the way we do, but, no -- they're too soft for that!) Anyway, if the point were to help the contras, the President would just give them a couple of billion and shut up about it. Instead, we get this public campaign, which is clearly designed just to make us look bad, and to put you on the spot with the old-timers here. The object in all the SDI propaganda may be the same, but we can't be sure.

-- Part of the answer may be the U.S. military-industrial complex. A lot of scientists, technicians and business firms are feeding at the SDI trough. The more funds, the more jobs and the more profits. You understand all this very well, and I thought you were very clever to let Reagan know you are on to this game when you met him in Geneva. It caught him so much by surprise that he forgot to point out that the whole Soviet Union is a military-industrial complex! Still, I don't suppose he thinks we are an agricultural-industrial complex, so maybe you better not try this line again. Just as well to stop while you are ahead.

As you can see, these considerations pull in a lot of different directions, and there are at least four ways they can be explained.

American Motivations: Four Theories in Search of Reality

Theory A: The American SDI program is just a propaganda effort, with no likely military impact.

Evidence in favor:

- (1) The high-profile political campaign, which implies a lack of seriousness in building a working system.

(2) The fact that this propaganda enables Reagan to pose as a champion of eliminating nuclear weapons, while still building up his nuclear forces.

(3) Many U.S. military officers are dubious about SDI and give it little support.

(4) Reagan's offer to "share" the system -- which no one can take seriously -- is consistent with a purely propaganda approach.

(5) Pressure on American Allies to participate in the research implies at least two things: (a) that the U.S. is not about to develop a workable system (if they were, they would not tell anyone), and (b) they are using it as a tool to control technology developments in Allied countries -- i.e., their objectives are political and economic, not military.

Evidence against:

(1) The U.S. research effort seems to be making some progress. Their ten-year lead in computers gives them a great advantage.

(2) They usually accomplish what they set out to do, even if it seems impossible at the start (take the goal of putting a man on the moon!). It would be foolhardy to discount American technology.

(3) Even a partially effective system used to protect American nuclear installations could give the Americans an edge if they get it first.

Theory B: SDI is a cover for development of some other military system.

Evidence in favor:

(1) All the evidence in favor of Theory A would support this one as well.

(2) Public attention to SDI distracts attention from other programs which could be more immediately threatening to us (Stealth, for example, and Lenin only knows what else.)

(3) Much research carried out under the SDI rubric could be applied to offensive systems.

Evidence against:

- (1) The program seems to be structured to achieve its declared purpose.
- (2) If it were merely a cover for something else, the American negotiating position would not be so rigid, since they could distract attention from other programs for a long time just by negotiating on SDI.
- (3) President Reagan is totally dedicated to the program in its most extreme form (a "space shield").

Theory C: The whole purpose of the program is to force us to ruin our economy to gear up to match them. When we have committed billions to the effort, they will just drop the whole thing like they did the supersonic passenger plane and leave us holding the bag.

Evidence for:

Consistent with propagandistic approach.

Evidence against:

Program looks serious, as noted.

Theory D: The program is exactly what the Americans say it is, but while the President genuinely views it as defensive, others intend to use it as part of an offensive strategy, and if successful it would provide that capability.

Comment:

Impossible to prove either way, but this is potentially the most threatening of the scenarios.

Policy Implications

It is impossible to devise a policy which deals simultaneously with all these contingencies. If this is just an effort to take us in, we would be foolish to over-react -- but then we have probably already done this. If it is a serious military challenge, then we have to find ways to counter it militarily, but it is not immediately obvious what these ways could be. The things we have talked about -- just building more ICBMs and going flat out to develop our own system might be the worst option of all since it would strain our economy and probably make it

impossible to turn it around as you have recognized is necessary. If we do this, we may well be falling into a clever and well laid American trap.

Your task is to find a way to handle the issue in order to achieve the following objectives:

(a) Get the marshals off your back with their demands for increasing their funding by an additional ten percent. (We are going to have trouble over this five-year-plan scraping up their usual 4% annual increment without further ruining the economy.)

(b) Preserve the political clout that our huge ICBM force gives us. (If people believe that SDI will work, they may stop taking us seriously as a superpower.)

This is a tall order, and the way to do it does not come readily to mind. We may have to just play for time, and hope that Reagan's successors will kill the program. Settling for an extension of the ABM Treaty probably would not affect the American program, but would give us an argument to use with our tin hats, particularly if we could put tight restrictions on the U.S. program. Actually, as we negotiate, we might get some further insight into which of the various theories I have mentioned is the right one.

Regarding the American negotiating objective, they clearly want us to agree to revising the ABM Treaty to legitimize SDI and give them a totally free hand. It would be most dangerous for us to go along with this; we would end up at a disadvantage no matter how you look at it. In this connection, I am sure that you will not be deluded by Reagan's offers to "share" the American system. For all I know, he may be sincere, but this is irrelevant. He won't be President when the question arises, and even if the U.S. were bound by a treaty to share it, you know very well that our clowns couldn't make it work. And besides, are we expected to depend on the Americans for spare parts?

