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Collection Name MATLOCK, JACK: FILES

Withdrawer

JET 5/25/2005

File Folder SOVIET UNION: TRADE 4/5

FOIA

F06-114/11

Box Number 37

YARHI-MILO

3702

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
11745	MEMO	VARGO TO ARMACOST RE BROWN'S MEETING WITH SUSHKOV <i>R 4/14/2011 F2006-114/11</i>	3	5/24/1984	B1
11746	MEMO	MATLOCK TO MCFARLANE RE MEETING WITH VERITY AND SUSHKOV, MAY 25, 1984 <i>R 4/14/2011 F2006-114/11</i>	3	5/25/1984	B1
11747	MEMO	VARGO TO ARMACOST; PALMER RE SECRETARY OF COMMERCE'S MEETING WITH SUSHKOV <i>R 4/14/2011 F2006-114/11</i>	4	5/25/1984	B1
11748	MEMO	MARTIN; ROBINSON; WIGG TO MCFARLANE RE NSC REVIEW OF COMMERCE TRADE PROMOTION ACTIVITIES CONCERNING ENERGY EQUIPMENT EXPORTS TO THE SOVIET UNION <i>R 4/14/2011 F2006-114/11</i>	4	10/18/1984	B1
11749	MEMO	MCFARLANE TO SHULTZ; BALDRIGE; BROCK RE NSC TASKER ON SOVIET ENERGY DEVELOPMENTS AND STRATEGIC IMPLICATIONS FOR EAST-WEST RELATIONS <i>R 1/4/2010 F06-114/11</i>	2	10/12/1984	B1

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

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

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

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

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

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

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Trade/Econ
file ✓ *Matlock*

National Security Council
The White House

System # I
Package # 3989A/U

81 MAY 21 All: 26

1171

	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep. Exec. Sec'y	<u>1</u>	<u>G</u>	
Bob Kimmitt	<u>2</u>	<u>K</u>	
John Poindexter	<u>3</u>	<u>J</u>	<u>A</u>
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt	<u>4</u>	<u>K</u>	
NSC Secretariat	<u>5</u>		<u>N</u>
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other _____

COMMENTS

Should be seen by: _____
(Date/Time)

*We have passed Inchi's comments to Commerce
still awaiting revised text*

MEMORANDUM

NATIONAL SECURITY COUNCIL

UNCLASSIFIED

May 21, 1984

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM:

JACK MATLOCK *JM*

SUBJECT:

Brown's Speech to US-USSR Trade and Economic Council

I concur with the draft text of Clarence J. Brown's speech to the US-USSR Trade and Economic Council, provided the suggestions by State incorporated in the Wishard-Kimmitt Memorandum of May 18 are incorporated, and a further change is made in the sentence at the end of paragraph 1, page 2 to read:

"These talks are especially needed at times when relations between our countries need improvement."

Since we have not yet seen a full revised and coordinated text, I would suggest that we convey our agreement in principle with a text incorporating these changes, but request a revised text before formal clearance is given.

Recommendation:

That you authorize a telephone call to Commerce to convey the above, that is, agreement in principle with a text with the suggested changes, but a request for the revised text before formal clearance is granted.

Approve Disapprove Attachment:

Tab I -- Brown-McFarlane letter of May 16 and Wishard-Kimmitt Memo of May 18, with attachments



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

84 MAY 18 5:13

May 18, 1984

MEMORANDUM FOR ROBERT KIMMETT
Deputy Assistant to the
President for National
Security Affairs

FROM: Wm. Van Dusen Wishard *Van Wishard*
Special Assistant

SUBJECT: Clarence J. Brown's Speech to US-USSR
Trade and Economic Council

Attached is the paragraph the State Department has asked to be inserted in Deputy Secretary Brown's speech. They suggest it be inserted on page 7 between the last two paragraphs.

Other changes recommended by State;

- Page 3, line 8: delete "computer"
Line 10: delete "the latest"
- Page 4, second paragraph: delete the second sentence about Japan becoming world's second largest economy.
- Page 2: strike last line
- Page 8, second paragraph, second sentence should read "for national security and foreign policy reasons"
- Page 10, line 3: change "encourage" to "support"
Line 7: change "encourages" to "supports"
Second paragraph, strike the third sentence
Second paragraph, line 7 should read "Agreement, currently under consideration for renewal, could provide us with a solid basis for improving."

