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# WITHDRAWAL SHEET

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**Collection Name** MATLOCK, JACK: FILES

**Withdrawer**

JET 5/6/2005

**File Folder** USSR--ECONOMY 9/10

**FOIA**

F06-114/7

**Box Number** 25

YARHI-MILO

2510

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9748	PAPER	OVERVIEW OF U.S.-SOVIET TRADE ISSUES FOR THE SIG-IEP	7	ND	B1
9751	PAPER	MARITIME RELATIONS/PORT ACCESS <i>D 3/16/2011 F2006-114/7</i>	7	ND	B1
9752	PAPER	NICKEL CERTIFICATION ARRANGEMENT <i>R 3/16/2011 F2006-114/7</i>	6	ND	B1
9753	PAPER	AEROFLOT LANDING RIGHTS <i>R 7/7/2008 NLRRF06-114/7</i>	5	ND	B1
9716	MEMO	MCFARLANE RE PROPOSAL FOR U.S.-USSR JOINT COMMERCIAL COMMISSION MEETING <i>R 7/7/2008 NLRRF06-114/7</i>	1	2/13/1985	B1
9717	MEMO	MCFARLANE TO PRESIDENT REAGAN RE PROPOSAL FOR U.S.-USSR JOINT COMMERCIAL COMMISSION MEETING <i>R 6/25/2009 F2006-114/7</i>	2	2/9/1985	B1
9742	MEMO	ROBINSON TO MCFARLANE RE TRANSMITTAL OF THE PRESIDENT'S DECISION ON CONVENING A U.S.-USSR JOINT COMMERCIAL MEETING <i>R 6/25/2009 F2006-114/7</i>	1	2/12/1985	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]

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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]

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

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9745	MEMO	ROBINSON TO MCFARLANE RE PROPOSAL FOR U.S.-USSR JOINT COMMERCIAL COMMISSION MEETING <i>R 6/25/2009 F2006-114/7</i>	2	2/6/1985	B1
9746	MEMO	REGAN TO PRESIDENT REAGAN RE SIG-IEP RECOMMENDATION FOR U.S.S-USSR JOINT COMMERCIAL COMMISSION MEETING <i>R 3/16/2011 F2006-114/7</i>	2	2/1/1985	B1
9754	CABLE	041356Z FEB 85 <i>R 11/24/2009 F06-114/7</i>	3	2/4/1985	B1
9755	MEMO	PLATT TO MCFARLANE RE US-USSR FISHING RELATIONSHIP <i>R 7/7/2008 NLRRF06-114/7</i>	2	2/16/1985	B1

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*Matlock*

*File:  
US-USSR  
Trade*

NATIONAL SECURITY COUNCIL

December 10, 1984

MEMO FOR JOHN POINDEXTER  
DON FORTIER  
JACK MATLOCK ✓  
BILL MARTIN  
DAVE WIGG

Attached is the package of papers to be discussed at the SIG-IEP meeting on Thursday, December 13, at 10:00 a.m. on recommended U.S. positions for the U.S.-USSR Economic Working Group of Experts meetings in Moscow (January 8-10, 1985). Proposed changes which were communicated to Commerce are shown in annotated form. Comments in the margin are merely for our internal use. I will prepare a memo for Bud on this subject.

*RWR*  
Roger Robinson

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*AS 7/14/02*



Nickel Certification Arrangement

Issue

Should the United States continue its present approach in dealing with the U.S.S.R. on the issue of nickel certification?

Background

1. U.S. Policy on Cuban Nickel. Under the comprehensive economic embargo against Cuba, the United States prohibits importation into the U.S. of merchandise which is produced by Cuba or produced in third countries of Cuban-origin materials (e.g., neither cigars made in Cuba nor cigars produced in Holland from Cuban tobacco are allowed entry into this country). For years we have prohibited the importation into the U.S. of nickel-bearing materials, principally stainless steel, from third countries which are known to import Cuban nickel, on the presumption that some of these materials contain Cuban nickel. When we have discovered that a substantial quantity of Cuban nickel was being imported into a country which in turn exported to the U.S. large amounts of nickel-bearing materials, our consistent practice has been to bar such third-country products from the U.S. Resumption of imports was not permitted unless a certification agreement was reached with the country to ensure that the nickel used in the products was not of Cuban origin. Pursuant to such agreements, a certificate of origin would be required to be issued for each shipment to the U.S. of, e.g., stainless steel, verifying that it had no Cuban content. Under this policy, stainless steel imports into the U.S. were barred from Italy during 1968-1982 and from France between 1965-1970 and again in 1980-1981. We currently have certification agreements in force with each of those countries.

As part of the current policy of tightening the Cuban embargo, the Treasury Department in 1983 initiated talks with three major U.S. trading partners--Japan, the Netherlands, and the Federal Republic of Germany--to discuss those countries' substantial imports of Cuban nickel. Exchanges of notes on this subject were concluded with the governments of Japan and the Netherlands in 1983, and with the F.R.G. on August 10, 1984.

2. Ban on Soviet Nickel. On November 23, 1983, following receipt and verification of information that the U.S.S.R.

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BY RW NARA DATE 3/16/11



was importing large quantities of Cuban nickel (approximately 18,000 metric tons annually), Treasury published a notice in the Federal Register which prohibited, effective December 22, 1983: (1) the importation of unfabricated nickel-bearing materials directly from the Soviet Union, and (2) the importation of such Soviet materials when transshipped through or only minimally processed within third countries. As a practical matter, the major effect of the ban is to bar direct imports into the U.S. of Soviet nickel cathode (a high-value and particularly pure form of nickel). Additionally, the prohibition bars the indirect importation of this cathode from third countries in cases where it has undergone only limited processing, such as cutting into 1" x 1" size. The estimated loss to the Soviets from the ban is \$20-30 million annually.

In the 30-day period before the prohibition went into effect, the U.S. communicated, through its embassy in Moscow and through the Soviet embassy in Washington, its willingness to negotiate a certification agreement with the Soviet government. No response to this offer was received prior to December 22, 1983. Subsequently, however, Soviet officials discussed the matter with our embassy in Moscow and also with Treasury representatives in Washington. The Soviet Ministry of Foreign Trade and Raznoimport, the relevant Soviet foreign trading organization, have insisted that they are not interested in discussing a government-to-government certification agreement, despite our explanation that this principle has characterized all other certification arrangements we have previously concluded. Instead, the Soviets have offered to provide certificates of origin issued by Raznoimport and certified by the Soviet Chamber of Commerce and Industry, stressing that this is standard Soviet practice and that no exception should be necessary.

Such general certification procedures, however, do not take into account our Cuban embargo concerns. Moreover, our consistent past practice in negotiating arrangements involving certificates of origin has been to obtain an underlying written arrangement or commitment from the foreign government so that the integrity of that government stands behind the certificates. We have not accepted certificates of origin unless they were issued pursuant to an underlying governmental arrangement, and we have not accepted certificates from private bodies such as steel companies or chambers of commerce.

