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Mallock

President has seen 7/1/86
chior

THE WHITE HOUSE
WASHINGTON

7469

November 10, 1986

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER *JM*
SUBJECT: VOA Coverage of Reykjavik *RL*

Issue

Voice of America's (VOA's) coverage of the Reykjavik meeting.

Facts

USIA Director Wick has sent you a report on how VOA covered the Reykjavik meeting and your Oval Office address to the nation (Tab A). In addition to the news coverage, VOA broadcast several editorials explaining your policy.

Discussion

Through VOA, audiences around the world, including over 23 million regular listeners in the USSR, learned about the Administration's position. The editorial at Tab B will give you an idea of how the world was told about the Reykjavik outcome.

Recommendation

OK No
RR _____

That you read the editorial at Tab B.

Attachment

Tab A Wick Report
Tab B Editorial

Prepared by:
John Lenczowski

cc: Vice President

**United States
Information
Agency**

Washington, D C 20547

Office of the Director

7469



October 14, 1986

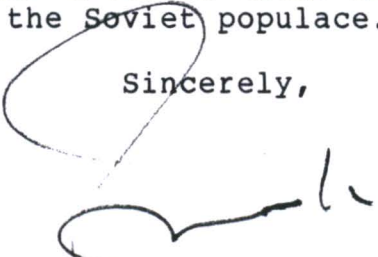
Dear Mr. President:

Listeners around the world heard your message from the Oval Office Monday October 13. The Voice of America broadcast your speech live to East and South Asia and to Latin America. Translations of your entire address were broadcast in Russian, Spanish and Chinese the same evening you delivered it, and listeners in Europe and Africa were able to hear major excerpts from it when they awoke Tuesday morning. Immediately following your address, an editorial, "Impasse in Iceland" was prepared for all VOA languages.

This coverage was the highlight of VOA's intensive and extensive coverage of the Reykjavik Conference and its consequences. With more than eighty on-the-scene Correspondents' Reports in English, live reports from Iceland in Russian and Ukrainian, and extensive discussion of the issues behind the news--including an interview with Richard Perle--VOA provided timely comprehensive coverage for a world-wide audience. VOA also broadcast a series of five editorials on the main issues of the Reykjavik meeting last week.

Our 23 million regular listeners in the Soviet Union, and the countless others who tuned in, heard live reports about developments at the conference only minutes after they happened. VOA stayed far ahead of Radio Moscow in bringing the news from Reykjavik to the Soviet populace.

Sincerely,



Charles Z. Wick
Director

The President
The White House

Editorial 0-2142 (OUR01)

October 14, 1986

IMPASSE IN ICELAND

Anncr:

Next, a VOA Editorial, reflecting the views of the U.S. Government.

Voice:

When he left for Reykjavik last Thursday, President Reagan expressed hope that he and General Secretary Gorbachev would emerge with blueprints to narrow differences on arms control, regional conflicts, human rights and other major issues. Both the U.S. and Soviet delegations presented serious new proposals, and a breakthrough seemed imminent. But when the two leaders and their aides finally emerged, disappointment showed on every face. The constructive compromises of Sunday morning were stalled by an impasse that afternoon, and the potentially warm news from Iceland chilled in the cold climate of Soviet intransigence.

The President had not expected to conclude permanent agreements in Reykjavik. He sought to identify points of accord for possible ratification at a formal summit later. He hoped to streamline future negotiations by eliminating issues on which both sides agreed to disagree. The President emphasized U.S. concerns about the USSR's human rights violations and expansionist policies in Afghanistan and other Third World countries. But he also went far in trying to reconcile U.S. proposals with those of the Soviet Union. The two delegations seemed ready to agree on substantial reductions in offensive nuclear weapons, including a total elimination of intermediate-range missiles in Europe, and a phased elimination of all long-range missiles within ten years.

Sadly, it wasn't to be -- at least not this week-end. The Soviets wanted to turn Reykjavik into a one-issue meeting, focusing solely on arms control. Although they had indicated willingness to discuss Afghanistan and other non-arms control

subjects, it became clear they had one primary objective: to force President Reagan to abandon SDI -- the Strategic Defense Initiative. The President **was not** and **is not** prepared to do this.

Simply put, the Strategic Defense Initiative is too important to be sacrificed in a poker game with the Soviets. Its basic purpose is to change the nature of strategic deterrence from mutually assured destruction to mutually assured survival -- to develop a non-nuclear system that would not harm people, but would prevent nuclear warheads from reaching their targets on earth. As President Reagan said, SDI is our insurance policy -- insurance against Soviet violations of existing or future agreements, and against any other nuclear threat that might arise.

The Soviets are determined to derail SDI, falsely accusing the U.S. of expanding the arms race into space. What they do **not** mention, of course, is their own strategic defense program. They proposed changing the 1972 ABM treaty to outlaw SDI development, knowing full well that their own research in many strategic defense technologies has been underway for twenty years.

For a while in Reykjavik, great strides on reducing nuclear weapons and narrowing differences on regional and humanitarian problems seemed possible. But the Soviets stalled out, holding everything else hostage to their desire to kill SDI. President Reagan showed extraordinary flexibility, but he could not pay the price demanded by the USSR. Americans and our allies need SDI as a future shield of freedom.

Nevertheless, there is still reason for hope. President Reagan's invitation to General Secretary Gorbachev for a summit in the U.S. remains open. And, as the President said Monday night, "Our (arms proposals) are out there on the table. They won't go away. We are ready to pick up where we left off."

Anncr:

That was a VOA Editorial, reflecting the views of the U.S. Government.

NO SHORT-CUTS TO SAFETY

Anncr:

Next, a VOA Editorial, reflecting the views of the U.S. Government.

Voice:

This weekend, President Reagan and Soviet leader Mikhail Gorbachev meet in Reykjavik, Iceland, to renew the dialogue they began a year ago in Geneva. In the past year, top-level U.S. and Soviet advisors have held a series of discussions on the agenda set at Geneva, including human rights, regional conflicts and arms control. In Iceland, discussion will once more center on the issues that divide us, in hopes that our differences can be narrowed.

One of the most complicated issues is arms reduction. Two days is too short a time to reach quick answers to complex questions that have occupied expert arms negotiators in Geneva for almost two years. But it is time enough for President Reagan and General Secretary Gorbachev to explore ways to move those negotiations forward. At Reykjavik, the President will underscore the goal that guides our approach to arms control: making the world a safer place, by making deep reductions in nuclear weapons.

Reductions are all the more necessary after a decade-long Soviet nuclear build-up. As a result, our friends and allies in Europe and Asia now find themselves facing a new Soviet threat: the SS-20 mobile nuclear missile. When negotiations to remove the new missiles failed, NATO, the West's major military alliance, was forced to counter the Soviet weapons with a limited number of its own. But as President Reagan will make clear at Reykjavik, we remain convinced that Europe and Asia would be safer still if these missiles were completely eliminated world-wide -- and the possibility of **interim** reductions on the way to zero is a way to get there.

v

Reducing missiles is one way to reduce the nuclear threat; exploring technologies that might one day shield us against nuclear attack is another. That is the aim of SDI -- the Strategic Defense Initiative research program. Defensive systems pose no threat to **people**: their mission is to destroy **missiles** launched against us. Despite this, the Soviet Union has launched a rhetorical attack against SDI, claiming it will spark a new arms race -- even as it hides from public view **Soviet** strategic defense programs that span two decades.

We will continue to urge the Soviets to drop their campaign against SDI, and to join us in discussing how anti-missile defenses might help decrease the nuclear threat in the decades ahead. Strategic defenses, coupled with radical reductions in nuclear weapons, would -- as the President has said -- move us closer "to the ultimate elimination of nuclear weapons from the face of the Earth."

There is no shortcut to a safer future, and no simple solution to the serious challenge of reducing the nuclear threat. But this weekend in Reykjavik, President Reagan will have a chance to outline the initiatives we think might point the way.
Anncr:

That was a VOA Editorial, reflecting the views of the U.S. Government.