-- Page 14, second sentence should read "The economic cooperation bred by trade is integral to this progress."
Strike what was the remainder of that sentence.

Attachment

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

May 18, 1984

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM:

JACK F. MATLOCK *JFM*

SUBJECT:

U.S.-USSR Trade and Economic Council's Speech

I have a number of problems with Brown's draft speech, but Mark Palmer tells me that State was sent the same draft you were and is working on suggested changes.

RECOMMENDATION

That you authorize Bob Kimmitt or me to ask Commerce to send us a draft as coordinated with State before we review the text in detail.

Approve

RMK

Disapprove _____

Attachment:

Tab I Mr. Brown's letter and draft speech

cc: Mr. Lenczowski
Mr. McMinn
Ms. Small
Mr. Sestanovich
Mr. Robinson
Mr. Fortier

DRAFT
5/16/84

US-USSR TRADE AND ECONOMIC COUNCIL

MAY 24, 1984

MR. VERITY, MR. SUSHKOV, AMBASSADOR DOBRYNIN, DISTINGUISHED MEMBERS OF THE COUNCIL. IT IS A PRIVILEGE FOR ME TO BE WITH YOU TODAY; TO REPRESENT THE UNITED STATES GOVERNMENT AT THIS OCCASION; AND TO TAKE PART IN AN EVENT THAT HOLDS THE GERM OF PROMISE AND POSSIBILITY FOR OUR TWO COUNTRIES.

YOU HAVE BEEN MEETING HERE TO DEVELOP WIDE-RANGING MUTUAL ADVANTAGES FOR OUR NATIONS . . . ADVANTAGES THAT CAN MEAN PROGRESS AND PEACE FOR THE PEOPLES WE REPRESENT.

THIS MEETING . . . THE TRADE AND ECONOMIC COUNCIL'S FIRST FULL MEMBERSHIP MEETING IN THE UNITED STATES IN SEVEN YEARS . . . IS A SINGULAR EVENT. THE COUNCIL PLAYS A UNIQUE ROLE BETWEEN OUR TWO NATIONS . . . INDEED, IN THE WORLD.

THROUGH FAIR AND STORMY WEATHER, THE COUNCIL HAS CARRIED THE BANNER OF AMERICAN-SOVIET ECONOMIC COOPERATION. IN THE ABSENCE OF OFFICIAL GOVERNMENTAL MEETINGS ON NON-AGRICULTURAL TRADE, THE COUNCIL HAS SERVED AS A FORUM FOR COMMERCIAL DISCUSSIONS ON MANY LEVELS. THESE TALKS ARE ESPECIALLY NEEDED AT TIMES WHEN ~~OUR DIFFERENT ECONOMIC AND POLITICAL SYSTEMS PRODUCE UNCERTAINTY AND TENSION.~~

WE MEET TODAY AGAINST THE BACKGROUND OF DRAMATIC CHANGE SWEEPING ACROSS THE EARTH. PROPELLING THIS CHANGE IS THE DOUBLING EVERY DECADE OF THE WORLD'S BODY OF SCIENTIFIC KNOWLEDGE. THE TORRENT OF TECHNOLOGY THIS KNOWLEDGE CREATES IS ALTERING RELATIONSHIPS BETWEEN NATIONS, AND IT HOLDS BROAD IMPLICATIONS FOR FUTURE US-SOVIET RELATIONS.

THESE NEW TECHNOLOGIES ARE BRINGING OUR NATIONS TO THE VERGE OF THE GREATEST ECONOMIC EXPANSION SINCE ELECTRICITY, CHEMICALS AND AUTOMOBILES CHANGED POWER SOURCES, MATERIALS AND THE TRANSPORTATION OF INDUSTRY A CENTURY AGO. THEY ARE RESTRUCTURING THE PATTERN OF WORLD ECONOMIC PRODUCTION AS SURELY AND FUNDAMENTALLY AS THE CHANGES MADE DURING THE INDUSTRIAL REVOLUTION A CENTURY EARLIER.