*This position should continue*

3. Recent Actions. Throughout our dealings with the Soviets on the nickel issue, Treasury has consistently



consulted with and kept State advised of all developments. Following informal discussions of the matter initiated by the Soviets this summer, Acting Secretary Sprinkel sought guidance and recommendations from the State Department on further negotiations with the Soviets. In background documents accompanying the guidance request, Treasury noted that all prior Cuban-nickel arrangements concluded with foreign countries have involved as signatories either governmental ministries or embassies of these countries. However, the principle of a government-to-government arrangement could probably be made to accommodate an arrangement with a body such as Raznoimport, a foreign trade organization (FTO). FTO's operate under charters approved by the Council of Ministers and maintain a close relationship with the Ministry of Foreign Trade. FTO charters are subject to modification by the Minister of Foreign Trade, who informs the director of the FTO about the goals and priorities established for the FTO by the current economic plan. The FTO director is responsible to the Minister for the FTO's performance with respect to the plan. In the case of Raznoimport, the Minister appoints the director.

In a responding letter of September 22 to Secretary Regan, Secretary Shultz stated that, while a formal certification arrangement with a ministry such as the Ministry of Foreign Trade or the Ministry of Foreign Affairs was preferable, State would not summarily exclude the possibility of accepting a commitment from Raznoimport, provided that it explicitly stated that Raznoimport was acting on behalf of the Ministry of Foreign Trade.

Treasury representatives met in Washington on November 30 with Albert Melnikov, Counselor (Commercial) and Deputy Trade Representative of the U.S.S.R., and with a member of his staff. At that time Treasury indicated U.S. willingness to discuss a written arrangement with Raznoimport, provided that such an arrangement explicitly stated--among other things--that the foreign trade organization was acting on behalf of the Ministry of Foreign Trade. Treasury also explained that any underlying written document would have to refer to the U.S. embargo against Cuba. However, the individual certificates of origin which would have to accompany individual shipments could be less specific; for example, they could refer to merchandise as being wholly of Soviet origin rather than "not of Cuban origin." The Soviet representatives, noting they were without instructions, gave no immediate response. We have asked the U.S. embassy in Moscow to meet with appropriate Soviet officials to emphasize the seriousness of our proposal.



U.S.S.R. Position

As described above, the Soviets to date have insisted that the United States should simply agree to accept certificates of origin of a type already routinely issued by the U.S.S.R. They have not yet indicated definitively (1) if they would be willing to sign any sort of underlying written agreement which would relate the individual certificates of origin to the Cuban nickel issue, or (2) if they would permit Raznoimport to be a signatory to any such agreement. It is quite possible that they will be unwilling to enter into any written commitment, even with Raznoimport as the signatory.

Discussion

All prior arrangements involving Cuban nickel certification have been concluded with important allies and trading partners of the U.S.- (France, Italy, Japan, the Netherlands, and West Germany). In addition, the arrangements have all been characterized by:

- (1) Written documents (either in the form of formal agreements or less formal exchanges of notes)
- (2) Which relate the purpose of the document specifically to the U.S. interest in enforcing its Cuban embargo, and
- (3) Which are concluded between the Treasury Department or a U.S. embassy abroad with either a foreign embassy or an appropriate ministry of the foreign country.

Consistent with the above, in our dealings with the Soviets we have stressed the need for some kind of underlying written agreement to link any certificates of origin to our Cuban nickel embargo. However, as noted earlier, it is by no means certain that the Soviets will be willing to have Raznoimport enter into a written commitment with us. It is possible that the only arrangement they would approve would be for the U.S. simply to accept the standard certificates of origin, issued under existing Soviet procedures which make no reference to the Cuban embargo. Such an approach is not acceptable, as providing the certificates alone would be manifestly less burdensome than the requirements previously placed on our close allies in dealing with Cuban nickel. Also, agreeing to such an approach would mean there would be no underlying arrangement incorporating a governmental commitment.



Even if the Soviets permit Raznoimport to enter into negotiations with the U.S., there is no guarantee that a arrangement could be reached, since a number of difficult issues would still remain for resolution. Among the most difficult would be obtaining and verifying sufficient information to make credible any certification system which might be adopted. In our past negotiations with other countries, it has been necessary to take into consideration specific facts and circumstances pertaining to such matters as the distribution and use of Cuban nickel within the particular economy; data concerning exports to the U.S. of nickel-bearing materials; and information on organization of relevant industries within foreign countries. Such factors would also have to be considered in the case of the U.S.S.R.

Agency Recommendation: We believe that our dealings with the Soviets to date have taken appropriate account not only of Treasury's past experience in handling this issue with other countries, but also of overall U.S. foreign policy interests. Before we communicated to the Soviets on November 30 our proposed accommodation--the offer to consider a written agreement with Raznoimport--the proposal was fully cleared by the highest levels of the State Department. We recognize that it may not be possible to reach an agreement with the Soviets that would protect our own interests in ensuring that the certification agreements are meaningful and that countries are treated fairly and consistently with respect to this issue. In our view, it would be inappropriate to accept any agreement that did not achieve these goals.

Our proposal concerning Raznoimport has been communicated to the Soviet embassy in Washington and will be communicated by the U.S. embassy in Moscow. Any recommendations as to U.S. actions on this issue at the forthcoming January Working Group talks would necessarily be influenced by Soviet actions, if any, prior to that time.

(1) If there has been no official response, we would recommend that Under Secretary Olmer reiterate the proposal made by Treasury--i.e., that we are willing to consider entry into a written arrangement with Raznoimport, provided that there was a statement in writing to the effect that Raznoimport was acting on behalf of the Ministry of Foreign Trade. He could also state that, if such an agreement were reached, individual certificates of origin could be issued that would permit admission of qualifying nickel-bearing Soviet merchandise into the U.S. Such an approach could provide a high-level impetus to consideration of the issue and should emphasize the seriousness of our offer to the Soviets.

(2) If the Soviets are willing to accept in principle the possibility of a written arrangement with Raznoimport, Under Secretary Olmer could offer to have appropriate Treasury Department officials travel to Moscow for more detailed discussions. (This pattern of U.S. officials traveling to the exporting countries for negotiations has characterized our 1983/1984 dealings with Japan, the Federal Republic of Germany, and the Netherlands.) Conversely, Treasury could handle the matter with Soviet officials in Washington (as in the earlier French and Italian cases).

Note: The Cuban nickel area is a highly technical one, and Treasury has built up a number of significant precedents in dealing with this issue. Although the Soviet economy is organized very differently from those of the other countries with which we have dealt, we believe it is extremely important to treat the Soviets, in all essentials, as we have our close trading partners and allies. Therefore, assuming no Soviet response in the interim, we recommend that any high-level discussions of this issue at the January talks be limited to reiteration of the Treasury proposal. To avoid misunderstanding with the Soviets and to ensure consistency with U.S. legal requirements and precedents, it is important that substantive matters such as the language of the agreement and the linkage to the Ministry of Foreign Trade be deferred for negotiation by a Treasury team.