So, finally, in my judgment, the least we can settle for and protect our minimal requirements is an extension of the ABM Treaty until Reagan is no longer in office. I doubt that we can get much more out of the Americans, and we shouldn't cut our ICBMs very much for that. But at least it would kick this SDI can down the road and give us time to assess whether it is a real threat or not, and maybe come up with some ideas as to how to deal with it.

If this doesn't work, we may have no option except to build a few hundred more ICBMs. We don't really need them, but that would certainly panic the U.S. Allies, and could eventually bring fatal pressure to bear on SDI in the U.S. Congress.

8431 50
June 26, 1986

TO: MIKHAIL S. GORBACHEV
FROM: ANATOLY CHERNYAYEV
SUBJECT: U.S. Policy and Our Dilemma: The SDI Issue

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-- None of our scientists think the Americans have a hope of deploying an impregnable defense in the foreseeable future. Even if they develop parts of a system to provide some defense, they couldn't test the full system under realistic conditions, which means that they couldn't rely on it for immunity if they were to launch a first strike.

-- Our military agree than an impregnable defense is not possible, but worry that the Americans are up to something else. If they could protect their missiles better, they could get the edge on us with all the new systems they have coming. Also, the whole program could be a cover for developing exotic space-based offensive weapons.

For example, some projects could produce very dangerous offensive technologies. The Americans have been working on an X-ray laser just as we have, and although our scientists are not making much progress, we cannot be sure the Americans won't solve the problem if they keep trying. Some of our people think the whole SDI program is an elaborate cover for this research. They point out that although Reagan talks about abolishing nuclear weapons, this project has to use a nuclear device. And if it ever works, they would orbit that device in space. So this makes clear that whatever Reagan tells you about the defensive character of SDI, he is not really sincere. (By the way, our people also think that the research on the X-ray laser is the real reason the Americans won't join us in a nuclear testing moratorium.)

-- There are also puzzles in the way SDI has been handled in the U.S. If the Americans are really serious about the program as they have described it, why would they talk about it so much? They didn't tell the world they were developing the atomic bomb. They built it in complete secrecy, then dropped it on the Japanese. We do the same with serious weapons systems, as does every other responsible power.

52

Yuri, the fellow who just came back from our Embassy in Washington, tried to persuade us that the Americans talk a lot about their military programs because the President has to get funds out of Congress. Of course, he didn't convince the rest of us, because we know that the President can get what he wants when he really wants it. He runs it as a "black" program, like he's doing with "Stealth." (I'd suggest we take a closer look at the people we send to Washington -- some of them come back with the most absurd ideas. Is Chebrikov sure that the CIA didn't set up a Swiss bank account for Yuri, to pay him for the disinformation he spreads here?)

-- In fact, Congress is just a cover for conducting propaganda campaigns for other purposes. For example, who in his right mind would believe an American President has to mount a public campaign to get a measly hundred mil for the contras? That's not enough to buy a year's supply of toilet paper for the Pentagon. (It may surprise you that Americans spend real money on such non-essentials. They could save by giving everyone a subscription to Pravda and letting them use it the way we do, but, no -- they're too soft for that!) Anyway, if the point were to help the contras, the President would just give them a couple of billion and shut up about it. Instead, we get this public campaign, which is clearly designed just to make us look bad, and to put you on the spot with the old-timers here. The object in all the SDI propaganda may be the same, but we can't be sure.

-- Part of the answer may be the U.S. military-industrial complex. A lot of scientists, technicians and business firms are feeding at the SDI trough. The more funds, the more jobs and the more profits. You understand all this very well, and I thought you were very clever to let Reagan know you are on to this game when you met him in Geneva. It caught him so much by surprise that he forgot to point out that the whole Soviet Union is a military-industrial complex! Still, I don't suppose he thinks we are an agricultural-industrial complex, so maybe you better not try this line again. Just as well to stop while you are ahead.

As you can see, these considerations pull in a lot of different directions, and there are at least four ways they can be explained.

American Motivations: Four Theories in Search of Reality

Theory A: The American SDI program is just a propaganda effort, with no likely military impact.

Evidence in favor:

- (1) The high-profile political campaign, which implies a lack of seriousness in building a working system.

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(2) The fact that this propoganda enables Reagan to pose as a champion of eliminating nuclear weapons, while still building up his nuclear forces.

(3) Many U.S. military officers are dubious about SDI and give it little support.

(4) Reagan's offer to "share" the system -- which no one can take seriously -- is consistent with a purely propoganda approach.