WITH THE COMING OF LOW COST COMPUTER-TELECOMMUNICATIONS NETWORKS, ENGINEERS AND SCIENTISTS IN EVERY PART OF THE GLOBE NOW HAVE INSTANT ACCESS TO THE LATEST TECHNOLOGY AND PRODUCTION TECHNIQUES. THE ABILITY OF PEOPLE TO ADAPT TO THESE INFORMATION-BASED ECONOMIC ACTIVITIES IS PLAYING AN INCREASINGLY IMPORTANT ROLE IN NATIONAL ECONOMIES. THE VERY CONCEPT OF AN INDEPENDENT NATIONAL ECONOMY IS CRUMBLING AND TAKING WITH IT OUTDATED ECONOMIC THEORIES.

KNOWLEDGE HAS REPLACED LABOR AND RAW MATERIALS AS THE PRIMARY SOURCE OF WEALTH, THUS ALLOWING NATIONS TO CREATE THEIR OWN COMPARATIVE ADVANTAGE EVEN WHEN NOT GIFTED WITH RAW MATERIALS.

IN THIS VERY WAY JAPAN HAS DISPLACED AMERICA AS THE WORLD'S LEADING AUTOMOBILE MANUFACTURER; THEY HAVE DISPLACED GERMANY AS THE WORLD'S MAJOR CAMERA MAKER; AND THEY HAVE DISPLACED SWITZERLAND AS THE WORLD'S PREMIER WATCH PRODUCER. ON THE BASIS OF SUCH DYNAMISM, JAPAN COULD BECOME THE WORLD'S SECOND LARGEST ECONOMY. NEED I MENTION THAT JAPAN IS LIMITED IN ITS NATURAL RESOURCE BY COMPARISON TO THE U.S. OR THE USSR, AND IT HAS ACCOMPLISHED ITS POSITION IN ONLY ONE GENERATION SINCE ITS ABJECT DEFEAT IN WORLD WAR II.

BUT IT'S NOT JUST JAPAN.

GERMANY IS THE WORLD'S LARGEST EXPORTER OF MANUFACTURED GOODS. HONG KONG IS THE WORLD'S THIRD LARGEST FINANCIAL SUPERMARKET. KOREA BOASTS THE WORLD'S LARGEST SHIPBUILDING YARDS. BRAZIL HAS MOVED INTO THE FRONT RANK OF COMMODITY STEEL PRODUCTION. SINGAPORE IS THE WORLD'S SECOND-LARGEST PRODUCER OF OIL DRILLING RIGS. SOME 15 THIRD WORLD COUNTRIES ALONE HAVE OVER 1,300 FOREIGN MANUFACTURING AND TRADING SUBSIDIARIES.

WHAT THIS MEANS IS THAT THE PROCESS OF ECONOMIC PRODUCTION IS BECOMING GLOBAL. ANY NATION -- EVEN LESSER DEVELOPED COUNTRIES WITH LIMITED RESOURCES -- CAN OVERLEAP MORE DEVELOPED WORLD LEADERS IF POLITICAL AND ECONOMIC RESOURCES ARE WISELY ORGANIZED. NATIONS ARE INCREASINGLY PART OF A WORLDWIDE SYSTEM OF RESEARCH, INVENTION, FINANCING, PRODUCTION, MARKETING AND CONSUMPTION. THUS THE WORLD BANK REPORTS THAT 25 PERCENT OF EVERYTHING PRODUCED IN THE WORLD IS SOLD ACROSS NATIONAL BORDERS.

EACH NATION IS STRUGGLING TO ADJUST TO THIS NEW SITUATION.

IN MY OWN COUNTRY, FOR EXAMPLE, 70 PERCENT OF EVERYTHING SOLD TO CONSUMERS COMPETES AGAINST PRODUCTS FROM OTHER NATIONS. THE SHARE OF OUR GROSS NATIONAL PRODUCT DERIVED FROM TRADE HAS DOUBLED IN THE PAST DECADE. WE EXPORT 20 PERCENT OF OUR INDUSTRIAL PRODUCTION AND MORE THAN 40 PERCENT OF OUR FARM PRODUCE. EXPORTS ACCOUNT FOR THE JOBS OF APPROXIMATELY 5 MILLION AMERICANS.

IT IS IN THIS CONTEXT WE VIEW THE REQUIREMENTS OF U.S. TRADE. TRADE IS NO LONGER A SECONDARY ECONOMIC ACTIVITY. IT IS AN INTEGRAL PART OF THE PRODUCTION PROCESS.

AND SO WE SEEK TO EXPAND OUR TRADE RELATIONSHIP WITH ALL NATIONS, INCLUDING WITH THE SOVIET UNION.