///NOTE TO EDITORS///

THE FOLLOWING EDITORIAL CONTAINS THREE OPTIONAL PARAGRAPHS, BUT LANGUAGE SERVICES MUST USE THE GRAPH THAT PERTAINS TO THEIR OWN GEOGRAPHIC REGION. IN OTHER WORDS, LATIN AMERICAN SERVICES MUST USE OPT "A", AFRICAN SERVICES MUST USE OPT "B" AND ASIAN SERVICES MUST USE OPT "C". IF YOU HAVE ANY QUESTIONS CALL THE POLICY OFFICE OR DUTY OFFICER DON LANDERS, 892-4323.

Editorial 0-2133 (OUR01)

October 9, 1986

REGIONAL ISSUES AT THE SUMMIT

Annrc:

Next, a VOA Editorial, reflecting the views of the U.S. Government.

Voice:

Several "regional" issues are expected to be discussed at the meeting this weekend between President Reagan and General Secretary Gorbachev. One of them is the Soviet occupation of Afghanistan. Ending the occupation is not only the right of the Afghan people, but is clearly in the interest of the Soviet people. The USSR's leaders claim to be interested in an Afghan settlement; yesterday, on the eve of the Reykjavik meeting, the Soviet government said that some Soviet troops would be withdrawn next week. But it is not clear that, if this withdrawal occurs, it will materially affect Soviet combat capacities -- or that departing troops will not be replaced with fresh forces, as they have in the past. Counter-insurgency forces in Afghanistan are estimated to have doubled in the past three years and four of the six regular army regiments slated for withdrawal -- largely anti-aircraft and tank units -- are not suited for warfare in Afghanistan in any case. At Reykjavik, President Reagan will remind Mr. Gorbachev that the only acceptable

settlement is one that ensures the **complete** withdrawal of **all** Soviet troops, and the restoration of the Afghan people's right of self determination.

Afghanistan is the most blatant and bloody example of Soviet involvement in the politics and conflicts of the Third World, but it is not the only one. At Reykjavik, President Reagan will also bring up problems created by Soviet intervention in Africa, Southeast Asia and Central America. The Soviets support the Vietnamese occupation of Cambodia with arms and ammunition, opposing attempts by Cambodia's neighbors to work out a formula for Vietnamese withdrawal. The USSR is participating in Angola's civil war with military advisors and arms shipments, helping to maintain a proxy army of thirty six thousand Cubans in the field. In Central America, Moscow's massive military and security assistance to the Sandinistas has facilitated the betrayal of the anti-Somoza revolution -- helping to replace one dictatorship with an even more oppressive one.

[OPT A -- Those who betrayed Nicaragua's 1979 revolution against dictator Anastasio Somoza have been aided by military advisors and hundreds of millions of dollars in arms from the USSR. Soviet support for the Sandinistas has not only permitted the Nicaraguan regime to replace one dictatorship with another, but to attempt to subvert neighboring Central American governments. Soviet backing is a primary reason the regional peace talks between Nicaragua and its neighbors are stalemated. The Sandinistas have been able to avoid making compromises necessary to bring peace to the region. Soviet backing has also made it possible for the Sandinistas to spurn repeated calls by their domestic opponents for a negotiated end to their civil war. **END OPT]**

[OPT B -- In Africa, as President Reagan noted in his recent UN address, "thirteen hundred Soviet military advisors and thirty-six thousand Cuban troops direct and participate in combat operations to prop-up an unpopular, repressive regime in Angola." In 1985, the Soviets increased deliveries of advanced fighter

aircraft and missile systems to the already-troubled region. Their involvement not only complicates a settlement of the dispute between Angolans, but is preventing South African withdrawal from Namibia. -- **END OPT**]

[OPT C -- In Southeast Asia, the Vietnamese Army, supported and supplied by the Soviet Union, has illegally occupied Cambodia for almost eight years. Each year since Hanoi's invasion, the Vietnamese occupation has been condemned by overwhelming majorities in the United Nations. We think the Soviet leaders should use their considerable influence with Hanoi to seek an end to its Cambodian occupation. --**END OPT**]

In Reykjavik, President Reagan is expected to discuss problems created by Soviet intervention in all of these areas. The U.S. believes that reductions in the levels of armaments around the world would be much easier if the Soviet Union would contribute to increasing the level of trust between nations by halting its interference in the affairs of other regions.

Anncr:

That was a VOA Editorial, reflecting the views of the U.S. Government.

SOVIET-AMERICAN OPENNESS

Anncr:

Next, a VOA Editorial, reflecting the views of the U.S. Government.

Voice:

When President Ronald Reagan and General Secretary Mikhail Gorbachev met last November in Geneva, they agreed to expand academic, cultural and other exchanges between the U.S. and the Soviet Union. As President Reagan put it, "enduring peace requires openness, honest communications and opportunities for our peoples to get to know one another directly." Perhaps the most dramatic new exchange so far was the triumphant concert tour of the USSR by American pianist Vladimir Horowitz. The Soviets reciprocated by sending the magnificent Kirov Ballet to the U.S.

On a quieter level, the new exchange initiative has resulted in programs for Soviet and American high school students to study at each others' schools, more exchanges of university students and professors, and cooperation in such vital fields as cancer research and environmental protection. Last month, two hundred seventy Americans traveled to Latvia for a five-day meeting with Soviet citizens.

The expanding exchange of people and artists is a welcome development in relations between the U.S. and the Soviet Union. But it is simply not possible for enough Americans and Russians to visit each other's countries to contribute significantly to relaxing tensions and increasing mutual understanding. The exchanges must be complemented by a free flow of information.

This flow exists from the Soviet Union to the U.S. *Pravda* is available in English on American newstands. Soviet spokesmen appear frequently on American television. Radio Moscow can be heard by any American who takes the trouble to tune in. But the Soviet government continues to deny its citizens access to information from the West by jamming the Voice of America, Radio Liberty, BBC

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and other foreign radio broadcasts. With the exception of the magazine *America Illustrated*, U.S. publications cannot be purchased in the USSR, nor are American spokesmen free to make their views known in the Soviet media, despite the spirit of the Geneva Summit, **and** the letter of the Helsinki Accords, **and** the fact that jamming is prohibited by the International Telecommunications Union.

The free flow of information, then, remains one of the issues dividing the United States and the Soviet Union as we proceed to Reykjavik and to the subsequent summit in the U.S. Americans have done their part. We are now hoping for evidence of Soviet sincerity.

Anncr:

That was a VOA Editorial, reflecting the views of the U.S. Government.

REVIEWING RIGHTS IN REYKJAVIK

Anncr:

Next, a VOA Editorial, reflecting the views of the U.S. Government.

Voice:

At the formal signing of the Final Act of the 1975 Helsinki Accords, U.S. President Gerald Ford observed that "History will judge this conference not by . . . the promises we make, but by the promises we keep." On Sunday, Yuri Orlov arrived in New York to remind the world that the peoples of the Soviet Union are still waiting for their government to make good on promises made in Helsinki eleven years ago.

In 1968, Orlov's experiments in physics won him a corresponding membership in the Soviet Armenian Academy of Sciences. Ten years later, Orlov's experiments with human rights won him a seven-year sentence to a Soviet forced labor camp.

Soviet leaders promised at Helsinki to respect "human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief." Orlov and a courageous group of private Soviet citizens began at once to monitor their government's compliance with these fundamental principles. In a series of eighteen documents issued before his arrest in February, 1977, Orlov and his fellow monitors reported continued official persecution of all independent religious worship, political opinion, artistic expression, ethnic and national culture.

The Helsinki monitors themselves were soon arrested: Anatoly Shcharansky, Alexander Podrabinek, Yuri Orlov, Tatyana Osipova and many others. Some of the monitors -- like Ukrainians Oleksiy Tykhy and Yuriy Lytvyn -- have died in captivity. Others -- such as Georgian activist Tengiz Gudava or Jewish *refusenik* Yuliy Edelshteyn -- are held in harsh confinement and denied adequate medical care.

The U.S. has not forgotten the fate of the monitors. We have reminded the Soviet government -- time and time again -- of its obligations under the accords. In

the course of numerous summits and high level exchanges, we have stressed that the abridgment of basic human rights by the Soviet government poses a serious obstacle to improved relations with the U.S. The official Soviet response has been increased repression of its own citizens and unprecedented harassment of American visitors -- including arbitrary searches, detention and expulsion. Despite Soviet promises to facilitate people-to-people contacts between East and West, Soviet citizens are subject to prosecution merely for talking to or furnishing housing or transportation for foreign visitors.