(5) Pressure on American Allies to participate in the research implies at least two things: (a) that the U.S. is not about to develop a workable system (if they were, they would not tell anyone), and (b) they are using it as a tool to control technology developments in Allied countries -- i.e., their objectives are political and economic, not military.

Evidence against:

(1) The U.S. research effort seems to be making some progress. Their ten-year lead in computers gives them a great advantage.

(2) They usually accomplish what they set out to do, even if it seems impossible at the start (take the goal of putting a man on the moon!). It would be foolhardy to discount American technology.

(3) Even a partially effective system used to protect American nuclear installations could give the Americans an edge if they get it first.

Theory B: SDI is a cover for development of some other military system.

Evidence in favor:

(1) All the evidence in favor of Theory A would support this one as well.

(2) Public attention to SDI distracts attention from other programs which could be more immediately threatening to us (Stealth, for example, and Lenin only knows what else.)

(3) Much research carried out under the SDI rubric could be applied to offensive systems.

Evidence against:

- (1) The program seems to be structured to achieve its declared purpose.
- (2) If it were merely a cover for something else, the American negotiating position would not be so rigid, since they could distract attention from other programs for a long time just by negotiating on SDI.
- (3) President Reagan is totally dedicated to the program in its most extreme form (a "space shield").

Theory C: The whole purpose of the program is to force us to ruin our economy to gear up to match them. When we have committed billions to the effort, they will just drop the whole thing like they did the supersonic passenger plane and leave us holding the bag.

Evidence for:

Consistent with propagandistic approach.

Evidence against:

Program looks serious, as noted.

Theory D: The program is exactly what the Americans say it is, but while the President genuinely views it as defensive, others intend to use it as part of an offensive strategy, and if successful it would provide that capability.

Comment:

Impossible to prove either way, but this is potentially the most threatening of the scenarios.

Policy Implications

It is impossible to devise a policy which deals simultaneously with all these contingencies. If this is just an effort to take us in, we would be foolish to over-react -- but then we have probably already done this. If it is a serious military challenge, then we have to find ways to counter it militarily, but it is not immediately obvious what these ways could be. The things we have talked about -- just building more ICBMs and going flat out to develop our own system might be the worst option of all since it would strain our economy and probably make it

impossible to turn it around as you have recognized is necessary. If we do this, we may well be falling into a clever and well laid American trap.

Your task is to find a way to handle the issue in order to achieve the following objectives:

(a) Get the marshals off your back with their demands for increasing their funding by an additional ten percent. (We are going to have trouble over this five-year-plan scraping up their usual 4% annual increment without further ruining the economy.)

(b) Preserve the political clout that our huge ICBM force gives us. (If people believe that SDI will work, they may stop taking us seriously as a superpower.)

This is a tall order, and the way to do it does not come readily to mind. We may have to just play for time, and hope that Reagan's successors will kill the program. Settling for an extension of the ABM Treaty probably would not affect the American program, but would give us an argument to use with our tin hats, particularly if we could put tight restrictions on the U.S. program. Actually, as we negotiate, we might get some further insight into which of the various theories I have mentioned is the right one.

Regarding the American negotiating objective, they clearly want us to agree to revising the ABM Treaty to legitimize SDI and give them a totally free hand. It would be most dangerous for us to go along with this; we would end up at a disadvantage no matter how you look at it. In this connection, I am sure that you will not be deluded by Reagan's offers to "share" the American system. For all I know, he may be sincere, but this is irrelevant. He won't be President when the question arises, and even if the U.S. were bound by a treaty to share it, you know very well that our clowns couldn't make it work. And besides, are we expected to depend on the Americans for spare parts?

So, finally, in my judgment, the least we can settle for and protect our minimal requirements is an extension of the ABM Treaty until Reagan is no longer in office. I doubt that we can get much more out of the Americans, and we shouldn't cut our ICBMs very much for that. But at least it would kick this SDI can down the road and give us time to assess whether it is a real threat or not, and maybe come up with some ideas as to how to deal with it.

If this doesn't work, we may have no option except to build a few hundred more ICBMs. We don't really need them, but that would certainly panic the U.S. Allies, and could eventually bring fatal pressure to bear on SDI in the U.S. Congress.

SENSITIVE

THE WHITE HOUSE
WASHINGTON

6/30

Mr. President,

Here is Jack Matlock's latest
assessment of Soviet thinking
on SDI.

John

He should run
for General Sec.
RA

PRESERVATION COPY

56
June 26, 1986
Phon

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

TO: Undersecretary Ronald I. Spiers
FROM: Jack F. Matlock *JFM*
SUBJECT: Stearns' Report on "Hard Languages"

I appreciate the opportunity to read Ambassador Stearns' report on "hard language" capabilities in the Foreign Service. As one who has often pondered this subject, and tackled some of the training problems as Deputy Director of FSI in 1979 and 1980, I find the report the most insightful one I have read on the subject. I concur completely with Ambassador Stearns' recommendations.