THE UNITED STATES GOVERNMENT HAS LONG RECOGNIZED THE IMPORTANCE OF TRADE BETWEEN OUR TWO COUNTRIES. TRADE OFFERS OPPORTUNITIES FOR BENEFICIAL COOPERATION.

PRESIDENT REAGAN NOTED RECENTLY THAT PEACEFUL TRADE HELPS IN THE EFFORT TO DEVELOP CONSTRUCTIVE AMERICAN-SOVIET RELATIONS.

YET TRADE IS ONLY ONE FACET OF THE TOTAL AMERICAN-SOVIET RELATIONSHIP . . . A RELATIONSHIP WHICH TOUCHES VIRTUALLY EVERY AREA OF U.S. INTERNATIONAL CONCERNS.

IN SUCH A COMPLEX RELATIONSHIP, TRADE CANNOT BE SEPARATED FROM EVERYTHING ELSE.

THIS IS A POINT SOVIET LEADERS HAVE ALSO MADE OVER THE YEARS. EVEN WHEN EXPECTATIONS FOR TRADE BETWEEN OUR TWO COUNTRIES WERE GREATEST, WE EACH RECOGNIZED, IN WRITING, THE RIGHT OF EITHER GOVERNMENT TO TAKE ANY ACTION IT DEEMED NECESSARY FOR THE PROTECTION OF ITS SECURITY INTERESTS.

AS YOU WELL KNOW, WE HAVE EXPORT CONTROLS FOR NATIONAL SECURITY, FOREIGN POLICY, AND SHORT SUPPLY REASONS. BUT OUTSIDE OF EXPORTS PROHIBITED FOR NATIONAL SECURITY REASONS, A LARGE RANGE OF PRODUCTS EXISTS WHICH CAN FREELY BE EXPORTED FROM THE U.S. TO THE SOVIET UNION. WE HAVE JUST ISSUED A BOOKLET WHICH DETAILS SOME OF THE AREAS OF TRADE ACCEPTABLE UNDER OUR REGULATIONS.

EXPORTS AND IMPORTS PROVIDING BENEFITS TO BOTH COUNTRIES COVER A WIDE RANGE OF PRODUCTS. BULLDOZERS AND SUPER DUMP TRUCKS, SOFT DRINK AND BABY FOOD PLANTS, PLATINUM GROUP METALS, FERTILIZERS AND FUELS ARE EXAMPLES WHICH COME TO MIND.

AS TO FUTURE POSSIBILITIES, I COULD THINK OF SALES TO THE USSR OF AGRICULTURAL EQUIPMENT AND PLANT TO MANUFACTURE SUCH EQUIPMENT. THE COMMERCE DEPARTMENT HAS ENCOURAGED THIS TYPE OF TRADE IN SEVERAL WAYS, INCLUDING SUPPORT FOR THE COUNCIL'S "AGRIBUSINESS-USA" AS WELL AS ASSURANCE OF EXTENSION OF EXPORT LICENSES. I AM SURE THAT DURING THIS MEETING YOU HAVE BEEN DISCUSSING MANY NEW IDEAS FOR COOPERATION IN THE FUTURE. WE HOPE THAT THESE WILL TRANSLATE INTO INCREASED TRADE.

PERHAPS IT HAS NOT BEEN AS CLEAR TO AMERICAN AND SOVIET BUSINESS REPRESENTATIVES AS IT MIGHT HAVE BEEN THAT WE ENCOURAGE U.S. FIRMS TO DEVELOP NON-STRATEGIC TRADE WITH THE SOVIET UNION. OUR NEGOTIATION OF AN EXPANDED GRAIN AGREEMENT LAST YEAR MAKES CLEAR OUR POLICY ON AGRICULTURAL TRADE. I HOPE MY PRESENCE HERE PROVIDES REASSURANCE THAT THE U.S. ALSO ENCOURAGES NON-STRATEGIC TRADE IN OTHER AREAS.

WE HAVE ENSURED THE PRESERVATION OF KEY ELEMENTS IN THE BILATERAL ECONOMIC FRAMEWORK. THERE IS A GRAIN AGREEMENT, AN AGRICULTURAL COOPERATION AGREEMENT AND A FISHERIES AGREEMENT. THE JOINT COMMERCIAL COMMISSION REMAINS TO OVERSEE TRADE RELATIONS. RENEWAL OF THE LONG-TERM ECONOMIC, INDUSTRIAL AND TECHNICAL COOPERATION AGREEMENT WILL PROVIDE US WITH A SOLID BASIS FOR IMPROVING THE COMMUNICATION BETWEEN OUR GOVERNMENTS IN THE ECONOMIC SPHERE.