Drafters: Treasury/Office of Foreign Assets Control  
 Marilyn L. Muench 376-0408  
 Dennis M. O'Connell 376-0395

ok

Clearances: State Dept. (in draft) EUR/SOV: S. Dembski  
 EB/ISM : G. Jones  
 ARA/CCA: J. Modderno  
 Treasury Dept. (in draft) OS/O - J. M. Walker, Jr.  
 OS/GI- R. L. Munk  
 OS/I - A. E. Clapp

Dated: December 7, 1984



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NLRR FOI-114/7#9753

BY CW NARADATE 7/7/08

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Aeroflot Landing Rights

Issue: The Soviets are very much interested in obtaining U.S. landing rights for Aeroflot, which were terminated following the imposition of martial law in Poland. The lack of regular Aeroflot service to the U.S. is a major inconvenience to the Soviets and requires most official Soviet visitors to the U.S. to use twice weekly Aeroflot service to Montreal. However, it seems unlikely that the Soviets are now ready to offer us the kind of significant concessions we should require in exchange for a resumption of Aeroflot service. ||

Background: As a result of Afghanistan, Poland and KAL-related sanctions, all scheduled Aeroflot service to the US and virtually all ties between Aeroflot and the US travel industry have been terminated. These measures seem to hurt the Soviets more than any other remaining sanction, probably because the civair relationship operated heavily in their favor, because they view this as a significant blow to their prestige, and because of the hard currency cost.

From 1978, when PanAm ceased serving Moscow, to 1982, Aeroflot had a de facto monopoly on direct air service. Even when it operated to the USSR, PanAm was unable to make a profit on the Moscow run. This was due to Moscow's inherent competitive advantage in being able to control its citizenry and to PanAm's lack of market access, its inability to use wide-bodied aircraft, and its lack of overflight rights to points in Asia. Pan Am's market access was severely restricted because of prohibitions placed on direct ticket sales for local currency. Other doing-business hardships encountered included inadequate sales offices and a wide variety of other pressures for traffic originating in the Soviet Union to fly Aeroflot rather than a U.S. flag carrier. Overall, the Soviets insistently sought to control virtually all aspects of operation in the U.S.-Soviet aviation market. The Soviets have hinted they would be more accommodating this time around on overflights and wide-bodied aircraft. Neither PanAm nor other US carriers have demonstrated any interest in a resumption of scheduled US flag service to the USSR, although there is interest among U.S. tour operators in the charter flights by US air carriers. Moreover, the U.S. aviation community has yet to address the question of balance of economic benefits. PanAm has indicated, however, that it would be interested in obtaining overflight rights, which could save up to several million dollars in fuel costs annually. ||

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Bilateral civil aviation relations, already bad, were set back even further by the KAL shutdown and our response. Soviet denial of responsibility for KAL, refusal to consider compensation for the victims, and unwillingness, to date, to respond positively to proposals for new North Pacific safety measures to prevent a repetition of the tragedy have been serious additional complications. Furthermore, there may be one additional obstacle to renewed Aeroflot service. New FAA noise regulations, which go into effect January 1, 1985, will apparently pose a problem for most Soviet airliners. It appears only one Soviet long-range aircraft, the IL-62M, can comply with the new regulations. ||

U.S.S.R. Position: The Soviets raise the question of restored Aeroflot service regularly, and it almost certainly will be mentioned by them at the Experts' Working Group. In an effort to obtain some leverage for Aeroflot the Soviets have linked it -- as a "practical" rather than "political" matter but nonetheless very clearly and firmly -- with questions not related to civil aviation: the opening of new consulates in Kiev and New York, and conclusion of a new exchanges agreement.

*again:  
unappropiate  
linkage*

We have rejected the assertion of linkage between the new consulates, bilateral exchanges, and Aeroflot, and maintained that these disparate issues should be discussed separately, on their merits. Specifically, on Aeroflot, we have cited the failure of the Soviets to respond on proposals for technical measures to improve air safety in the North Pacific and the overall unbalanced nature of our previous civil air relationship as the major obstacles to a resumption of Aeroflot service. At an early stage of this dialogue, we also raised the matter of our KAL claims, but we have not stressed this point in recent discussions.

Option A:

Give sympathetic consideration to Soviet requests for a resumption of Aeroflot service to the U.S., provided that the Soviets cooperate with us on North Pacific safety measures and are prepared to make meaningful concessions in other areas.

PROS

Would facilitate commercial contacts with the USSR by making it easier for Soviets to travel to and from the U.S.

Might lead to Soviet concessions in other areas of interest to us.

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-3-

CONS

Would be totally contrary to our general policy of strictly avoiding non-aviation trade-offs in exchange for granting foreign carriers U.S. landing rights. Therefore, it would be strongly opposed by the U.S. civil aviation industry.

By giving away our major bargaining chip would make it highly unlikely U.S. air carriers would ever obtain significant concessions from the Soviets.

It is difficult to conceive of economic concessions in areas other than civil aviation which the Soviets might offer us as compensation for a restoration of Aeroflot landing rights. (We should continue to reject any linkage of Aeroflot service to the reopening of Consulates.)

A major concession to the Soviets in the area of civil aviation, given the continued Soviet refusal to accept any responsibility for KAL, could subject the Administration to heavy domestic political flak.

Because Option A is so totally contrary to U.S. international aviation policy, the Department of Transportation opposes Option A and does not consider it as within the realm of consideration as a possible option.

Option B

Indicate to the Soviets that we would be willing to consider follow-up discussions on civil aviation questions of interest if they are ready to respond positively to our proposals on North Pacific Safety measures. However, we would point out at the same time that any restoration of Aeroflot service would have to be part of a package which offered a true balance of concessions for U.S. carriers. These follow-up discussions would be conducted on an expert level and be confined to the usual civil aviation interagency group.

PROS

This approach makes it clear a restoration of Aeroflot service is contingent on a package which would include significant economic benefits for U.S. air carriers.

Would be welcomed by U.S. industry

Would avoid the re-establishment of a one-sided civil aviation relationship in the Soviets' favor.

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CONS

The Soviets will argue that the lack of regular Aeroflot service will inhibit the development of commercial contacts with us.

The Administration may also be subjected to substantial domestic political criticism for taking this approach, if there is still no Soviet acknowledgment of responsibility for KAL.

Discussion: State and Transportation favor an approach along the lines of option B. While we should indicate a willingness, in principle, to discuss civil aviation matters, we should continue to let the Soviets know that before any progress in this area can be made we will need to have a forthcoming response to our proposals on North Pacific Safety measures. (Transportation believes there is sufficient linkage between safety issues and civil aviation rights to take this position.) We gave these proposals to the Soviets in February 1984 and have yet to receive a reply, although the Soviets have given us some indication recently that they are considering these recommendations. If progress on technical measures is forthcoming, a possible response on our part would be a termination of the KAL sanctions which effectively prohibit contacts between U.S. carriers and travel agents and Aeroflot.

We should continue to reject Soviet efforts to link a resumption of Aeroflot service with the issue of a reopening of consulates or cultural exchanges. Progress towards a balanced civil aviation agreement will almost certainly be slower than the Soviets would like and we will have to make a continuing effort to avoid being pressured into a premature settlement which, in effect, would probably result in an agreement heavily balanced in the Soviets' favor. 11

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3295M x29370 11/30/84

Cleared: EUR/SOV: TWSimons, Jr.  
EUR: MPalmer  
L/EB:TJohnson  
EB/AVP:RHyams  
E:EHurwitz  
DOT:EOppler

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SIG-IEP ISSUE PAPER ON  
U.S. EMBARGO OF SOVIET FURSKINS

Issue

Lifting of U.S. embargo on the importation of seven types of furskin from the Union of Soviet Socialist Republics (USSR).