U.S. Ambassador Warren Zimmerman stated the issue at a recent session of the CSCE preparatory talks in Vienna this way: "The United States believes that on the part of certain states there is a wide gulf, particularly in the area of human rights and fundamental freedoms, between promise and performance. We see that gulf as a central problem in the CSCE process as a whole."

This weekend in Iceland, President Reagan will be talking to General Secretary Gorbachev about ways and means of narrowing that gulf. The General Secretary's response will be an important test of his sincerity and leadership.

Anncr:

That was a VOA editorial reflecting the views of the U.S. government.

//////////NOTE TO EDITORS//////////

THE FOLLOWING EDITORIAL, "SETTING THE SCENE FOR REKJAVIK", FOR USE ON MONDAY, OCTOBER 6TH, IS THE 1ST IN A SERIES ON THE ISSUES TO BE DISCUSSED DURING THE REAGAN-GORBACHEV MEETING. WE PLAN TO RELEASE ONE EDITORIAL EACH DAY NEXT WEEK ON HUMAN RIGHTS, ARMS CONTROL ETC

Editorial 0-2130 (OUR01)

October 6, 1986

SETTING THE SCENE FOR REYKJAVIK

Anncr:

Next, a VOA Editorial, reflecting the views of the U.S. Government.

Voice:

Most of the world was surprised when the U.S. and Soviet governments announced that President Reagan and General Secretary Gorbachev will meet October 11th in Reykjavik. Meetings between world leaders are usually announced months in advance, like last year's summit in Geneva. As agreed then, we still expect Mr. Gorbachev to come to the United States for another summit with the President. Meanwhile, the Reykjavik meeting will take place, but it is different in a variety of ways. In a personal letter to President Reagan, Mr. Gorbachev proposed a preparatory session in advance of the next summit. The President welcomed the idea, for he knows it would be wrong to pass up *any* chance to narrow U.S.-Soviet differences. A meeting in a more informal atmosphere may help isolate areas of understanding. And there is always the possibility that understandings reached now could lead to more formal agreements in the future.

The basic issues that concern the United States comprise a four-point agenda, in essence, the same over-all agenda the President took to Geneva last year. First, we will continue to call upon the Soviets to respect human rights. We expect the

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Soviets and their allies to comply with the provisions of the Helsinki Accords, the UN Charter and other international human-rights covenants they have signed. Among many concerns, we urge the Soviets to permit freer emigration; to free prisoners of conscience like Andrei Sakharov from prison or exile; to honor the rights of believers to practice their religion; and to permit national minorities to observe the traditions of their fathers.

Second, we hope to make progress on resolving regional conflicts. Most prominent is the case of Afghanistan, where nearly seven years after the USSR invaded that country, more than 100,000 Soviet soldiers still wage war against a majority of the people. It remains to be seen whether reports of a planned phased withdrawal of troops actually takes place or amounts to no more than token action. In addition, Soviet backing of Marxist expansionism in Ethiopia, Cambodia, Central America and the southern African region poses an equally dangerous threat to international security.

Third, we look forward to expanding the cultural, scientific, educational and people-to-people contacts that have proved the most fruitful results to date of the first Reagan-Gorbachev summit.

Finally, and most complicated, is the whole spectrum of arms-control issues: from reducing offensive nuclear arms to exploring the possibility of establishing defense systems against nuclear attack; from limiting conventional force deployments to forging a plan to ban chemical weapons -- all are elements of the U.S.-Soviet strategic balance that we eventually hope to reconcile.

As Secretary of State George Shultz put it: "Let's go (to Reykjavik) and grapple. The name of the game is problem-solving, and that's what we're trying to do." Anncr:

That was a VOA Editorial, reflecting the views of the U.S. Government.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 10, 1986

ACTION

MEMORANDUM FOR RODNEY B. McDANIEL

FROM: JACK F. MATLOCK *JFM*
SCOTT DEAN

SUBJECT: Thank you Letter to Gorbachev

At Tab I is a memo from you to John Hilboldt of the Gift Unit returning and clearing a draft thank-you letter for Gorbachev. We have made minor changes.

RECOMMENDATION

That you sign the memo to Hilboldt at Tab I.

Approve _____ Disapprove _____

RSD/JM
Judy Mandel and Steve Sestanovich concur. *RSD/SS*

Attachments

Tab I McDaniel Memo to Hilboldt
Tab A Draft Thank-You Letter to Gorbachev with
handwritten NSC changes. Attached is complete
packet as received.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR JOHN HILBOLDT

FROM: RODNEY B. McDANIEL

SUBJECT: Clearance of Thank You Letter to Gorbachev

The NSC has reviewed the draft thank-you letter at Tab A from the President to General Secretary Gorbachev. We concur on the letter with the changes noted.

Attachment

Tab A Draft Thank-You Letter to Gorbachev with handwritten NSC changes. Attached is complete packet as received.

October 27, 1986

Dear Mr. General Secretary:

It was a pleasure to meet with you in Reykjavik to address the important issues *in relations between our countries.*
~~of human rights, regional conflicts, and bilateral relations between the Soviet Union and the United States.~~ To move forward to a world at peace will be of benefit not only to our peoples but also of all mankind.

Nancy and I want ^{to} thank you for the kind gifts ~~which~~ you presented for us. The samovar with serving pieces, the lacquered plaque, and the caviar are certainly appreciated as tokens of your thoughtfulness.

With our best wishes to you and to Mrs. Gorbachev as we pursue the goal of a safer and more peaceful future,

Sincerely,
 RR

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

RR:CMF:JEH:AVH

DISPATCH THRU STATE.

JH

DECLASSIFIED / 2E/CASED
 White House Guidelines, August 28, 1997
 By CIS NARA, Date 6/25/02

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

G1002

- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) 1 / 1 /

Name of Correspondent: MIKHAIL GORBACHEV

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Thank you for gifts (samovar, sewing pieces, placemat, hand carrier) during meeting in Iceland.

ROUTE TO:		ACTION		DISPOSITION	
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
<u>GU</u>	<u>HILB</u>	ORIGINATOR	<u>86/10/27</u>		<u> 1 / 1 / </u>
<u>NS</u>	<u>MCDA</u>	Referral Note: <u>C</u>	<u>86/10/28</u>		<u>C 80,10,31</u>
		Referral Note:	<u> 1 / 1 / </u>		<u> 1 / 1 / </u>
		Referral Note:	<u> 1 / 1 / </u>		<u> 1 / 1 / </u>
		Referral Note:	<u> 1 / 1 / </u>		<u> 1 / 1 / </u>
		Referral Note:	<u> 1 / 1 / </u>		<u> 1 / 1 / </u>

ACTION CODES:
 A - Appropriate Action
 C - Comment/Recommendation
 D - Draft Response
 F - Furnish Fact Sheet to be used as Enclosure

1 - Info Copy Only/No Action Necessary
 R - Direct Reply w/Copy
 S - For Signature
 X - Interim Reply

DISPOSITION CODES:
 A - Answered C - Completed
 B - Non-Special Referral S - Suspended

FOR OUTGOING CORRESPONDENCE:
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
 Send all routing updates to Central Reference (Room 75, OEOP).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE GIFT UNIT

ID 8600904 A INITIALS CMF

LOGGED 861023 ARRIVAL 861014 PRESENT 861010
ARRIVAL FORM S STAFF OTHER THAN CONGRESSIONAL LIAISON

DONOR H FOREIGN OFFICIAL
PREF HIS EXCELLENCY
NAME MIKHAIL GORBACHEV

TITLE GENERAL SECRETARY OF THE CENTRAL COMMITTEE
ORG OF THE COMMUNIST PARTY OF THE SOVIET UNION

ADDR THE KREMLIN

CITY MOSCOW
CNTRY UNI UNION OF SOVIET SOCIALIST REPUBLICS

SALUT DEAR MR. GENERAL SECRETARY
ACKNOWLEDGE BY RR FORM DFT

INTEND P PRESIDENT
CATEGORY 0905
HOUSEHOLD - TABLEWARE (GLASSES, DISHES, SILVERWARE)

DESCRIP ELECTRIC SAMOVAR, DEPICTING VARICOLORED FLORAL DESIGN PAINTED OVER
METAL; INCL. IS A SET OF TWO GLASSES, SMALL TEAPOT, COVERED SUGAR
BOWL, AND AN ELECTRIC CORD; SAMOVAR IS 17" H. X 14" DIAM; ALSO, A
MATCHING SERVING TRAY, 20" DIAM.