OUR MISSION AT THE DEPARTMENT OF COMMERCE IS BOTH TO PROMOTE EXPORTS AND, AT THE SAME TIME, TO ADMINISTER EXPORT CONTROLS WHERE NECESSARY. THIS IS A DIFFICULT AND, AT TIMES, CONTRADICTIONARY TASK. SUCH A JOB IMPRESSES UPON US THE NEED FOR AS STABLE A WORLD TRADING ENVIRONMENT AS POSSIBLE. THIS IS THE REASON THAT, WHILE WE SEEK AUTHORITY TO ADMINISTER CONTROLS EFFECTIVELY, WE ALSO SUPPORT MEASURES TO PROVIDE A REASONABLE DEGREE OF CONTRACT SANCTITY.

OUR GOVERNMENT IS CURRENTLY CONSIDERING RENEWAL OF THE EXPORT ADMINISTRATION ACT. PRESIDENT REAGAN SUPPORTS INCLUSION IN THE NEW ACT OF A PROVISION ON CONTRACT SANCTITY. THIS PROVISION ACKNOWLEDGES THAT BUSINESS CONTRACTS SHOULD NOT, AS A GENERAL RULE, BE BROKEN FOR REASONS OF FOREIGN POLICY, YET IT PROVIDES THE PRESIDENT WITH THE FLEXIBILITY TO BREAK CONTRACTS UNDER EXCEPTIONAL CIRCUMSTANCES.

THIS WOULD COMPLEMENT THE CONTRACT SANCTITY FOR AGRICULTURAL EXPORTS ALREADY PROVIDED BY THE COMMODITY FUTURES ACT. IT WOULD HELP MANIFEST PRESIDENT REAGAN'S INSISTENCE THAT THE UNITED STATES BE A RELIABLE TRADING PARTNER. OF COURSE, THE CONGRESS IS STILL DELIBERATING THE EXPORT ADMINISTRATION ACT, AND WE HAVE NO WAY OF PREDICTING THE OUTCOME.

LET ME STRESS THAT, IN LOOKING AT THE BROADER SCOPE OF US-SOVIET RELATIONS, NO ONE IS HAPPY ABOUT THEIR CURRENT STATE. THE FUTURE OF MANKIND OBLIGES OUR TWO NATIONS TO PEACEFULLY RESOLVE OUR DIFFERENCES. PRESIDENT REAGAN RECOGNIZED THIS IN HIS SPEECH ON JANUARY 16. "NEITHER WE NOR THE SOVIET UNION," HE SAID, "CAN WISH AWAY THE DIFFERENCES BETWEEN OUR TWO SOCIETIES AND OUR PHILOSOPHIES. BUT WE SHOULD ALWAYS REMEMBER THAT WE DO HAVE COMMON INTERESTS.

AND THE FOREMOST AMONG THEM," THE PRESIDENT CONTINUED,
"IS TO AVOID WAR AND REDUCE THE LEVEL OF ARMS. THERE IS NO
RATIONAL ALTERNATIVE BUT TO STEER A COURSE WHICH I WOULD
CALL CREDIBLE DETERENCE AND PEACEFUL COMPETITION; AND IF WE
DO SO," HE CONCLUDED, "WE MIGHT FIND AREAS IN WHICH WE COULD
ENGAGE IN CONSTRUCTIVE COOPERATION."

THE UNITED STATES IS DETERMINED TO DEAL WITH OUR DIFFERENCES
WITH THE SOVIET UNION PEACEFULLY, THROUGH NEGOTIATIONS.
WE'RE PREPARED TO DISCUSS THE PROBLEMS THAT DIVIDE US AND TO
WORK FOR PRACTICAL, FAIR SOLUTIONS ON A BASIS OF MUTUAL
COMPROMISE. THE UNITED STATES WILL NEVER RETREAT FROM
NEGOTIATIONS. BUT WE INSIST THAT NEGOTIATIONS DEAL WITH
REAL PROBLEMS AND SEEK GENUINE SOLUTIONS. THE TIME FOR
POSTURING BEFORE WORLD AUDIENCES HAS LONG PASSED.