Background

As mandated by Section XI of the Trade Agreement Extension Act of 1951, President Truman, by executive proclamation dated August 1, 1951, embargoed the importation into the United States of seven types of furskin -- Ermine, Fox, Kolinsky, Marten, Mink, Muskrat, and Weasel -- from the USSR and the Peoples Republic of China (PRC). As a result of the expiration of the Act and subsequent changes in U.S. trade laws, the import prohibition was incorporated into the Tariff Schedules of the United States, Annotated (TSUSA) which sets forth the embargo on furskins, raw or dressed, in Headnote 4 to Subpart B of Schedule 1.

Throughout the 1970s, the Administration unsuccessfully sought removal of the embargo on furskins of both Soviet and Chinese origin. In the case of the USSR, the most recent attempt was made in 1978 but was overtaken by opposition generated by the invasion of Afghanistan in late 1979. In December 1982, Congress approved lifting of the embargo on furskin imports from the PRC when it passed a miscellaneous tariff bill (H.R. 5707); President Reagan signed it into law (P.L. 97-446) in January 1983. Congressional action had full Administration support and followed overtures, first by Secretary Haig and then by President Reagan, to normalize relations with the PRC and seek removal of impediments to improved commercial ties with that country. In a separate earlier Congressional action, MFN treatment was accorded to the PRC also. The PRC produces only mink in commercial quantities. Although no formal economic impact study was undertaken by the United States International Trade Commission (USITC), in comments on pending legislation it concluded the lifting of the embargo would have no substantial adverse effect upon domestic industry.

At the time the embargo on furskins was imposed, these articles accounted for about one-fourth of total Soviet shipments of undressed furs to the United States, valued at approximately \$20 million; they constituted some 10-15 percent of the total value of all goods exported by the USSR to this country at the time. In 1950, the last full year of unrestricted furskin imports from the Soviet Union, mink pelts numbered 59 thousand.

USSR Position

The Soviet Delegation may raise the U.S. embargo on furskins as an impediment to bilateral trade at the Experts meeting. The Soviets have long pushed for removal as a matter of political rather than economic importance to them.

Controlled by Gerald F. Gordon  
Decontrol on: OADR

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Options

Option No. 1: Continuation of embargo.

- Pros: 1. Retention of embargo would continue the present status while providing the United States with leverage in the pursuit of political, economic, or humanitarian concessions being sought from the Soviets.
2. Continuation of the embargo would reflect the position of U.S. mink farmers, mink producer associations, and other furskin producer associations opposed to lifting.
- Cons: 1. Of the embargoed seven types of furskin, only mink is produced in significant quantities in the United States.
2. U.S.-produced mink is generally considered superior in quality to foreign mink, including mink of Soviet origin, and thus fully competitive in the U.S. market and markets abroad.
3. Fur wearing apparel manufacturing and marketing associations, national retail organizations, and fur worker unions oppose continuation of the embargo because of raw material supply and cost considerations.
4. Even under the embargo, Russian furskins enter the U.S. market indirectly -- either via Scandinavian auctions or in the form of made-up articles imported from abroad.

Option No. 2: Lift the embargo.

- Pros: 1. Lower furskin prices and a greater variety of furskin types may help rejuvenate the domestic fur wearing apparel manufacturing industry which is labor-intensive and faces stiff competition from low-wage industries abroad.
2. The United States, on a value basis, has a favorable trade balance in furskins, particularly in mink furskins, dressed and undressed.
3. This favorable trade balance is being maintained in the face of the strong U.S. dollar and additional competition by furskin (mink) producers in the PRC since 1982.
4. U.S. mink farm operations, fewer in number but recovering to earlier production levels, appear successful in exploiting marketing opportunities.
5. The apparent high overall U.S. import penetration of mink pelts does not tell the underlying story which sees quality U.S. pelts exported and lower quality foreign pelts imported.

6. The availability of USSR furskin production for exportation to the U.S. market, including that of mink pelts, is limited because the capacity of Soviet industry, a mature industry, is considered near its peak and is committed to meeting the requirements of a huge and growing home market which does not allow much leeway for diversion to exports.
7. The lifting of the embargo on Soviet furskins would not be accompanied by an extension of MFN treatment to imports from the USSR. While furskins, raw or undressed, enter the United States duty-free, skins, dressed, whether or not dyed, would be subject to the full statutory rate of 25-30 percent ad valorem when imported from the USSR.

- CONS:
1. The decline in the number of U.S. mink farms since the late nineteen sixties, which was halted in the past few years, could resume with the availability of larger foreign supplies upon lifting of the embargo.
  2. If the United States were to lift the embargo unilaterally and without a quid pro quo, this country would lose bargaining clout on political, economic, and humanitarian issues which it seeks to resolve with the USSR.
  3. Greater raw material supply availabilities as a result of the lifting of the embargo on Soviet furskins would not necessarily boost employment in U.S. fur wearing apparel manufacturing. The exit of skilled labor from the domestic industry is only partly associated with limited employment opportunities; it is also associated with a lack of interest in perpetuating the tradition of passing on the skills from generation to generation through a long period of apprenticeship.

Option No. 3: Lift the embargo for all types of furskin, except for mink.

*Looks acceptable*

- PROS:
1. Terminate an embargo on furskins for which there is little or no U.S. production.
  2. Isolate sensitivity by mink farmers to competition from Soviet mink pelts while increasing supply of other types of furskin that cannot be sourced domestically.

- CONS:
1. Availability of Soviet furskins other than mink may allow U.S. consumer preference to shift from quality U.S. mink to other quality fur types of Soviet origin.
  2. Even the selective lifting of the Soviet furskin import embargo would reduce the current U.S. furskin trade surplus.
  3. There is no economic justification for continuing the embargo.

Option No. 4: Remove the embargo for all types of Russian furskins, but negotiate a ceiling upon the quantity of mink skins that may enter the United States.

*also possible*



- PROS: 1. This would allow the U.S. market to adjust to alternative sources of supply for mink skins along with other types of furskins.
2. Within the ceiling established, a more plentiful supply of lower-quality mink skins would become available to the U.S. fur wearing apparel industry and possibly aid in stemming the decline of the industry.
3. By limiting the quantity of mink skins which could be imported from the USSR, U.S. mink farmers would feel encouraged to keep up high-quality mink production for the domestic as well as foreign markets.
- CONS: 1. Mink imports from the USSR would have some impact upon the future overall U.S. trade balance in furskins with the world.
2. Negotiated quotas are not warranted by economic conditions and are contrary to U.S. trade policy. N

### Discussion

Lifting the U.S. import embargo on seven types of furskin from the USSR would have little or no effect on domestic production. The USSR competes on world markets with U.S.-produced mink as well as with Scandinavian and, recently, Chinese mink. The high quality of U.S. mink furskins, attributed to superior U.S. breeding and feeding techniques, has been the major factor in sustaining U.S. exports in the face of the strong U.S. dollar.