VALUE 000275
APPR SIAMESE IMPORTS, MANHASSET, N.Y.; SAMOVAR: \$200; TRAY: \$75.

DISP AF ARCHIVES, FOREIGN

COMMENT THRU KATHY OSBORNE TO GU, FOLLOWING PRESIDENT REAGAN'S MTG. W/ GEN.
SEC. GORBACHEV, IN REYKJAVIK, ICELAND.

TOTVALU 0004475 GIFTS C

WHITE HOUSE GIFT UNIT

ID 8600904 B INITIALS CMF

LOGGED 861023 ARRIVAL 861014 PRESENT 861010
ARRIVAL FORM S STAFF OTHER THAN CONGRESSIONAL LIAISON

DONOR H FOREIGN OFFICIAL
PREF HIS EXCELLENCY
NAME MIKHAIL GORBACHEV

TITLE GENERAL SECRETARY OF THE CENTRAL COMMITTEE
ORG OF THE COMMUNIST PARTY OF THE SOVIET UNION

ADDR THE KREMLIN

CITY MOSCOW
CNTRY UNI UNION OF SOVIET SOCIALIST REPUBLICS

SALUT DEAR MR. GENERAL SECRETARY
ACKNOWLEDGE BY RR FORM DFT

INTEND F FIRST LADY
CATEGORY 0105
ARTWORK - (EXC. PERSONAL LIKENESS) - PLAQUE

DESCRIP LACQUERED OVAL PLAQUE, DEPICTING A CIRCLE OF EIGHT RUSSIAN WOMEN,
IN NATIVE DRESS, HOLDING HANDS, TITLED "A ROUND DANCE"; 11 1/2"
X 16 1/2".

VALUE 003000
APPR SIAMESE IMPORTS, MANHASSET, N.Y.

DISP AF ARCHIVES, FOREIGN

COMMENT THRU KATHY OSBORNE TO GU, FOLLOWING PRESIDENT REAGAN'S MTG. W/ GEN.
SEC. GORBACHEV, IN REYKJAVIK, ICELAND.

TOTVALU 0004475 GIFTS C

WHITE HOUSE GIFT UNIT

ID 8600904 C INITIALS CMF

LOGGED 861023 ARRIVAL 861014 PRESENT 861010
ARRIVAL FORM S STAFF OTHER THAN CONGRESSIONAL LIAISON

DONOR H FOREIGN OFFICIAL
PREF HIS EXCELLENCY
NAME MIKHAIL GORBACHEV

TITLE GENERAL SECRETARY OF THE CENTRAL COMMITTEE
ORG OF THE COMMUNIST PARTY OF THE SOVIET UNION

ADDR THE KREMLIN

CITY MOSCOW
CNTRY UNI UNION OF SOVIET SOCIALIST REPUBLICS

SALUT DEAR MR. GENERAL SECRETARY
ACKNOWLEDGE BY RR FORM DFT

INTEND B PRESIDENT AND FIRST LADY
CATEGORY 0703
CONSUMABLES - FOOD

DESCRIP CAVIAR, BLACK RUSSIAN, CONTAINED IN WOOD CASK, 8" H. X 6" DIAM.;
ESTIMATED AMOUNT APPROX. 3 LBS.

VALUE 001200
APPR BASED ON SUTTON GOURMET'S ESTIMATE OF \$25. PER OZ.

DISP OO OTHER; FOR OFFICIAL USE/DISPLAY
REMARK RON JACKSON.

COMMENT THRU KATHY OSBORNE TO GU, FOLLOWING PRESIDENT REAGAN'S MTG. W/ GEN.
SEC. GORBACHEV, IN REYKJAVIK, ICELAND.

TOTVALU 0004475 GIFTS C

October 14, 1986

453907

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MEMORANDUM FOR JOHN HILBOLDT

FROM: KATHY OSBORNE

SUBJECT: ICELAND GIFTS

The following is a list of gifts received in Iceland which need acknowledging:

- ✓ 1) From S.G. Gorbachev -- you have the gift^s
- ✓ 2) Prime Minister of Iceland -- you have the gifts
- ✓ 3) Big Book, Historic Documents in Nordic from the P.M. of Iceland -- you have.
- ✓ 4) President of Iceland's gifts -- you have
- ✓ 5) IDF Hat -- Keflavik Naval Air Station -- no thank you needed
- ✓ 6) Johnathan Miller's father-in-law sent Icelandic vodka -- 2 bottles. needs a thank you note. - *card attached.*
- 7) Ambassador Nick Ruwe gave RR 2 books, one on the Soviet Union and one on Iceland -- Needs a thank you note but should be coordinated with a thank you letter with NSC for giving up his home to the President while in Iceland.

Long skins? (Jim Kulu)

*RR - Samovar, electric, 10" w x 14" h. - \$20.
+ matching tray - 20" diam. (\$75.)
per diamess & imports + serving pieces.*

NR - Lacquered oval plaque depicting a circle of 8 Russian women in native costumes holding hands; 16 1/2" x 11 1/2"

RR/NR - Key of blk Russian caviar - 3 lbs.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

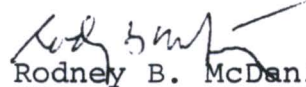
November 12, 1986

MEMORANDUM FOR AMBASSADOR THEODORE R. BRITTON, JR.
Assistant to the Secretary for International
Affairs
Department of Housing and Urban Development

SUBJECT: Clearance of Travel to the Soviet Union by
Secretary Pierce

On November 10 you requested NSC clearance under the President's Memorandum of February 22, 1982 on Foreign Travel by US Officials for the visit to the Soviet Union of the Secretary of Housing and Urban Development. You noted that Secretary Pierce is to lead the US delegation to the US-USSR Technical Seminar and Catalogue Exhibition on November 13-15. You noted this trip has been coordinated with the Department of State.

Pursuant to the President's Directive of February 22, 1982, the President's National Security Advisor approves Secretary Pierce's trip to the Soviet Union, as described.


Rodney B. McDaniel
Executive Secretary

Attachment:

Tab A My Memorandum of November 7 on TDY Travel to the USSR



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20410-0001

November 10, 1986

MEMORANDUM FOR: Mr. Rodney B. McDaniel, Executive Secretary, National Security Council

FROM: *Insulting*
Ambassador Theodore R. Britton, Jr., Assistant to the Secretary for International Affairs, SF

SUBJECT: Notification of Foreign Travel by HUD Presidential Appointee Official, November 13-23, 1986

REF: The President's Memorandum on Foreign Travel by U.S. Officials, February 22, 1982

HUD Secretary, The Honorable Samuel R. Pierce, Jr., will be travelling to Moscow, USSR to lead a 32-member U.S. Delegation to the US-USSR Technical Seminar and Catalogue Exhibition under the US-USSR Agreement on Housing and Other Construction. This event is preparatory to U.S. participation in the International Construction Industry Exhibition in Moscow in late May 1987. This trip has been coordinated with the Department of State.