In particular, I would endorse Ambassador Stearns' observation that doing something to improve high-level language capability in the Foreign Service will require significant changes in personnel policy. The fact is that, while training can always be improved, high level competence in a foreign language will be achieved by an adequate number of FSO's only if the personnel system, and more broadly our Foreign Service "culture," values linguistic skills and takes them importantly into account in assignments and promotions. I would also add that I believe the problem is not limited to "hard language" competence. We also have a shortage of officers who are thoroughly fluent in the "world" languages.

One concrete example: Recently we asked State Public Affairs to produce a list of those officers, in Washington or in the field, who could be made available for public presentations in the principal languages of Western Europe on East-West relations and U.S. arms control policies. Obviously, it is much more effective, particularly on television, to be able to deal with the issues in the language of the country. Equally obviously, an S-3 competence -- or even in many cases an S-4 competence -- is not adequate. It would appear from the results of the survey that very few officers are available who combine the substantive knowledge and linguistic skill required. (In this respect, we may be better off in Russian than in German, French and Italian!) And yet we face a situation where the Soviets can -- and increasingly do -- field spokesmen in the principal Western languages, and this is beginning to have its affect on public opinion in the NATO alliance.

The fundamental problem is that the Foreign Service has never really come to terms with the need for higher foreign language competencies, nor has it defined realistically its needs for area specialists. It has no system for measuring higher-level language competence properly and identifying future needs, much less a plan for developing a corps of professionals with such

competence. FSI testing is reasonably accurate up to the S-3, R-3 level but impressionistic and poorly defined above that level.

This situation has occurred because making the "S-3, R-3" level is all that counted in the personnel system; there was no bureaucratic reason to fine-tune higher ratings. Furthermore, the S-3, R-3 level was established with more regard to what could be achieved with capable "students" in the training period available than what is necessary to do a proper job in the field. Thus, we have managed to achieve reasonable formal compliance with the legal requirements for filling language-designated positions, yet have failed to develop an adequate pool of officers who can really use foreign languages on a fully professional level.

In particular, I would stress -- as Ambassador Stearns did -- that the problem cannot be fixed simply by tinkering with training procedures, or by extending the length of training. The higher levels of competence are normally acquired by using the language on the job, in an intensive way, and repeatedly through a career. That is also the only way to combine linguistic skill with area and functional competence, without which linguistic skill is of limited utility.

This means that assignment and promotion policy, and also the atmosphere at each post where foreign languages are spoken, are crucial. Does the "system" and the leadership at our posts consider higher levels of language competence essential, or merely something nice to have but not really of central importance? Unfortunately, all too often -- regardless of stated policies -- we act as if the latter is the case.

The problem of developing adequate higher-level foreign language competence is exacerbated by the trend over recent years toward entering classes of FSO candidates of more advanced years than was the case a couple of decades past. If memory serves, average ages at entry in the 1950's and early 1960's were in the range of 25-26. Now the average age is often in the 30-31 range, and many career candidates start out without an S-3, R-3 competence in any language. This pattern has developed as a result of removing the maximum age limit, along with an evaluation process which puts a premium on maturity and experience. Maturity and experience are of course valuable to the Service, but what the assessment process does not measure is how the bright 22-year-old would compare with her or his 32-year-old competitor after 8 to 10 years experience in the Foreign Service. It also leaves the Service with less time to train and develop foreign language competence, and at an age when the learning process itself proceeds more slowly.

58

The dilemma which this situation creates stimulated my suggestion to Ambassador Stearns regarding the possible use of a suitably modified ROTC program to produce a portion of the new entrants into the Foreign Service. Such a program could provide both for entry earlier in life than is normal now, and for guided training, both functional and linguistic, before entry. I would be pleased to spell out this idea in greater detail if there is interest.

However, to return to an earlier point, whatever we do regarding recruitment and training, we will not solve the problem unless there is a change in assignment and promotion policy and practice. Let me cite some examples from my own professional experience which illustrate one of the roots of the problem, and the sort of thing it leads to.

When I was Chief of Mission in Prague and my DCM's tour was ending, I requested a list of candidates for the position. The names provided me were of competent officers of the appropriate rank, none of whom, however, had served at the post before. Since I knew that other officers were available with past experience at post, demonstrated management skills, and knowledge of Czech, I insisted that further names be submitted, even though the officers had not yet passed the senior threshold. Following a close study of the various candidates' qualifications, I selected one of the more junior officers, since his area and language competence gave him a decided edge, his other qualifications being demonstrably on a par with the other candidates, if one left the precise timing of promotions out of account. Nevertheless, it took a ruling by the Director General, over the objections of her subordinates, to make the assignment. (He was in fact -- as I had anticipated -- promoted a few months after his transfer, and he performed in outstanding fashion.)