IN CLOSING, I WANT TO EMPHASIZE THAT NEVER HAVE THE PEOPLE OF OUR TWO COUNTRIES SO HOPED FOR PROGRESS TOWARD PEACE AS THEY DO TODAY. THE INTERDEPENDENCE BRED BY TRADE IS INTEGRAL TO THIS PROGRESS, AS PEOPLE ARE LESS LIKELY TO SHOOT AT SOMEONE ELSE IF THEY KNOW THEY WILL HIT THEMSELVES IN THEIR OWN POCKETBOOK. TECHNOLOGY AND TRADE HAVE GIVEN US THE TOOLS LITERALLY TO SHAPE A NEW ERA. AN ERA WHICH CAN FEED, CLOTHE AND HOUSE EVERY MEMBER OF THE HUMAN FAMILY. AN ERA WHERE FEAR OF ANNIHILATION IS A RELIC OF BYGONE TIMES. AN ERA THAT COULD TAKE NATIONS BEYOND HISTORIC RIVALRIES. AN ERA OF FULFILLMENT FOR ALL PEOPLES.

THAT IS THE HEART OF THE TASK FACING OUR TWO COUNTRIES, AND THIS COUNCIL, AS WE SEEK TO EXPAND OUR COMMERCE AND TRADE,

THANK YOU.

12

OUR AGENDA WITH THE SOVIET UNION INCLUDES ARMS CONTROL,
REGIONAL ISSUES, BILATERAL RELATIONS, AND HUMAN RIGHTS, AS
WELL AS TRADE. WE REGRET THE SOVIET DECISION NOT TO
PARTICIPATE IN THE NUCLEAR ARMS CONTROL TALKS. THIS
DECISION, THE OLYMPICS BOYCOTT AND OTHER MEASURES ALL
SUGGEST A SOVIET SELF-ISOLATION. HUMAN RIGHTS IS OF INTENSE
CONCERN TO US RIGHT NOW, AS WE URGE THE SOVIET AUTHORITIES
TO HEED THE LIFE THREATENING HUNGER STRIKE OF DR. SAKHAROV
AND YELENA BONNER AND PERMIT MRS. BONNER TO TRAVEL ABROAD
FOR NECESSARY MEDICAL TREATMENT. THE PLIGHT OF THE
SAKHAROV'S AND OF COUNTLESS OTHERS WHOSE SITUATIONS ARE NOT
AS IMMEDIATELY DESP^EARATE, IS A SOURCE OF GENUINE WIDESPREAD
CONCERN IN THE AMERICAN PUBLIC, AND WILL REMAIN SO. THERE
IS NO HIGHER PRIORITY ON OUR AGENDA WITH THE SOVIETS THAN
HUMAN RIGHTS.

RECEIVED 31 MAY 84 15

TO MCFARLANE

FROM VARGO, F

DOCDATE 24 MAY 84

*File:
US-Sov Trade
[LTA]*

KEYWORDS. USSR

INTL TRADE

BROWN, C

SUBJECT: DEPUTY SEC BROWN MTG W/ SOVIET DEPUTY FOMN MIN SUSHKOV

ACTION: FOR RECORD PURPOSES

DUE:

STATUS C

FILES WH

FOR ACTION

FOR CONCURRENCE

FOR INFO

MATLOCK

LENCZOWSKI

SESTANOVICH

ROBINSON

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F06-114/11 #11745

U.S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION

FROM (Signature, title, office and bureau)

Franklin J. Vargo
Deputy Assistant Secretary for Europe

REPORT OF PARTICIPATION

(Check appropriate box)

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Asst to President for
National Security Affairs

- Interdepartmental Committee Meeting
- Meeting w/Other Agency Officials
- Industry-Trade Association Meeting

- International Conference
- Discussion or Conversation
- Nat'l Stockpile Discussion

PLACE

New York City

DATE

May 24, 1984

PARTICIPANTS (Commerce, other agencies, industry)

See text

SUBJECT (Name of committee, conference or association, if applicable)

Deputy Secretary Brown's Meeting with Soviet Deputy Foreign Minister
Vladimir Sushkov

SUMMARY REPORT (Topics discussed and conclusions)

Deputy Secretary of Commerce Clarence Brown met with Soviet Deputy Foreign Minister Vladimir Sushkov May 24, 1984, in New York City on the occasion of the meeting of the U.S.-Soviet Trade and Economic Council (USTEC). The 2-hour discussion, the most extensive meeting Sushkov has had with a Commerce official, covered the range of U.S.-Soviet trade issues. Sushkov stressed his interest in U.S. oil and gas equipment, in a Joint Commercial Commission meeting, and in more emphasis both in the U.S. and the U.S.S.R. on the usefulness of greater bilateral trade in non-strategic areas.