Secretary Pierce's itinerary follows:

THURSDAY	11/13/86	LV Washington-Dulles airport via Trans World Airlines flight 890 at 5:45 PM
FRIDAY	11/14/86	AR Paris-DeGaulle airport at 7:25 AM
SATURDAY	11/15/86	LV Paris-DeGaulle airport via Air France flight 720 at 9:00 AM AR Moscow-Sheremetyevo airport at 2:40 PM

28

**NATIONAL SECURITY COUNCIL
EXECUTIVE SECRETARIAT STAFFING DOCUMENT**

TIME STAMP

86 NOV 12 A10: 32

SYSTEM LOG NUMBER:

8155

URGENT

ACTION OFFICER: MATLOCK

DUE: 12 NOV

Prepare Memo For President

Prepare Memo McDaniel to Chew

Prepare Memo For Poindexter / Keel

Prepare Memo McDaniel to Dolan

Prepare Memo MCDANIEL

to BRITTON

CONCURRENCES/COMMENTS*

PHONE* to action officer at ext. 5112

FYI

- Brooks
- Burghardt
- Burns
- Cannistraro
- Childress
- Cobb
- Danzansky
- deGraffenreid
- Dobriansky
- Donley
- Douglass
- Farrar
- Grimes
- Hanley
- Kelly
- Kissell
- Kraemer
- Laux

FYI

- Lavin
- Lenczowski
- Levine
- Linhard
- Mahley
- Major
- Mandel
- Matlock
- May
- Mingle
- Morton
- Murdock
- North
- Perry
- Platt
- Pugliaresi
- Raymond
- Reger

FYI

- Ross
- Sable
- Sachs
- Saunders
- Sestanovich
- Small
- Sommer
- Soos
- Stark
- Steiner
- St Martin
- Tahir-Kheli
- Teicher
- Thompson
- Tillman
- _____
- _____
- _____

INFORMATION McDaniel

Rodman

Poindexter (advance)

Pearson

Cockell

Keel (advance)

Secretariat

COMMENTS

Return to Secretariat

Matlock
Chron

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29

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 12, 1986

MEMORANDUM FOR MS. HELEN ROBBINS
Executive Assistant to the Secretary
Department of Commerce

SUBJECT: Request for Clearance of Article by Secretary of
Commerce on U.S.-Soviet Trade Relations

On October 30, Commerce requested NSC clearance for an article by Secretary Baldrige on US-Soviet trade for the Journal of Commerce and Ekonomicheskaya Gazeta. The NSC has reviewed the text submitted and clears it with the changes shown at Tab A.

We note that clearance from State was requested simultaneously with NSC clearance. When time permits, clearance from other agencies should be received before NSC clearance is sought.

The NSC has not seen State's comments on this article. If State and Commerce are unable to agree on a text, the dispute should be referred to the NSC.



Rodney B. McDaniel
Executive Secretary

Attachment

Tab A Article by Sec. Baldrige with NSC changes
Tab B Commerce Memo to NSC

SOVIET-AMERICAN TRADE
CAN AND SHOULD GROW

by Malcolm Baldrige
Secretary of Commerce
United States of America

I am pleased to be part of the innovative project in which the Journal of Commerce and the Soviet Economic Journal are publishing articles by government officials and business executives of each other's country. It should make a significant contribution toward better communication between the two countries.

Let me stress that the United States wants an improved trade relationship with the USSR, just as it wants a better overall relationship with the Soviet Union. President Reagan believes that trade can be a significant part of a more constructive bilateral relationship, and he favors an increase in peaceful trade that would benefit both countries.

I also must stress that trade relations with the Soviet Union cannot be viewed separately from our overall relations. The political and security aspects dominate the overall relationship between the two superpowers, and what happens to trade is heavily dependent on what else happens in our relations. Trade can be a leading element in our relationship, but it cannot get out too far ahead of the other elements.

Fundamental improvements in the trade relationship cannot take place apart from parallel improvements in other aspects of the relationship. A particularly important objective for the United States is human rights, including emigration. The United States is a nation of immigrants, and the rights of others to emigrate, as spelled out in the Helsinki agreements, are of fundamental concern to us. Our law does not allow us to grant "Most Favored Nation" trading status (MFN) to other countries unless this contributes to freer emigration.

Additionally, trade in some products and technologies is simply not possible ~~from our perspective~~. The United States, like the ^{Soviet Union,} ~~other major Western nations,~~ takes care to avoid selling goods and technologies that would directly improve ^{the} ~~Soviet~~ military ^{the called} capabilities ^{of the other side.} ~~In addition to weapons, this includes some~~ sophisticated goods and technologies, such as powerful computers, ^{that which can contribute to} ~~that would be likely to improve Soviet~~ weapons-making or ^{improve the effectiveness of weapons,} ~~weapons use capabilities.~~ ~~to be bought and sold~~ ^{are restricted or prohibited}

Since there cannot be a fundamental improvement in trade without major gains in other areas, some say that there is not much opportunity for expanded trade between the United States and the Soviet Union. I do not agree. While there are limits, I believe that trade can be expanded enough to make it more valuable to both sides.

National security export controls, for example, need not prevent our bilateral trade ^{for many goods and services} from growing. ~~While we are unwilling to remove these controls,~~ Many U.S. products are not ^{which} covered by national security controls and can be freely sold to the Soviet Union.

Last year the Soviet Foreign Trade Ministry gave us a list of 33 types of factories it was considering purchasing from the West. In 32 of those cases, U.S. companies could export complete factories to the USSR comparable to new factories ^{that} ~~which~~ would be built in the United States this year -- with all their equipment, including process controls.

Within the scope of what is possible, we have actively sought an expansion of peaceful trade, and we have taken some positive steps -- as has the Soviet side. I travelled to Moscow twice last year, once to convene, with former Minister of Foreign Trade Patolichev, the first U.S.-U.S.S.R. Joint Commercial Commission meeting in seven years, and once to participate in the annual meeting of the U.S.-Soviet Trade and Economic Council. On both occasions I met with General Secretary Gorbachev to discuss trade and other aspects of our bilateral relationship.

In all my meetings, both sides agreed to work for an improved trade relationship. The Soviet Trade Minister sent a letter to Soviet Foreign Trade organizations last year, urging them to welcome the business proposals of American firms and to consider those proposals on their economic merits.

For our part, we have urged U.S. firms to do business with the USSR in nonstrategic areas, have introduced legislation to end an old embargo on Soviet furskins, have made it easier for the USSR to buy U.S. oil and gas technology, and have begun an official U.S. trade promotion program in the USSR. In September 1986, Under Secretary of Commerce Bruce Smart went to Moscow to open the first U.S.-Government sponsored trade promotion in the U.S.S.R. in seven years -- the U.S. pavilion at INPRODTORGMASH, the Soviet food industry show.

Symbolizing the desire of both sides to increase trade, Soviet Light Machinery Minister Vasilyev joined Under Secretary Smart in cutting the ribbon to the U.S. pavilion. Sixty American firms took part, making the exhibit in Moscow our largest anywhere in the world this year. American firms will participate in a major Soviet chemical show next year, and U.S. companies also will offer technical seminars at the U.S. Commercial Office on Tchaikovskaya Street in Moscow.

While these steps by both sides have been small, they also have been positive. The trade climate has taken a slight, but discernible turn for the better as a result. American firms in Moscow ^{have found} ~~report~~ that Soviet officials are considerably more receptive to their proposals. Soviet purchases of U.S. machinery and equipment have risen 56 percent this year. And a significant number of U.S. company proposals for cooperation are under discussion.

While some have expressed the
~~There is a view~~ that regardless of the political framework, there will never be much more opportunity for trade because the U.S. and the USSR are not natural trading partners, *Last year* U.S. exports to the USSR were \$2.4 billion, 11 percent of Soviet imports from the industrial west, ~~while~~ U.S. imports from the USSR were \$440 million, 2 percent of Soviet exports to the industrial west. *Thus,*

Can
 I ~~do~~ not agree with ~~this~~ *the* pessimistic assessment. ~~I believe~~
 there are abundant opportunities for expanded U.S.-USSR trade, within present trade policies and the present economic environment. *It* is true that trade now is highly concentrated. Grain accounts for 70 percent of U.S. exports to the USSR, and fertilizers and oil products are 70 percent of Soviet exports to the United States. I expect that this trade will continue to be large -- and can grow beyond recent peaks.

But
 There are *also* many new areas where U.S.-Soviet trade can and should grow.

In agriculture, for example, U.S. fruits and vegetables could be produced and shipped to the Soviet eastern regions of Siberia cheaper and more efficiently than they can be produced in the fruit and vegetable-growing parts of the USSR and shipped to the Eastern parts of the country. There is also considerable potential in other agricultural areas, ^{where} American fertilizer, irrigation, and other agricultural technologies are ^{considered} the best in the world.