This incident illustrates two important points: (1) the promotion panels had apparently given scant, if any, attention to area and language expertise in selecting officers to cross the senior threshold; and (2) assignment officers are primarily interested in placement at appropriate grade levels and give secondary consideration, if that, to language and area competence needed for the post in question.

I do not intend to suggest that things always work this way, but I have found that when there is a conflict between the need for language and area expertise and other considerations, the other considerations usually prevail. When this happens, the implicit but clear message to the Service is that there is no particular career advantage in learning a language beyond the S-3 level, or in developing an area specialty, since this does not seem to help cross the senior threshold. After all, many manage, despite regulations to the contrary, without even an S-3, R-3 in a world language.

Other experiences bear on what this does to the Service. In my current position I have had the opportunity, in an informal way, to be aware of the considerations which at times have led to the selection of non-professionals rather than professionals for chief of mission positions. Sometimes, of course, a particular post has already been allocated to a non-professional, in which case there is no way the Service candidate can compete. But this is by no means always the case, and then the question often centers on whether the Foreign Service candidate is demonstrably better prepared for the post than the non-professional candidate. Unfortunately, I have noted a number of instances when it was the non-professional candidate who could speak the language of the post and had some prior experience in the country, while the Foreign Service candidate had neither the language competence nor sometimes even prior exposure to the country in question. When this occurs, it will be rare that the professional candidate is selected.

While we all know that many qualities other than linguistic skill are important in selecting a Chief of Mission, none are more immediately obvious to the non-specialist. It will always be difficult to explain to skeptics why a professional without the language of the country and no experience in it is a better choice than a non-professional who has these qualifications -- and often has managed organizations far greater in size than any Foreign Service post.

To me, at least, the lesson seems clear: either the Service finds ways to nurture higher levels of linguistic and area expertise -- and to make this a major factor in its senior assignments -- or else it will continue to see many key positions going to outsiders. But much more is involved than simply the proportion of Presidential appointments accorded FSOs. The deeper question is whether the Service will continue its slow conversion into a service organization which merely administers and manages policy set by others, communicates reports written by others, and makes hotel reservations for those who come out from Washington to consult with host governments, deal with the media and negotiate, or whether it can reverse recent trends and equip itself to render a full range of professional support to the formation, articulation and implementation of foreign policy.

THE WHITE HOUSE
WASHINGTON

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NLRR FD6-114/5 #8432

BY RW NARA DATE 3/14/11

June 26, 1986

TO: MIKHAIL S. GORBACHEV
FROM: ANATOLY CHERNYAYEV
SUBJECT: U.S. Policy and Our Dilemma: The SDI Issue

You will recall that I promised in my memorandum of June 9 to follow up the general assessment by our group with a more detailed discussion of the particular issues. We started with SDI, and frankly, I wish we hadn't. I apologize that it took more than the two days I initially thought. The truth is that, when we went from the general to the particular, most of our consensus vanished. The decibel level of our deliberations rose at times to alarming magnitudes, and unfortunately Svyatoslav is going to be out of action for a while. The doctors in the Kremlin hospital managed to set his broken jaw, but what with the bruises on his face and his dislocated shoulder, we thought it better that he not show up for a while. The bright side is that when he can talk again he probably won't be making cracks like "The only thing wrong with the American strike on Libya is that they didn't get Qaddafi." Candor is candor, but there are limits. (And don't worry about the security aspects. As always, they are uppermost in our minds and we're spreading the story that his wife caught him with Ludmila. Anyone who knows his wife and knows Ludmila is bound to believe it!)

What follows is a summary of the conflicting opinions that were voiced. Since we couldn't get agreement, all we can do is throw the problems in your lap -- and recommend a course of action that may give us further clues as to what the Americans are really after.

American Objectives in SDI

The attempt to stop the American SDI program has been such a prominent part of our propaganda that we need to take a hard look to see if your predecessors were right in saddling you with that stance. If we look back to the fall of 1983 when the decision was made to do this, the reason was that Reagan's speech that spring scared the pants off some of our marshals. They said, "We don't know what he's up to, but if he pulls it off, there go down the drain two decades of sacrifice to build the greatest ICBM force in the world. We won't even be a second rate power."

Of course, this was at the same time the Americans were getting ready to put their Pershings in Europe -- weapons which could be landing in your office three or four minutes after our radar sees them coming. (Given the way communications work around here, that would probably be about a half hour before it occurred to the

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NLRR M08-175/2 #8433
BY KML NARA DATE 6/28/10

62

guys who watch the radar screens to let you know what was coming -- they would assume their equipment was faulty.) And it was just a few months after the "Evil Empire" speech, when Reagan openly set the goal to wipe us out. It was not unreasonable to suppose that this was part of a master plan: put Pershing II's in Europe to wipe out our national command authority, deploy the MX and D-5 to take care of our silos, then put up an impregnable defense. Zippo: end of the "Evil Empire."