Although it covered only a fairly small part of U.S. furskin imports when it was imposed, the original embargo on imports from the USSR and the PRC may have contributed to the decline of fur trade in the New York market which had served as an international distribution center. In 1950, the last full year before the U.S. import embargo took effect, marten and muskrat, undressed, were the leading articles among the subsequently embargoed seven types of furskins imported from the USSR; mink imports were of relatively little consequence at the time. (Attachment A)

Furskins, raw or not dressed, enter the United States duty-free. Whole furskins, not dyed, under the staged duty reductions negotiated in the Tokyo Round of GATT negotiations concluded in 1979, will be subject to an MFN duty rate of 2.1 percent ad valorem as of January 1, 1987; furskins, dressed and dyed, to a 3.1 percent ad valorem duty. Imports from the USSR, however, not accorded MFN treatment, would be subject to the full statutory rates of 25 percent and 30 percent ad valorem, respectively.

- Mink breeding has emerged in the United States since the early 1950s as the largest fur-raising industry. In 1983, the industry produced 4.1 million pelts valued at \$120.1 million. Following a period of decline beginning in 1969 of both pelt production and the number of mink farms in operation, production has progressively recovered since 1976 while the farm number has stabilized. Domestic production of other furskins covered by the embargo is quite small. The U.S. dressed and dyed furskin industry is relatively small and has shown little or no growth in recent years.



The bulk of U.S. ranch mink production is exported -- 79 percent by quantity and 75 percent by value in 1983. Most countries buying from the United States dress the skins and manufacture them into finished fur wearing apparel. U.S. exports to Canada and the United Kingdom are typically sold at auction in these countries and then re-exported for fabrication elsewhere. Expanding industries in low-wage Korea and Hong Kong purchase increasing quantities of furskins from the United States and other major producing countries. Canada, after Korea and Hong Kong, is the third largest supplier to the United States of mink wearing apparel.

The U.S. fur wearing apparel manufacturing industry has been declining, as evidenced by a shrinkage in the number of companies, reduced shipments, and loss of employment. Imports, on the other hand, have been capturing an increasing share of expanding retail sales of fur apparel. These imports, equaling 50 percent of domestic production, were valued at \$104 million in 1983. While our industry uses, for the most part, imported pelts to manufacture mink wearing apparel, imported apparel is often manufactured from U.S. pelts.

The U.S. ranch mink industry may eventually be affected adversely by the earlier removal of the U.S. ban on Chinese mink because the PRC mink producing industry is only now coming into its own. PRC production and exports are growing rapidly.

Vigorous opposition to the lifting of the U.S. import embargo on Russian furskins can be expected, inter alia, from the National Fur Farm Organization, the Eastern Mink Breeders Association (EMBA), and the Great Lakes Mink Breeders Association (Blackglama). Mink farms are concentrated in Wisconsin, Minnesota, and Utah.

In addition to fur worker unions, dressers, some auction houses, and national retail organizations, the lifting of the embargo would be welcomed by the American Fur Industries Association, representing apparel manufacturers, and the American Fur Merchants Association.

Attachment

Trade Development/Harry Bodansky/377-0672/12/03/84

Clearances:



Protocol to Tax Treaty

Issue

A protocol amending various provisions of the U.S.-USSR income tax treaty was agreed to in May 1981, but not signed. Should we revive that project?

U.S. Position

Treasury is reviewing the desirability of moving forward with the protocol. Two political issues must be resolved favorably for the decision to be affirmative. One is the basic question whether it is appropriate to negotiate a tax agreement with the USSR at this time. That is a decision for the Secretary of the Treasury to make. The second issue is whether we are still willing to honor the provision in the protocol which exempts from U.S. social security and unemployment taxes employees of Aeroflot stationed in the United States. There are no longer any Aeroflot employees working in the United States; but the protocol is retroactive to 1976, when the basic treaty entered into force. Thus, if the protocol were enacted, refunds of those taxes would have to be made. The decision to grant that exemption was cleared within the Administration at the time, and approved as a reasonable solution to a very difficult and unique problem which had arisen under the treaty. We would not agree to it with another country. And we would have to get the approval of the Social Security Administration to sign that provision now.

After KAL  
I would  
say no.

Given the lapse of time since the protocol was initialled, if the decision is made to go forward, we would want to reconsider other provisions as well.

Background

The Protocol was negotiated basically to address two USSR criticisms of the treaty. They wanted Aeroflot employees stationed in the United States to be exempt from U.S. tax on their salaries; in fact, they argued that the treaty provided such an exemption and refused to withhold and pay over the taxes. They also wanted the first paragraph of the exchange of letters accompanying the protocol to be worded more reciprocally. We could not agree to the first request, but finally worked out a compromise whereby they paid back income taxes and interest, and we agreed to exempt Aeroflot employees working in the United States from social security and unemployment taxes, retroactive to 1976 when the basic treaty took effect. We agreed to their second request. The protocol makes some other clarifying changes and adds some new provisions, for example a broader exemption of interest and a provision on dividends. The protocol was submitted to the Department of State for its review and signature. For political reasons it was not approved for signature and, therefore, was not sent to the Senate.

Handwritten scribbles on the left margin.

Drafted by: Marcia Field  
Treasury  
566-2589

Reviewed by: Steven Lainoff  
Treasury  
566-5046

~~SECRET~~

THE WHITE HOUSE  
WASHINGTON

899

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Mallock

File:  
US-USSR-  
Trade Rel's-

February 13, 1985

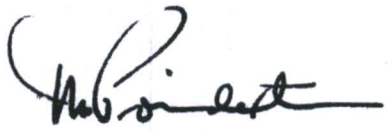
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MEMORANDUM FOR THE VICE PRESIDENT  
 THE SECRETARY OF STATE  
 THE SECRETARY OF THE TREASURY  
 THE SECRETARY OF DEFENSE  
 THE SECRETARY OF AGRICULTURE  
 THE SECRETARY OF COMMERCE  
 THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET  
 THE DIRECTOR OF CENTRAL INTELLIGENCE  
 THE UNITED STATES TRADE REPRESENTATIVE  
 THE ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT  
 THE CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

SUBJECT: Proposal for U.S.-USSR Joint Commercial Commission Meeting (S)

The President has decided to authorize the Department of State to inform the Soviet Union that we are prepared to convene a meeting of the U.S.-USSR Joint Commercial Commission, without proposing a time frame, and that any such meeting be preceded by both public statements and consultations with our allies reiterating the overriding importance of our strategic trade controls and policies.  
 (S)

FOR THE PRESIDENT:

  
 for Robert C. McFarlane

cc Don Regan  
 Ed Meese  
 Al Kingon  
 Jack Svahn

DECLASSIFIED

NLRR fob-114/7# 9716

BY CN NARADATE 7/7/08

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899

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

February 9, 1985

~~SECRET~~

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT C. MCFARLANE *RCM*

SUBJECT: Proposal for U.S.-USSR Joint Commercial  
Commission Meeting

DECLASSIFIED

NLRR FOI 714/7 #9717

BY CN NARA DATE 6/25/09

Issue

Whether or not sufficient grounds exist to proceed with the Soviet Union in convening a meeting of the Joint Commercial Commission.