In the industrial area, the opportunities are even broader. The Soviet Union, for example, seeks to make its food processing industry considerably more efficient. The United States has the most efficient food production, processing, and distribution system in the world. The Soviet Union and the United States have remarkably similar food processing and distribution problems. We must both cope with the enormous logistical problems of economies that span an entire continent, and we both face the necessity of feeding many different ethnic groups, whose food needs differ sharply from one another.

American companies have the skill and know-how to handle these types of problems, and there are no ^{reasons} ~~political or economic~~ obstacles ~~imposed by the United States preventing~~ these companies ^{cannot} ~~from~~ selling their food industry products or knowhow to the Soviet Union.

I have looked carefully into the technologies that are used by our food processing industries, and could find few, if any, that would be restricted for national security reasons. The dairy industry ^{is one example} ~~has been cited as one peaceful industry where our controls prevent export, but~~ after a careful search through the records, I could not find a single instance during this Administration in which an export license was denied for ^{sale of} dairy equipment. ~~to the USSR~~

Excellent American technology and equipment are also available in other areas of importance to the Soviet Union, including earthmoving equipment, medical equipment, mining and forestry equipment, chemicals, housing and construction equipment, irrigation equipment, and many others.

Additionally, American products increasingly are becoming bargains in world markets as a result of the appreciation of Japanese and European currencies against the dollar.

Trade, of course, must be a two-way street. Even superpowers cannot go on for long buying more in world markets than they sell. The United States and the Soviet Union have a similar problem here. Neither country is selling enough.

The U.S. will import about \$170 billion dollars more than it will export this year. Our own market, as indicated by this large trade deficit, is a very open one, and for ~~our own~~ ^{the benefit of our citizens,} ~~benefit~~ we need to keep it open for the products of other nations, including the Soviet Union. Consequently, the U.S. government has taken a broad range of actions to make us more competitive in world markets, ^{and promote open market}

Like the United States, the USSR ^{benefits from} ~~wants to sell~~ more. ^{In} ~~addition,~~ the USSR has decided to change its emphasis from exporting mainly raw materials to exporting manufactured goods. Currently oil and gas account for over 60 percent of total Soviet exports to the West, and most of the rest is other raw materials. Only 12 percent of the USSR's exports to the Industrial West are manufactured goods. With the 50 percent drop in the price of oil in world markets over the last two years, total Soviet exports to the West fell by about one-third.

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~~While this is a problem, it is also an opportunity. "Necessity is the mother of invention", and I am impressed with the determination of the Soviet leadership to solve this trade problem and expand its foreign trade. The two major initiatives that have been announced are: 1) looking to Western companies to enter into joint ventures in the USSR; and 2) reorganizing trade responsibilities so that more ministries and Foreign Trade Organizations can make their own trade decisions.~~

In my view, these are the right steps even though implementing them will not be easy. They are major changes, and such changes are never simple. But if they are carried out with determination, they can succeed. *And the Soviet Union will find American companies to do*

~~American companies are extremely~~ interested in the changing foreign trade scene in the Soviet Union. They stand ready with a broad range of the world's best products, technology, and management knowhow to expand peaceful trade with the USSR in a way that can benefit both countries in their economies and in their overall relations.

This December, Boris Ivanovich Aristov, the Soviet Foreign Trade Minister, will come to Washington for the next meeting of our Joint Commercial Commission. This will be the first time in eight years that a Soviet Trade Minister has come to Washington. Both he and I will continue, within the framework of what is realistic, to look for ways in which the trade relationship -- and the overall relationship -- between the United States and the Soviet Union can be improved.



7935

29

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

October 30, 1986

MEMORANDUM FOR RODNEY B. McDANIEL
 Executive Secretary
 National Security Council

FROM: Susanne S. Lotarski, Director *Susanne Lotarski*
 Office of East European and Soviet Affairs

SUBJECT: Request for Clearance of Article by Secretary
 of Commerce on U.S.-Soviet Trade Relations

Clearance is requested for the enclosed article by Secretary Baldrige to appear in a joint editorial special of the Journal of Commerce and in the *Economicheskaya Gazeta*, a USSR publication. It would appear alongside an article by the Soviet Minister of Foreign Trade. The Journal of Commerce's request is enclosed. State Department clearance is being simultaneously requested.

Comments and clearance can be directed to me on 377-3150. Expedited review and clearance would be greatly appreciated.



40

The Journal of Commerce

NEW YORK

110 WALL STREET
NEW YORK, N. Y. 10005
(212) 425-1616

OFFICE OF THE
PUBLISHER

October 10, 1986

Mr. B. Jay Cooper
Department of Commerce
14th St. and Constitution Ave., NW
Washington, DC 20230

Dear Mr. Cooper:

Tom Connors informs me that you will be approaching Mr. Baldrige with our request that he write an article for us to appear in the joint editorial special we are producing with the Soviet Union. Your article would appear both in The Journal of Commerce and in the Economecheskaya Gazeta, a USSR publication that is read by more than 2,000,000 Russians.

As Mr. Connors, I believe, has mentioned to you, Mr. Boris Aristov, Minister of Trade and Finance for the USSR, will be writing an article to appear in the same issue. Mr. Aristov, I'm told, will be writing about the need to expand trade between the USSR and the United States. He also will be somewhat critical, I believe, concerning the current problems the USSR has in selling goods and services here and the problems the U.S. government has imposed on companies selling to the Soviets.

We would appreciate Mr. Baldrige, among whatever else he would like to write, addressing those two areas. I think such an article would be of interest to our readers and it would be a good forum for Mr. Baldrige to discuss the Administration's policy on trade with the Soviet Union.

Approximate length of the article should be 1,200 to 1,500 words or five to six type-written double-spaced pages. We would appreciate receiving the article by the last week of October, if possible.

Thank you for all your help.

Sincerely,



Don C. Becker

DCB/sr

cc: Tom Connors
Sheldon Meyer

12 100 98.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 10, 1986

ACTION

MEMORANDUM FOR RODNEY B. McDANIEL

FROM: JACK F. MATLOCK *JFM*
SCOTT DEAN

SUBJECT: Baldrige Article for Journal of Commerce and
Soviet Journal

At Tab I is a memo from you to Commerce clearing an article by Secretary Baldrige for a joint edition by the US Journal of Commerce and the Soviet Economicheskaya Gazeta.

Presumably for lack of time, Commerce sent the draft to State and to the NSC simultaneously rather than getting an interagency text before submitting it to us. Therefore we have not seen State's comments, but I understand they will be more of tone than substance. Your memo to Commerce reminds them that they should normally get interagency agreement before submitting texts to us.

RECOMMENDATION

That you sign the memo at Tab I to Commerce, clearing Baldrige's article subject to interagency agreement.

Approve *JFM* Disapprove _____

SD Steve Danzansky, *JM* Judyt Mandel and *SES* Steve Sestanovich concur.

Attachments

- Tab I Your memo to Commerce
- Tab A Baldrige Article with NSC changes
- Tab B Commerce Memo to NSC

SOVIET-AMERICAN TRADE
CAN AND SHOULD GROW

by Malcolm Baldrige
Secretary of Commerce
United States of America

I am pleased to be part of the innovative project in which the Journal of Commerce and the Soviet Economic Journal are publishing articles by government officials and business executives of each other's country. It should make a significant contribution toward better communication between the two countries.

Let me stress that the United States wants an improved trade relationship with the USSR, just as it wants a better overall relationship with the Soviet Union. President Reagan believes that trade can be a significant part of a more constructive bilateral relationship, and he favors an increase in peaceful trade that would benefit both countries.

I also must stress that trade relations with the Soviet Union cannot be viewed separately from our overall relations. The political and security aspects dominate the overall relationship between the two superpowers, and what happens to trade is heavily dependent on what else happens in our relations. Trade can be a leading element in our relationship, but it cannot get out too far ahead of the other elements.

Fundamental improvements in the trade relationship cannot take place apart from parallel improvements in other aspects of the relationship. A particularly important objective for the United States is human rights, including emigration. The United States is a nation of immigrants, and the rights of others to emigrate, as spelled out in the Helsinki agreements, are of fundamental concern to us. Our law does not allow us to grant "Most Favored Nation" trading status (MFN) to other countries unless this contributes to freer emigration.