We've had three years now to look at things more carefully, and though some of us are still convinced that this scenario is the correct one, it really has a lot of holes in it. None of us really know what Reagan's intentions are, so we must look at the objective facts. Some of the relevant ones are as follows:

-- None of our scientists think the Americans have a hope of deploying an impregnable defense in the foreseeable future. Even if they develop parts of a system to provide some defense, they couldn't test the full system under realistic conditions, which means that they couldn't rely on it for immunity if they were to launch a first strike.

-- Our military agree than an impregnable defense is not possible, but worry that the Americans are up to something else. If they could protect their missiles better, they could get the edge on us with all the new systems they have coming. Also, the whole program could be a cover for developing exotic space-based offensive weapons.

For example, some projects could produce very dangerous offensive technologies. The Americans have been working on an X-ray laser just as we have, and although our scientists are not making much progress, we cannot be sure the Americans won't solve the problem if they keep trying. Some of our people think the whole SDI program is an elaborate cover for this research. They point out that although Reagan talks about abolishing nuclear weapons, this project has to use a nuclear device. And if it ever works, they would orbit that device in space. So this makes clear that whatever Reagan tells you about the defensive character of SDI, he is not really sincere. (By the way, our people also think that the research on the X-ray laser is the real reason the Americans won't join us in a nuclear testing moratorium.)

-- There are also puzzles in the way SDI has been handled in the U.S. If the Americans are really serious about the program as they have described it, why would they talk about it so much? They didn't tell the world they were developing the atomic bomb. They built it in complete secrecy, then dropped it on the Japanese. We do the same with serious weapons systems, as does every other responsible power.

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-- In fact, Congress is just a cover for conducting propaganda campaigns for other purposes. For example, who in his right mind would believe an American President has to mount a public campaign to get a measly hundred mil for the contras? That's not enough to buy a year's supply of toilet paper for the Pentagon. (It may surprise you that Americans spend real money on such non-essentials. They could save by giving everyone a subscription to Pravda and letting them use it the way we do, but, no -- they're too soft for that!) Anyway, if the point were to help the contras, the President would just give them a couple of billion and shut up about it. Instead, we get this public campaign, which is clearly designed just to make us look bad, and to put you on the spot with the old-timers here. The object in all the SDI propaganda may be the same, but we can't be sure.

-- Part of the answer may be the U.S. military-industrial complex. A lot of scientists, technicians and business firms are feeding at the SDI trough. The more funds, the more jobs and the more profits. You understand all this very well, and I thought you were very clever to let Reagan know you are on to this game when you met him in Geneva. It caught him so much by surprise that he forgot to point out that the whole Soviet Union is a military-industrial complex! Still, I don't suppose he thinks we are an agricultural-industrial complex, so maybe you better not try this line again. Just as well to stop while you are ahead.

As you can see, these considerations pull in a lot of different directions, and there are at least four ways they can be explained.

American Motivations: Four Theories in Search of Reality

Theory A: The American SDI program is just a propaganda effort, with no likely military impact.

Evidence in favor:

- (1) The high-profile political campaign, which implies a lack of seriousness in building a working system.

64

(2) The fact that this propoganda enables Reagan to pose as a champion of eliminating nuclear weapons, while still building up his nuclear forces.

(3) Many U.S. military officers are dubious about SDI and give it little support.

(4) Reagan's offer to "share" the system -- which no one can take seriously -- is consistent with a purely propoganda approach.

(5) Pressure on American Allies to participate in the research implies at least two things: (a) that the U.S. is not about to develop a workable system (if they were, they would not tell anyone), and (b) they are using it as a tool to control technology developments in Allied countries -- i.e., their objectives are political and economic, not military.

Evidence against:

(1) The U.S. research effort seems to be making some progress. Their ten-year lead in computers gives them a great advantage.

(2) They usually accomplish what they set out to do, even if it seems impossible at the start (take the goal of putting a man on the moon!). It would be foolhardy to discount American technology.

(3) Even a partially effective system used to protect American nuclear installations could give the Americans an edge if they get it first.

Theory B: SDI is a cover for development of some other military system.

Evidence in favor:

(1) All the evidence in favor of Theory A would support this one as well.

(2) Public attention to SDI distracts attention from other programs which could be more immediately threatening to us (Stealth, for example, and Lenin only knows what else.)

(3) Much research carried out under the SDI rubric could be applied to offensive systems.

65

Evidence against:

(1) The program seems to be structured to achieve its declared purpose.

(2) If it were merely a cover for something else, the American negotiating position would not be so rigid, since they could distract attention from other programs for a long time just by negotiating on SDI.

(3) President Reagan is totally dedicated to the program in its most extreme form (a "space shield").