Mr. Sushkov was accompanied by Nikolay Inozemtsev, Deputy Chairman, U.S.S.R. State Planning Committee (GOSPLAN), and an interpreter. The Deputy Secretary was accompanied by Frank Vargo, Deputy Assistant Secretary of Commerce for Europe.

OIL AND GAS PROJECTS

Mr. Sushkov opened the meeting by stating that there had been some feeling in Moscow that he and the other Soviet officials should not have come to the USTEC meeting in New York, insisting there was nothing to be accomplished. Sushkov stated that he had insisted the meetings should continue, because the Soviets should honor the commitments they had made to the U.S. side of USTEC. Sushkov said he believed there were substantial trade opportunities that had not been utilized, and he hoped that these opportunities could be converted into real business.

Deputy Secretary Brown agreed, and pointed to the brochure the Department of Commerce had recently produced which indicated the range of products which could be exported to the Soviet Union. Many products, he noted, did not even need an export license. Sushkov thanked the Deputy Secretary for the work the Commerce Department had done on the brochure, but expressed the view that the brochure was a little vague.

Sushkov pointed particularly to the energy area, which he said was his prime sectoral interest. Reiterating a theme familiar over the years, Sushkov said the U.S.S.R. looked to the United States not for small business deals, but for "big deals." He expressed interest in energy megaprojects, particularly shallow and deep sea drilling operations. He said the U.S.S.R. wanted a consortium of companies to operate offshore facilities from start to finish, to provide their own financing, and to take payment in oil.

CLASSIFIED BY FRANKLIN J. VARGO
DECLASSIFY ON OADR

~~CONFIDENTIAL~~

European and Japanese companies, Sushkov said, were actively courting the U.S.S.R. in this area. He said he was sure they could get the job done, but he preferred to have American companies do the job because American technology and know-how was better in this area and because he was interested in generating more bilateral trade between the two countries.

Sushkov insisted, however, that if American companies were to get the business, they would have to provide all the equipment and technology -- not just part of it. Americans would not be allowed, he said, to sell some equipment and refuse to sell other equipment because of licensing problems. It was all or nothing, he said. Sushkov said the U.S.S.R. had already entered a joint venture with Norway to exploit oil prospects in the Barents Sea. The U.S.S.R. wants technology for drilling at less than 25 meters and at over 50 meters in both the Barents Sea and Okhotsk Sea, including the skills and equipment to work through ice.

Deputy Secretary Brown told Sushkov that most energy equipment was either not controlled or was subject to license but with a presumption of approval. Cautioning that there may be some exemptions, he told Sushkov that the only way to answer reliably was to see a listing of the exact equipment and technologies which would be needed.

Sushkov said the U.S.S.R. would not provide the United States with any such list, but added that any of the interested U.S. companies would be able to do so as they know the equipment involved. He concluded by reiterating the strong interest of European and Japanese companies, including their willingness to provide 100 percent of the financing and to take 100 percent of their payment in terms of oil production resulting from the venture. Deputy Secretary Brown noted that our drilling skills were the best, and if the Soviets wanted the best they would have to work with us and would have to meet us halfway in trying to see what might be possible. Sushkov acknowledged that was so.

The Deputy Secretary then inquired whether there were other sectors in which the Soviets were interested in doing more business with the United States. Inozemtsev said that the U.S.S.R. needed to reconstruct many of its industries to modernize them and make them more productive. He was particularly interested in U.S. equipment to modernize Soviet light industries, such as textiles, apparel, shoe manufacturing, and food processing. A considerable amount of what the Soviets would need here, the Deputy Secretary pointed out, would be available without difficulty in terms of licensing requirements. He said he hoped the Soviets would convert their intentions into deeds here, by expressing concrete interest in U.S. equipment. He offered the assistance of Commerce in helping to find appropriate U.S. equipment and companies. Sushkov noted the offer.