Additionally, trade in some products and technologies is simply not possible, ~~from our perspective.~~ The United States, like the ~~other major Western nations,~~ ^{Soviet Union,} takes care to avoid selling goods and technologies that would directly improve ~~Soviet~~ ^{the} military ~~capabilities,~~ ^{of the other side.} ~~In addition to weapons, this includes some~~ ^{This means that some} sophisticated goods and technologies, such as powerful computers, ~~that would be likely to improve Soviet~~ ^{that which can contribute to} weapons-making or ~~weapons use capabilities.~~ ^{improve the effectiveness of weapons,} ~~be restricted or prohibited~~ ^{are restricted or prohibited}

Since there cannot be a fundamental improvement in trade without major gains in other areas, some say that there is not much opportunity for expanded trade between the United States and the Soviet Union. I do not agree. While there are limits, I believe that trade can be expanded enough to make it more valuable to both sides.

National security export controls, for example, need not prevent our bilateral trade ^{for many goods and services} from growing. ~~While we are unwilling to remove these controls,~~ Many U.S. products are not ^{restricted} ~~covered by national security controls~~ and can be freely sold to the Soviet Union.

Last year the Soviet Foreign Trade Ministry gave us a list of 33 types of factories it was considering purchasing from the West. In 32 of those cases, U.S. companies could export complete factories to the USSR comparable to new factories ^{that} ~~which~~ would be built in the United States this year -- with all their equipment, including process controls.

Within the scope of what is possible, we have actively sought an expansion of peaceful trade, and we have taken some positive steps -- as has the Soviet side. I travelled to Moscow twice last year, once to convene, with former Minister of Foreign Trade Patolichev, the first U.S.-U.S.S.R. Joint Commercial Commission meeting in seven years, and once to participate in the annual meeting of the U.S.-Soviet Trade and Economic Council. On both occasions I met with General Secretary Gorbachev to discuss trade and other aspects of our bilateral relationship.

In all my meetings, both sides agreed to work for an improved trade relationship. The Soviet Trade Minister sent a letter to Soviet Foreign Trade organizations last year, urging them to welcome the business proposals of American firms and to consider those proposals on their economic merits.

For our part, we have urged U.S. firms to do business with the USSR in nonstrategic areas, have introduced legislation to end an old embargo on Soviet furskins, have made it easier for the USSR to buy U.S. oil and gas technology, and have begun an official U.S. trade promotion program in the USSR. In September 1986, Under Secretary of Commerce Bruce Smart went to Moscow to open the first U.S.-Government sponsored trade promotion in the U.S.S.R. in seven years -- the U.S. pavilion at INPRODTORGMASH, the Soviet food industry show.

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As - Bobbie
~~There is a~~ ^{view} While some have expressed the ~~view~~ that regardless of the political framework, there will never be much more opportunity for trade because the U.S. and the USSR are not natural trading partners, ~~last~~ ^{last} year U.S. exports to the USSR were \$2.4 billion, 11 percent of Soviet imports from the industrial west, ~~while~~ ^{where} U.S. imports from the USSR were \$440 million, 2 percent of Soviet exports to the industrial west. *There,*

can I ~~do~~ not agree with ~~this~~ ^{the} pessimistic assessment. ~~I believe~~ there are abundant opportunities for expanded U.S.-USSR trade, within present trade policies and the present economic environment. ~~It~~ ^{It} is true that trade now is highly concentrated. Grain accounts for 70 percent of U.S. exports to the USSR, and fertilizers and oil products are 70 percent of Soviet exports to the United States. I expect that this trade will continue to be large -- and can grow beyond recent peaks. *But* ^{also} There are many new areas where U.S.-Soviet trade can and should grow.

In agriculture, for example, U.S. fruits and vegetables could be produced and shipped to the Soviet eastern regions of Siberia cheaper and more efficiently than they can be produced in the fruit and vegetable-growing parts of the USSR and shipped to the Eastern parts of the country. There is also considerable potential in other agricultural areas, ^{where} American fertilizer, irrigation, and other agricultural technologies are ^{considered} the best in the world.

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Like the United States, the USSR ^{benefits from} ~~wants to sell~~ more. ~~In~~ ^{addition,} the USSR has decided to change its emphasis from exporting mainly raw materials to exporting manufactured goods. Currently oil and gas account for over 60 percent of total Soviet exports to the West, and most of the rest is other raw materials. Only 12 percent of the USSR's exports to the Industrial West are manufactured goods. With the 50 percent drop in the price of oil in world markets over the last two years, total Soviet exports to the West fell by about one-third.

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7935

51
UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

October 30, 1986

MEMORANDUM FOR RODNEY B. McDANIEL
Executive Secretary
National Security Council

FROM: Susanne S. Lotarski, Director *Susanne Lotarski*
Office of East European and Soviet Affairs

SUBJECT: Request for Clearance of Article by Secretary
of Commerce on U.S.-Soviet Trade Relations

Clearance is requested for the enclosed article by Secretary Baldrige to appear in a joint editorial special of the Journal of Commerce and in the Ekonomicheskaya Gazeta, a USSR publication. It would appear alongside an article by the Soviet Minister of Foreign Trade. The Journal of Commerce's request is enclosed. State Department clearance is being simultaneously requested.

Comments and clearance can be directed to me on 377-3150.
Expedited review and clearance would be greatly appreciated.



52

The Journal of Commerce

NEW YORK

OFFICE OF THE
PUBLISHER

110 WALL STREET
NEW YORK, N. Y. 10005
(212) 425-1616

October 10, 1986

Mr. B. Jay Cooper
Department of Commerce
14th St. and Constitution Ave., NW
Washington, DC 20230

Dear Mr. Cooper:

Tom Connors informs me that you will be approaching Mr. Baldrige with our request that he write an article for us to appear in the joint-editorial special we are producing with the Soviet Union. Your article would appear both in The Journal of Commerce and in the Economecheskaya Gazeta, a USSR publication that is read by more than 2,000,000 Russians.

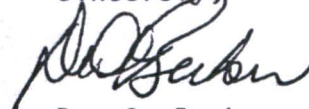
As Mr. Connors, I believe, has mentioned to you, Mr. Boris Aristov, Minister of Trade and Finance for the USSR, will be writing an article to appear in the same issue. Mr. Aristov, I'm told, will be writing about the need to expand trade between the USSR and the United States. He also will be somewhat critical, I believe, concerning the current problems the USSR has in selling goods and services here and the problems the U.S. government has imposed on companies selling to the Soviets.

We would appreciate Mr. Baldrige, among whatever else he would like to write, addressing those two areas. I think such an article would be of interest to our readers and it would be a good forum for Mr. Baldrige to discuss the Administration's policy on trade with the Soviet Union.

Approximate length of the article should be 1,200 to 1,500 words or five to six type-written double-spaced pages. We would appreciate receiving the article by the last week of October, if possible.

Thank you for all your help.

Sincerely,



Don C. Becker

DCB/sr

cc: Tom Connors
Sheldon Meyer

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SOVIET-AMERICAN TRADE
CAN AND SHOULD GROW

by Malcolm Baldrige
Secretary of Commerce
United States of America

I am pleased to be part of the innovative project in which the Journal of Commerce and the Soviet Economic Journal are publishing articles by government officials and business executives of each other's country. It should make a significant contribution toward better communication between the two countries.

Let me stress that the United States wants an improved trade relationship with the USSR, just as it wants a better overall relationship with the Soviet Union. President Reagan believes that trade can be a significant part of a more constructive bilateral relationship, and he favors an increase in peaceful trade that would benefit both countries.

I also must stress that trade relations with the Soviet Union cannot be viewed separately from our overall relations. The political and security aspects dominate the overall relationship between the two superpowers, and what happens to trade is heavily dependent on what else happens in our relations. Trade can be a leading element in our relationship, but it cannot get out too far ahead of the other elements.

Fundamental improvements in the trade relationship cannot take place apart from parallel improvements in other aspects of the relationship. A particularly important objective for the United States is human rights, including emigration. The United States is a nation of immigrants, and the rights of others to emigrate, as spelled out in the Helsinki agreements, are of fundamental concern to us. Our law does not allow us to grant "Most Favored Nation" trading status (MFN) to other countries unless this contributes to freer emigration.