Theory C: The whole purpose of the program is to force us to ruin our economy to gear up to match them. When we have committed billions to the effort, they will just drop the whole thing like they did the supersonic passenger plane and leave us holding the bag.

Evidence for:

Consistent with propagandistic approach.

Evidence against:

Program looks serious, as noted.

Theory D: The program is exactly what the Americans say it is, but while the President genuinely views it as defensive, others intend to use it as part of an offensive strategy, and if successful it would provide that capability.

Comment:

Impossible to prove either way, but this is potentially the most threatening of the scenarios.

Policy Implications

It is impossible to devise a policy which deals simultaneously with all these contingencies. If this is just an effort to take us in, we would be foolish to over-react -- but then we have probably already done this. If it is a serious military challenge, then we have to find ways to counter it militarily, but it is not immediately obvious what these ways could be. The things we have talked about -- just building more ICBMs and going flat out to develop our own system might be the worst option of all since it would strain our economy and probably make it

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impossible to turn it around as you have recognized is necessary. If we do this, we may well be falling into a clever and well laid American trap.

Your task is to find a way to handle the issue in order to achieve the following objectives:

(a) Get the marshals off your back with their demands for increasing their funding by an additional ten percent. (We are going to have trouble over this five-year-plan scraping up their usual 4% annual increment without further ruining the economy.)

(b) Preserve the political clout that our huge ICBM force gives us. (If people believe that SDI will work, they may stop taking us seriously as a superpower.)

This is a tall order, and the way to do it does not come readily to mind. We may have to just play for time, and hope that Reagan's successors will kill the program. Settling for an extension of the ABM Treaty probably would not affect the American program, but would give us an argument to use with our tin hats, particularly if we could put tight restrictions on the U.S. program. Actually, as we negotiate, we might get some further insight into which of the various theories I have mentioned is the right one.

Regarding the American negotiating objective, they clearly want us to agree to revising the ABM Treaty to legitimize SDI and give them a totally free hand. It would be most dangerous for us to go along with this; we would end up at a disadvantage no matter how you look at it. In this connection, I am sure that you will not be deluded by Reagan's offers to "share" the American system. For all I know, he may be sincere, but this is irrelevant. He won't be President when the question arises, and even if the U.S. were bound by a treaty to share it, you know very well that our clowns couldn't make it work. And besides, are we expected to depend on the Americans for spare parts?

So, finally, in my judgment, the least we can settle for and protect our minimal requirements is an extension of the ABM Treaty until Reagan is no longer in office. I doubt that we can get much more out of the Americans, and we shouldn't cut our ICBMs very much for that. But at least it would kick this SDI can down the road and give us time to assess whether it is a real threat or not, and maybe come up with some ideas as to how to deal with it.

If this doesn't work, we may have no option except to build a few hundred more ICBMs. We don't really need them, but that would certainly panic the U.S. Allies, and could eventually bring fatal pressure to bear on SDI in the U.S. Congress.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

CONFIDENTIAL

ACTION

June 27, 1986

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: JACK MATLOCK/TYRUS COBB *JM* *TC*

SUBJECT: Cable to Shultz on Waldheim Inauguration

Attached at Tab I is a cable from you to Shultz prepared per your prof note. You had indicated that the absence of the Soviet Ambassador at the Waldheim inauguration, July 8, makes it all the more valuable to have ours there.

We believe Shultz will resist altering his post facto endorsement of Ron's decision to absent himself from the inaugural. He apparently concurs with Lauder's moral objection to attending, and further feels that a reversal of this decision -- which has received extensive publicity in Austria -- would be unwise at this time.

We continue to believe that American interests are best served by the Ambassador's attendance, not just to protect our relations with Austria, but also to avoid getting on a slippery slope of having to defend decisions to attend inaugurations in other countries when the integrity of the individual has been questioned. However, given the extensive publicity already given the matter, it may be impossible to turn things around. Nevertheless, we think it is important to lay down a strong marker with Shultz and Lauder regarding our concern over both the substance and procedure of their decision. Your cable to Shultz expresses your concern over the decision and the manner in which it was taken, and points out that our objectives are not furthered by this action.

RECOMMENDATION

That you approve the dispatch of the cable to Shultz at Tab I.

Approve _____

Disapprove _____

Attachment
Tab I Cable to Shultz

~~CONFIDENTIAL~~
Declassify on: OADR

DECLASSIFIED
NLRR F06-114/5 #8434
BY RW NARA DATE 3/14/11

Dear George:

I am concerned that a decision seems to have been taken and made public that Ron Lauder will absent himself from the Waldheim inaugural. Since this matter involves an elected Chief of State and is politically delicate, I would have thought it appropriate to solicit the President's view of the matter before issuing or approving instructions to Ron.