Facts

Attached is a memorandum (Tab A) to you from Don Regan in his former capacity as chairman of the SIG-IEP, which reflects a unanimous SIG recommendation that you approve proceeding with a meeting of the U.S.-USSR Joint Commercial Commission (JCC). On January 8-10, meetings of an economic working group were held in Moscow to help determine if there were sufficient grounds for a successful JCC meeting. The SIG-IEP recommendation to go forward with a Cabinet level JCC meeting stemmed from a session of the SIG on January 24 at which the U.S. delegation's report on the working group meetings was discussed. The U.S. side of the JCC would be chaired by Secretary Baldrige and the Soviet side by Trade Minister Patolichev. The SIG also unanimously endorsed a recommendation by Defense that a JCC meeting be preceded by both public statements and consultations with our allies reiterating the overriding importance of our strategic trade controls. This approach is intended to avoid any misperceptions by our allies and adversaries that we are in some way faltering in our resolve to maintain the hard-fought allied consensus on the critical security dimensions of East-West economic relations successfully catalyzed by the pipeline sanctions of 1982.

Discussion

Commerce has suggested that a JCC meeting be held some time during the April-June period. A number of agencies including NSC, State, and Treasury are somewhat concerned

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DECLASSIFY ON: OADR

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cc Vice President



over the intense agenda of other international economic issues already on our plate between now and the Bonn Summit and would be more comfortable with a June meeting. In addition, I believe we should not appear to the Soviets to be overanxious for a JCC meeting to take place. Should you approve this SIG recommendation, I would therefore recommend that we merely inform the Soviets that we are prepared to convene a JCC meeting and leave the issue of timing up to them. Given the poor health of Soviet Trade Minister Patolichev, I strongly suspect any JCC meeting would have to be held in Moscow.

Recommendation

OK    No

RR \_\_\_\_\_

That you authorize our informing the Soviet Union that we are prepared to convene a meeting of the U.S.-USSR Joint Commercial Commission, without specifying a time frame, and that any such meeting be preceded by both public statements and consultations with our allies reiterating the overriding importance of our strategic trade controls.

Attachment

Tab A

Memo from Regan

Prepared by:  
Roger W. Robinson

NATIONAL SECURITY COUNCIL

February 12, 1985

~~SECRET~~

SIGNED

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Transmittal of the President's Decision on  
Convening a U.S.-USSR Joint Commercial  
Meeting

Attached (Tab II) is the decision memorandum to the President on the above subject. Also attached (Tab I) is a memo from you to the agency members of the SIG-IEP transmitting the President's decision to authorize our informing the Soviet Union that the U.S. is prepared to convene a JCC meeting, without specifying a time frame, and that any such meeting be preceded by both public statements and consultations with our allies reiterating the overriding importance of our strategic trade controls.

Jack Matlock <sup>*not available*</sup> concurs.

RECOMMENDATION:

That you sign the memorandum to relevant agencies of the SIG-IEP (Tab I)

Approve   *f*  

Disapprove \_\_\_\_\_

Attachments

- Tab I      Memo to Agencies
- Tab II     Decision Memorandum

cc: Don Fortier  
William Martin  
Doug McMinn  
Dave Wigg  
Ken deGraffenreid

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NLRR FOI-114/7 #9742

BY CN NARA DATE 6/25/09



MEMORANDUM

NATIONAL SECURITY COUNCIL

SECRET  
ACTION

February 6, 1985

SIGNED

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Proposal for U.S.-USSR Joint Commercial Commission Meeting

Attached (Tab A) is a memo from Don Regan (in his capacity as Chairman of the SIG-IEP) to the President which reflects a SIG recommendation endorsing the advisability of convening a JCC meeting in the April-June 1985 time frame. Although all SIG-IEP agencies concurred with the Olmer delegation recommendation to hold a JCC, Defense gained unanimous SIG approval to precede any such meeting with both public statements and consultations with our allies reiterating the overriding importance of our strategic trade controls.

The other question is one of timing. As you may recall, we were concerned by premature press reports indicating that the U.S. delegation favored an April meeting of the JCC. In addition to our intense agenda of international economic issues running through the Bonn Summit, it is also important that the U.S. not appear to be the "demandeur" for convening a JCC. In our view, which is subscribed to by State and Treasury, it is therefore probably not practical to hold a meeting until June. We have indications that the Soviets may opt for even a later date.

In the event the President should approve convening a JCC, there also remains the matter of how such a decision should best be communicated to the Soviets. I strongly support Jack Matlock's suggestion that we notify the Soviets that the U.S. is prepared to proceed with a JCC (assuming that is the President's decision) but that we not propose any recommended timing for a meeting. This would avoid the unwanted public perception of U.S. overanxiousness and may provide us with more time for preparations depending on the Soviet counterproposal on timing. We would envision the location of a JCC meeting to be in either Moscow or Washington depending where the last one was held. Given the poor health of Soviet Trade Minister Patolichev, however, I strongly suspect a JCC would have to be held in Moscow.

DECLASSIFIED

NLRR FOI 714/7<sup>th</sup> 9745

BY CN NARA DATE 6/25/07

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Finally, attached (Tab II) is a cable from Ambassador Hartman reacting to the leaked Commerce paper to the SIG which was reported on in last Sunday's New York Times.

*Don* Don Fortier, Jack *Jack* Mazlock, Doug *Doug* McMinn and Dave *Dave* Wigg concur.

RECOMMENDATION:

That you sign the memorandum to the President at Tab I which recommends that he approve convening a JCC meeting.

Approve ✓ Disapprove \_\_\_\_\_

Attachments

- Tab I Memo to President
- Tab A Memo from Regan
- Tab III Cable from Hartman





THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

0899

February 1, 1985

MEMORANDUM FOR THE PRESIDENT

From: Donald T. Regan *DR*  
Subject: SIG-IEP Recommendation for U.S.-U.S.S.R.  
Joint Commercial Commission Meeting

On June 27, 1984, you announced that preparations would begin for a meeting of the Cabinet-level U.S.-U.S.S.R. Joint Commercial Commission (JCC), which would be chaired by Secretary Baldrige and Soviet Trade Minister Patolichev. A special Working Group meeting was held in Moscow during January 8-10 to help determine if there were sufficient grounds for a successful JCC meeting. At its January 24 meeting, the SIG-IEP heard the report of the U.S. delegation on the Working Group session and considered the advisability of a JCC meeting.

The U.S. Working Group Chairman, Commerce Under Secretary Olmer, reported that the U.S. delegation believes the conditions necessary to ensure a successful JCC meeting have been met and recommends that such a meeting be convened as soon as practical. In Moscow the delegation stressed that our security and foreign policy interests remain paramount and will continue to set limits to acceptable trade. The U.S. side also reiterated that major trade improvements would require major progress on human rights. Despite the firm U.S. statements, the Soviets indicated a strong interest in expanding trade with the United States wherever that was mutually acceptable. They agreed to a pragmatic approach of taking concrete steps to facilitate trade in mutually-beneficial areas.

All SIG-IEP agencies concurred with the delegation's recommendation. In its concurrence, Defense asked that a JCC meeting be preceded by both public statements and consultations with our allies reiterating the importance of strategic trade controls. Commerce suggested that a JCC meeting be held sometime during the April-June period. Both suggestions were accepted.