Additionally, trade in some products and technologies is simply not possible ~~from our perspective~~. The United States, like the ~~other major Western nations~~ ^{Soviet Union,} takes care to avoid selling goods and technologies that would directly improve ~~Soviet~~ ^{the} military capabilities ~~of the other side.~~ ^{This means that some} ~~In addition to weapons, this includes some~~ ^{the sale of} sophisticated goods and technologies, such as powerful computers, ~~that would be likely to improve Soviet~~ ^{that which can contribute to} weapons-making or ~~weapons use capabilities.~~ ^{improve the effectiveness of weapons,} ~~be caught and sold.~~ ^{are restricted or prohibited}

Since there cannot be a fundamental improvement in trade without major gains in other areas, some say that there is not much opportunity for expanded trade between the United States and the Soviet Union. I do not agree. While there are limits, I believe that trade can be expanded enough to make it more valuable to both sides.

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National security export controls, for example, need not prevent our bilateral trade ^{for many goods and services} from growing. ~~While we are unwilling to remove these controls,~~ ^M many U.S. products are not ^{restricted} covered by national security controls and can be freely sold to the Soviet Union.

Last year the Soviet Foreign Trade Ministry gave us a list of 33 types of factories it was considering purchasing from the West. In 32 of those cases, U.S. companies could export complete factories to the USSR comparable to new factories ^{that} ~~which~~ would be built in the United States this year -- with all their equipment, including process controls.

Within the scope of what is possible, we have actively sought an expansion of peaceful trade, and we have taken some positive steps -- as has the Soviet side. I travelled to Moscow twice last year, once to convene, with former Minister of Foreign Trade Patolichev, the first U.S.-U.S.S.R. Joint Commercial Commission meeting in seven years, and once to participate in the annual meeting of the U.S.-Soviet Trade and Economic Council. On both occasions I met with General Secretary Gorbachev to discuss trade and other aspects of our bilateral relationship.

In all my meetings, both sides agreed to work for an improved trade relationship. The Soviet Trade Minister sent a letter to Soviet Foreign Trade organizations last year, urging them to welcome the business proposals of American firms and to consider those proposals on their economic merits.

For our part, we have urged U.S. firms to do business with the USSR in nonstrategic areas, have introduced legislation to end an old embargo on Soviet furskins, have made it easier for the USSR to buy U.S. oil and gas technology, and have begun an official U.S. trade promotion program in the USSR. In September 1986, Under Secretary of Commerce Bruce Smart went to Moscow to open the first U.S.-Government sponsored trade promotion in the U.S.S.R. in seven years -- the U.S. pavilion at INPRODTORGMASH, the Soviet food industry show.

Symbolizing the desire of both sides to increase trade, Soviet Light Machinery Minister Vasilyev joined Under Secretary Smart in cutting the ribbon to the U.S. pavilion. Sixty American firms took part, making the exhibit in Moscow our largest anywhere in the world this year. American firms will participate in a major Soviet chemical show next year, and U.S. companies also will offer technical seminars at the U.S. Commercial Office on Tchaikovskaya Street in Moscow.

While these steps by both sides have been small, they also have been positive. The trade climate has taken a slight, but discernible turn for the better as a result. American firms in Moscow ~~report~~ ^{have found} that Soviet officials are considerably more receptive to their proposals. Soviet purchases of U.S. machinery and equipment have risen 56 percent this year. And a significant number of U.S. company proposals for cooperation are under discussion.

(See Balasingh took this out)
While some have expressed the ~~There is a view~~ that regardless of the political framework, there will never be much more opportunity for trade because the U.S. and the USSR are not natural trading partners, Last year U.S. exports to the USSR were \$2.4 billion, 11 percent of Soviet imports from the industrial west, while U.S. imports from the USSR were \$440 million, 2 percent of Soviet exports to the industrial west. *Thus,*

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I ~~do~~ not agree with ~~this~~ *the* pessimistic assessment. ~~I believe~~ there are abundant opportunities for expanded U.S.-USSR trade, within present trade policies and the present economic environment. ~~It~~ *It* is true that trade now is highly concentrated. Grain accounts for 70 percent of U.S. exports to the USSR, and fertilizers and oil products are 70 percent of Soviet exports to the United States. I expect that this trade will continue to be large -- and can grow beyond recent peaks. *But* ~~There~~ *also* are many new areas where U.S.-Soviet trade can and should grow.

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In agriculture, for example, U.S. fruits and vegetables could be produced and shipped to the Soviet eastern regions of Siberia cheaper and more efficiently than they can be produced in the fruit and vegetable-growing parts of the USSR and shipped to the Eastern parts of the country. There is also considerable potential in other agricultural areas, ^{where} American fertilizer, irrigation, and other agricultural technologies are ^{considered} the best in the world.

In the industrial area, the opportunities are even broader. The Soviet Union, for example, seeks to make its food processing industry considerably more efficient. The United States has the most efficient food production, processing, and distribution system in the world. The Soviet Union and the United States have remarkably similar food processing and distribution problems. We must both cope with the enormous logistical problems of economies that span an entire continent, and we both face the necessity of feeding many different ethnic groups, whose food needs differ sharply from one another.

American companies have the skill and know-how to handle these types of problems, and there are no ^{reasons} ~~political or economic~~ obstacles ~~imposed by the United States~~ preventing these companies ^{cannot} ~~from~~ selling their food industry products or knowhow to the Soviet Union.

I have looked carefully into the technologies that are used by our food processing industries, and could find few, if any, that would be restricted for national security reasons. The dairy industry ^{is one example} ~~has been cited as one peaceful industry where our controls prevent export, but~~ after a careful search through the records, I could not find a single instance during this Administration in which an export license was denied for ^{sale of} dairy equipment. ~~[to the USSR]?~~

Excellent American technology and equipment are also available in other areas of importance to the Soviet Union, including earthmoving equipment, medical equipment, mining and forestry equipment, chemicals, housing and construction equipment, irrigation equipment, and many others.

Additionally, American products increasingly are becoming bargains in world markets as a result of the appreciation of Japanese and European currencies against the dollar.

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Trade, of course, must be a two-way street. Even superpowers cannot go on for long buying more in world markets than they sell. The United States and the Soviet Union have a similar problem here. Neither country is selling enough.

The U.S. will import about \$170 billion dollars more than it will export this year. Our own market, as indicated by this large trade deficit, is a very open one, and for ~~our own~~ ^{the benefit of our citizens,} ~~benefit~~ we need to keep it open for the products of other nations, including the Soviet Union. Consequently, the U.S. government has taken a broad range of actions to make us more competitive in world markets, ^{and promote open markets.}

Like the United States, the USSR ^{benefits from} ~~wants to sell~~ ^{ing} more. ~~In~~ addition, the USSR has decided to change its emphasis from exporting mainly raw materials to exporting manufactured goods. Currently oil and gas account for over 60 percent of total Soviet exports to the West, and most of the rest is other raw materials. Only 12 percent of the USSR's exports to the Industrial West are manufactured goods. With the 50 percent drop in the price of oil in world markets over the last two years, total Soviet exports to the West fell by about one-third.

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~~While this is a problem, it is also an opportunity. "Necessity is the mother of invention",~~ and I am impressed with the determination of the Soviet leadership to ~~solve this trade problem and~~ expand its foreign trade. The two major initiatives that have been announced are: 1) looking to Western companies to enter into joint ventures in the USSR; and 2) reorganizing trade responsibilities so that more ministries and Foreign Trade Organizations can make their own trade decisions.

In my view, these are the right steps even though implementing them will not be easy. They are major changes, and such changes are never simple. But if they are carried out with determination, they can succeed.

And the Soviet Union will find American companies to be

~~American companies~~ are extremely interested in the changing foreign trade scene in the Soviet Union. They stand ready with a broad range of the world's best products, technology, and management knowhow to expand peaceful trade with the USSR in a way that can benefit both countries in their economies and in their overall relations.

This December, Boris Ivanovich Aristov, the Soviet Foreign Trade Minister, will come to Washington for the next meeting of our Joint Commercial Commission. This will be the first time in eight years that a Soviet Trade Minister has come to Washington. Both he and I will continue, within the framework of what is realistic, to look for ways in which the trade relationship -- and the overall relationship -- between the United States and the Soviet Union can be improved.