As I see it, the decision should not be taken on the basis of a moral evaluation of Waldheim as an individual, but rather in accord with minimal diplomatic practice when the Chief of State of a country we recognize is inaugurated. As a minimum, U.S. ambassadors normally attend such events, whether or not the individual is democratically elected -- and without any implication that attendance implies endorsement of the individual's personal integrity. (Heaven help us if we have to start making such distinctions in the future!)

The fact of the matter is that, whatever we think of Waldheim, Austria is a democratic country -- and one which has been friendly to us. To refuse normal diplomatic representation when inaugurating a new Chief of State is symbolically an insult to the entire nation and will be taken as such. I question whether this is wise, given the fact that we never balk at attending such ceremonial functions in Communist countries or in dictatorships of other types, even when we are aware of serious moral lapses on the part of the individuals involved. (If the Soviet Ambassador, as has been reported, will be absent, it would be unfortunate for us to seem to be acting in concert with them.)

69

Earlier, when I concurred that no special representative be sent from Washington for the inaugural, it was on the assumption that we would be represented by our Ambassador in Vienna. I still think this is appropriate. Could you review the matter and see whether we can find some solution which will avoid unnecessary strains on our relations with Austria, and also avoid setting a precedent that would require us in the future to pick and choose what inaugurations our Ambassadors attend?

John

EYES ONLY

June 28, 1986

TO: JOHN M. POINDEXTER *6-30*

THROUGH: RODNEY B. MCDANIEL *Jack*

FROM: JACK F. MATLOCK

SUBJECT: Scheduling Meetings with Soviets

As you know, in his recent letter Gorbachev proposed a series of meetings of "specialists" which would prepare for a meeting of foreign ministers, at which time selection would be made of which topics are most suitable to prepare for results at the summit meeting. (The letter did not address a time for the foreign ministers' meeting, but Dubinin mentioned "the eve of" the UNGA in September -- presumably around the second week in September.)

I believe the Soviet proposal is a reasonable one, and we should try to arrange for appropriate meetings by "specialists" during the summer. The most urgent one to make a decision on is that on nuclear testing, since Gorbachev's letter proposed early July. (In the other cases, he did not suggest dates.)

The subjects Gorbachev mentioned are the following:

✓ Nuclear Testing: In effect, Gorbachev has now picked up the President's offer to have specialists meet to discuss verification and whatever ideas the Soviets wish to advance. In my opinion, there should be no question as to whether we do this -- it is our proposal -- but only when and by whom. Early July is too soon to make the arrangements, but we should shoot for a date later in the month.

State, without consulting me, has proposed that either Kennedy or I head our delegation. I believe neither of us should. Kennedy is inappropriate since I feel that we should not mix power plant safety, IAEA and non-proliferation issues with the testing question. Also, this is an area in which I can hardly claim to be an expert and I believe someone who does have a specialist's knowledge should do it.

Since there is likely to be sharp interagency division on some of the issues involved, it would probably be helpful if the delegation were chaired by the NSC. Linhard is an obvious candidate, if we can spare him here for a few days. Also Lynton Brooks.

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NLRR F06-114/5 #8935

BY CN NARA DATE 11/29/07

Conventional Forces: The suggestion for consultations on this topic is probably a device to get Gorbachev's recent proposals in play. I do not see much reason for us to take it very seriously, but it might not hurt to suggest that Blackwill meet with his MBFR counterpart during the intersessional. This should be done only if the Allies do not object, and would probably require us to get some Allied consensus in advance as to what we want to say about Gorbachev's conventional arms proposals in general. In particular, we should be prepared to indicate under what conditions (if ever) we might agree to negotiations. (For example, only following an MBFR agreement, successful conclusion of the CDE, and an appropriate mandate worked out at the Vienna CSCE Review Conference?)

Confidence Building Measures in Europe: This proposal seems to refer to CDE, and it would not hurt to suggest a private meeting between Amb. Barry and his counterpart. If we wish, we could also ask for another session on risk reduction centers under this rubric.

Chemical Weapons: We should take them up on this, focussing on the verification provisions of our draft treaty. It would be helpful if we could compose our differences with the British on verification in advance. Younger's visit may provide an opportunity, although some modification of the DOD position will probably be necessary for this.

Regional Issues: I doubt that we need schedule any more meetings on these other than the ones already in train, or just completed. Shultz is still interested in taking up Afghanistan with Shevardnadze before there is another round on that topic.

Bilateral Issues: We should take them up on this, since it will allow us to address a number of issues on our agenda, particularly human rights. Ridgway would seem the logical delegation chief on our side.

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It is probably going to take a strong push to get the bureaucracy to focus on organizing properly for this meetings, but I think it is necessary to do so. I also think that it is important to keep direct NSC participation in all of them. This will probably be necessary to dampen interagency bickering and to ensure that the consultations move in the direction the President desires.