RECOMMENDATION

The SIG-IEP recommends to you that the United States inform the Soviet Union of our interest in convening a meeting of the U.S.-U.S.S.R. Joint Commercial Commission during the April-June

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NLRR File-114/7#9746  
BY RW NARA DATE 3/16/11

~~CONFIDENTIAL~~

-2-

period. A JCC meeting should be preceded by public statements and by consultations with our allies explaining the non-strategic nature of our trade talks with the Soviets and reiterating the importance of strategic trade controls. The COCOM High Level Meeting scheduled for early February should be used as one occasion for such consultations.

~~CONFIDENTIAL~~  
DECLASSIFY: OADR



~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

*Mr. Wigg 365 42*  
*cc. My E. Wilson File*  
*cc. Don Forster*  
*Bill*  
*Natin*

PAGE 01 OF 03  
SIT297

~~MOSCOW 1511~~  
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AMEMBASSY PRAGUE 1364

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~~SECRETARY OF STATE~~  
~~AMERICAN OVERSIGHT~~

DECLASSIFIED  
NLRR F06-114/7#9754  
BY RW NARA DATE 11/24/09

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~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

PAGE 02 OF 03    MOSCOW 1511

DTG: 041356Z FEB 85    PSN: 046345

REFS: A) USINFO 032049Z FEB, B) MOŚCOW 0708

1.    CONFIDENTIAL - ENTIRE TEXT.

2.    THE PUBLICATION OF EXTENSIVE QUOTES FROM UNDER SECRETARY OLMER'S REPORT OF HIS MEETINGS IN MOSCOW, IN FARNSWORTH'S NEW YORK TIMES ARTICLE OF 2/3/85, WILL HAVE A SIGNIFICANT EFFECT ON OUR ABILITY TO PURSUE A THOUGHTFUL DIALOGUE WITH THE SOVIETS ON TRADE POLICY AND HUMAN RIGHTS. WE SEE THE FOLLOWING AS MOST DAMAGING:

-    A) AS REPORTED REF B, STATE BANK CHAIRMAN ALKHIMOV'S COMMENTS ON EMIGRATION WERE NOT SOVIET POLICY. WHETHER THEY WERE PURELY HIS PERSONAL VIEW, OR WERE INTENDED TO SHOW POSSIBLE FUTURE FLEXIBILITY, THEY ARE NOW IN JEOPARDY OF COMPLETE DISAVOWAL. HE IS IN SOME JEOPARDY, TOO; IN ADDITION TO THIS GROSS INDISCRETION, HE WILL COME UNDER PRESSURE FOR THE CURRENT WOZCHOD BANK SCANDAL. IF HE GOES, IT IS NOT CLEAR WHO AMONG SOVIET CABINET-LEVEL OFFICIALS DEALING WITH ECONOMIC AFFAIRS WILL BE WILLING TO ENTERTAIN THE KIND OF THOUGHTFUL DISCUSSION ON HUMAN RIGHTS WHICH OLMER HAD WITH ALKHIMOV IN JANUARY. IT WILL NOT HELP THAT FARNSWORTH ALSO GARBLED WHAT ALKHIMOV SAID (ALKHIMOV MADE TWO SEPARATE REMARKS, ONE SUGGESTING THAT EMIGRATION COULD IMPROVE WITH BETTER RELATIONS, AND A SEPARATE COMMENT THAT HE THOUGHT 50,000 EMIGRANTS WOULD NOT BE TOO MANY).

-    B) ALTHOUGH MUCH LESS SENSITIVE, THE CHARACTERIZATIONS OF SOVIET POSITIONS ON TRADE ISSUES DURING THE WORKING GROUP DISCUSSION (E. G. SUBSIDIZING



~~CONFIDENTIAL~~

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WHITE HOUSE SITUATION ROOM

PAGE 03 OF 03 MOSCOW 1511

DTG: 041356Z FEB 85 PSN: 046345

SMALL COMPANIES) WILL MAKE THE SOVIETS MUCH MORE CAUTIOUS IN FUTURE BILATERAL TRADE POLICY DISCUSSIONS.

3. THE ONLY REMEDIAL STEPS WHICH WE COULD IMAGINE AT THIS POINT WOULD BE TO INVESTIGATE THE SOURCE OF THE LEAK, AND SO INFORM THE PRESS. WITHOUT SUCH A STEP, SOME SOVIETS WILL INSIST THAT THE LEAK WAS DELIBERATE, AND POINT TO IT AS EVIDENCE THAT THE U.S. IS MORE INTERESTED IN MAKING POLITICAL POINTS AGAINST THE USSR THAN IN PURSUING A USEFUL DIALOGUE.

4. NOW THAT FARNSWORTH HAS REPORTED THAT THE U.S. HAS AGREED TO HOLDING A BALDRIGE/PATOLICHEV MEETING -- PRESUMABLY THE JOINT COMMERCIAL COMMISSION -- IT WOULD BE USEFUL TO HAVE INSTRUCTIONS SO THAT WE MAY INFORM THE SOVIETS.

HARTMAN

BT

~~CONFIDENTIAL~~



# U.S. Finds Russians Favor Trade But It Is Unlikely to Relax Curbs

By CLYDE H. FARNSWORTH  
Special to The New York Times

WASHINGTON, Feb. 2 — The Soviet Union has indicated a "strong interest" in expanding trade with the United States and has agreed to take several steps, such as an end to discrimination against American companies, to improve the relationship.

A United States Government report on trade talks with the Russians in Moscow on Jan. 8-9 also says that the Americans "made it plain at the outset of the meetings that our security and foreign policy interests remain paramount and will continue to set limits to acceptable trade."

The report says that one official, Vladimir S. Alkhimov, chairman of the State Bank, hinted unofficially that Jewish emigration might be stepped up if relations improved.

The renewed interest in Soviet-American trade coincides with an agreement between the two countries to resume arms-control negotiations next month. American officials say there is an implicit link between the trade and the disarmament talks.

The report, a copy of which was obtained from a Government official, is classified secret. It was presented last week at a Government meeting on international economic policy by Lionel H. Olmer, Under Secretary of Commerce, who led the American delegation to Moscow.

In the first trade discussions with Moscow since 1978, the Americans met with a Soviet delegation led by a Deputy Minister of Foreign Trade, Vladimir N. Sushkov.

The American report, in speaking about the unofficial comment about Jewish emigration prospects by the chairman of the State Bank, said: "Chairman Alkhimov, in particular, said that if good relations were restored with the United States, 50,000 Jewish émigrés annually would be 'no problem.'"

After reaching a high point close to 50,000 a year in the 1970's, fewer than 900 Jews were permitted to emigrate last year.

There are 1.8 million Jews in the Soviet Union, out of a total population of 276 million. Emigration for Soviet citizens in general is severely restricted but, until the recent decline, Jews have been allowed to leave in substantial numbers to join relatives abroad.

American officials were uncertain how to interpret the remark about the prospects of Jewish emigration. On the one hand, it was taken as an indication of a desire for trade privileges that Congress has denied the Soviet Union since the Jackson-Vanik amendment to the 1974 Trade Act. That amendment bars tariff reductions on goods being imported into the United States from countries that restrict emigration.

On the other hand, officials said there were no signs of improvement in human rights. The State Department has just published a report, "The Soviet Crackdown on Jewish Cultural Activists," which says 11 Jews were arrested and 4 sentenced to labor camps in the last six months as part of a crackdown on dissidents.

## Afghanistan a Major Factor

Trade and political relations deteriorated after the Russians sent troops into Afghanistan in December 1979. President Jimmy Carter imposed a grain embargo that was overturned by President Reagan, and the Reagan Administration sought, without success, to block construction of a natural gas pipeline from Siberia to Western Europe.

From \$4.4 billion in 1979, two-way trade fell to \$2.9 billion last year. Soviet-American trade is highly unbalanced, with American exports, mainly wheat, far exceeding imports from the Soviet Union. The leading Soviet product coming to the United States is ammonia used to make fertilizer.

The Soviet Union's trade with some Western European countries substantially exceeds that with the United States. The main Western European partners of the Soviet Union are West Germany, Italy and France, all purchasers of oil and gas.

The United States and its Western allies maintain controls over exports of advanced technology to the Soviet bloc. These controls are subject to frequent tensions between those who are concerned about a Soviet military buildup and those who favor expanded trade as a way to reduce tensions.

## Cabinet-Level Meeting Likely

On the recommendation of the delegation, the Administration has agreed that the January meeting should be followed up some time this spring with an encounter between Commerce Secretary Malcolm Baldrige and Foreign Trade Minister Nikolai S. Patolichev.

At the insistence of the Russians, the subject of United States restrictive legislation will be on the agenda, although the Americans made it clear that a change in policy was unlikely.

The paper signaled Soviet interest in American oil and gas equipment by noting that Mr. Sushkov wanted the United States to participate in a proposed Moscow exhibition of energy and pollution-control equipment. If the United States does not participate, the report said, Mr. Sushkov stated that "he will recommend that plans be dropped for the exhibit."

The paper noted that "the Soviets asserted that their energy development plans would proceed with or without the United States."

According to American analysts, the Russians are eager to develop offshore oil reserves in the Barents Sea and need the kind of technology that the United States has used in opening up the north slope of Alaska. Advanced oil exploration and production equipment is now barred to the Russians.

## Pledge on American Companies

The trip report said the Soviet delegation believed that "a very large increase in trade could take place" if the United States abrogated its restrictive legislation. The Americans, according to the report, felt that a "significant increase" in trade could be achieved within present constraints and that "major improvements" would require changes in Soviet rights practices.

The Soviets agreed to restore bidding rights to American companies seeking contracts and to permit them to stage seminars and trade promotions in Moscow, the report said.

"The Soviets at first denied they had any policy against U.S. companies," the report added, "then admitted that de facto there was such a practice and agreed to take visible steps to end the practice."

The delegation also said the Russians not only agreed to let American companies promote their wares in Moscow but "offered to pay half the cost of setting up an entity to promote added business by small U.S. companies."

## Furs and Aeroflot Among Issues

To avoid future discrimination, the Russians said, they will instruct Soviet agencies "to treat U.S. companies equally with other Western suppliers."

Also to improve the trading climate, the Russians agreed to sign contracts that have been under negotiation with American companies for a long time.

On the matter of export controls, the Russians said it was "critical for any expansion in the relationship" for them to know "more precisely what we were willing to sell them."

Among other actions the Russians are seeking, the report cited termination of an embargo on furs and restoration of Aeroflot landing rights.

On furs, the document said, the United States "expressed willingness to discuss options with Congress if the Soviets act to improve U.S. business prospects in the U.S.S.R."

(as printed)



NSC/S PROFILE

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RECEIVED 18 FEB 85 10

TO MCFARLANE

FROM PLATT, N

DOCDATE 16 FEB 85

KEYWORDS MARITIME

USSR

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~~USSR~~  
U.S. - Sov  
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SUBJECT: RENEGOTIATION OF GOVERNING INTL FISHING AGREEMENT GIFA W/ SOVIET UNION

ACTION: PREPARE MEMO FOR MCFARLANE DUE: 22 FEB 85 STATUS S FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

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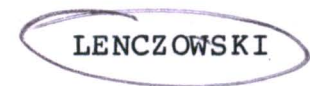
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United States Department of State 1311



NLRR 106-11417 #9755

BY CA NARADATE 7/2/68

Washington, D.C. 20520

February 16, 1985

~~CONFIDENTIAL~~

MEMORANDUM FOR MR. ROBERT C. MCFARLANE  
THE WHITE HOUSE

SUBJECT: US-USSR Fishing Relationship

We plan to propose to the Soviets that we begin talks this spring on renegotiating the current Governing International Fishing Agreement (GIFA) to bring it into conformity with US fishing policy and US law as reflected in the Magnuson Fishery Conservation and Management Act. In addition, we plan to use this opportunity to negotiate access for US fishermen to the Soviet 200-mile zone, for Soviet fish, especially king crab.

We believe that this is an appropriate time to begin discussions with the Soviets on these issues. Last summer, we extended the existing GIFA until December 1985. In addition, we granted the Soviets a directed allocation of 50,000 MT off the US west coast. This year's allocation to the Soviets off the west coast may reach as high as 70,000 MT. (To date, about 12,000 MT have been allocated to the Soviets.) In addition, the Soviets are pursuing with US fisheries interests the possibility of an additional joint venture off the east coast.

Soviet whaling activities could complicate these negotiations. The USSR has objected to International Whaling Commission (IWC) regulations, which limit Antarctic whaling for this current season and call for an end to all commercial whaling beginning next season. If the USSR exceeds current limits or refuses to accept the overall cessation, the Secretary of Commerce is required under US fisheries legislation to determine whether such actions diminish the effectiveness of the IWC regime and, if so, to apply fisheries sanctions. We have identified this potential problem to the Soviets both in Moscow and in Washington. At the same time, we believe that we should proceed with our discussions to renegotiate the GIFA and negotiate a reverse GIFA. Hopefully, our willingness to proceed in this area will serve as an additional incentive to the Soviets to conform to internationally agreed standards in the whaling area, and we should continue to draw this linkage to their attention.

While the Soviet and Polish GIFAs are the only existing agreements which do not explicitly reflect US fishing policy as reflected in the Magnuson Act, we have in effect carried out this policy by requiring cooperation with US fishermen in return for access to US marine resources. The formalization of this

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policy in a new GIFA, however, has been strongly urged by key members of Congress. We have agreed already to begin negotiations with the Poles on a new GIFA in early 1985.

Preliminary exchanges on a reverse GIFA to gain access to Soviet waters for US fishermen were broken off after the Soviet invasion of Afghanistan. The interest of the US fishing community in obtaining such access has intensified, however, because US stocks of Alaskan king crab are severely depleted, causing financial hardship to the Alaskan fishing industry. Both Senator Stevens of Alaska and Congressman Breaux, Chairman of the House Merchant Marine and Fisheries Subcommittee, as well as other congressmen, have been pushing for negotiation of access to Soviet marine resources for US fishermen. In addition, we have discussed renegotiation of the GIFA as well as negotiation of a reverse GIFA with the Department of Commerce, and they support this objective.

We would like your concurrence in taking this step. Should you concur, we would proceed to develop specific negotiating instructions with the Department of Commerce and in consultation with congressional and other interests involved. We intend to link renegotiation of our GIFA to US access to Soviet resources because of the possibility of obtaining significant reciprocal benefits in the Soviet zone of major interest to segments of the US fishing industry.

*Bureau*  
Nicholas Platt  
Executive Secretary

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