JOINT COMMERCIAL COMMISSION

Shifting subjects rapidly, Sushkov suddenly demanded to know why the Joint Commercial Commission was not meeting. The United States, Sushkov said, claims it is not waging economic warfare. Is not, he asked, the refusal to hold JCC meetings a form of economic warfare? Deputy Secretary Brown said that clearly the absence of JCC meetings was related to Soviet behavior in Afghanistan, and was therefore related to the overall political environment. This, he observed, was far different from "economic warfare" -- in which the intended effect was economic rather than political. Sushkov then launched into a lecture on the error of the U.S. ways in attempting to use trade for political purposes.

U.S. foreign trade, he opined, was the real strength of America. It was America's huge demand for imports that was the principal glue holding America's allies to the United States. Without Japan's huge exports to the United States, he speculated, there would not be such a close political relationship between the two countries. In using trade as a political weapon, Sushkov said, the United States was weakening its prime source of strength and would destroy itself if it proceeded along that course.

Deputy Secretary Brown told Sushkov his understanding of our strength was incorrect. The strength of the United States reposed in its internal factors of its people, technology, and creativity. Sushkov said perhaps that was so, but hoped that the Deputy Secretary would agree with his view that if bilateral U.S.-U.S.S.R. trade were to be many times larger than it was, such a trade relationship would bring us closer together in other areas. The Deputy Secretary did agree.

Sushkov then responded to a question on the JCC by stating that Foreign Minister Patolichev felt it was an insult to have the JCC in abeyance, and that Patolichev would not permit any lower-level trade meetings until a JCC meeting was held. Sushkov referred to the cancellation of JCC meetings as having high visibility, along the lines of the cancellation of Aeroflot landing rights. He said he could understand a reluctance to take highly visible steps right now, and suggested that perhaps a JCC meeting at the ministerial level could be held privately with no publicity, if that would make it easier for the United States to accept. Vargo said that a Cabinet level meeting, whether private or not, would be very difficult at this time, and inquired whether a low-publicity meeting at a lower level would be possible from the Soviet perspective. Sushkov reiterated that Patolichev wanted a Cabinet-level meeting. Deputy Secretary Brown suggested we continue the discussions with Secretary Baldrige the next day.

Returning to the use of trade for political purposes, Sushkov referred to the Deputy Secretary's speech earlier that day -- which had made reference to the plight of the Sakharovs. Sushkov said that he knows them both. He felt Mr. Sakharov was a good man, but he felt that Mrs. Sakharov was a "bad woman" -- a "publicity hound full of hot air." He said he thought she was quite healthy, and that at any rate she had access to clinics so good that even he could not use them. He said there was no question in his mind that her purpose was to spoil the U.S.-U.S.S.R. relationship. That, he said, is why they would not let her leave the country. They were sure she would mount a campaign to injure the bilateral relationship.

Deputy Secretary Brown said, in that case the U.S.S.R. would be better off letting her go. After further talks on oil the meeting was drawn to a close so that Sushkov could address the Amtorg reception which was scheduled for that time.

Trade/Econ
~~Matlock~~

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23
File

MEMORANDUM

NATIONAL SECURITY COUNCIL

UNCLASSIFIED

May 21, 1984

RCM HAS SEEN

NOTED

INFORMATION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: JACK MATLOCK *JAM*

SUBJECT: Baldrige-Sushkov Meeting

Secretary Baldrige has sent you a letter outlining his plans for a meeting with Bill Verity and Soviet Deputy Minister of Foreign Trade Sushkov. The meeting is scheduled for May 25, a few hours before you have a scheduled meeting with Verity and Sushkov.

Baldrige's plans for the meeting seem consistent with our earlier consultations and I perceive no problems with them.

Lenczowski, *[Signature]*, Robinson and Sestanovich concur. *SRS*

Attachment:

TAB I - Letter from Secretary Baldrige of May 15, 1984

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

May 15, 1984

04 MAY 17 12:02

MAY 17 1984

Honorable Robert C. McFarlane
Assistant to the President for
National Security Affairs
The White House
Washington, D.C. 20500

Dear Bud,

On May 25 I will be meeting with Soviet Deputy Minister of Foreign Trade, Vladimir Sushkov, who is coming to the United States to cochair the meeting of the U.S.-U.S.S.R. Trade and Economic Council in New York.

A few days ago I discussed with Ambassador Hartman my meeting with Sushkov and the President's recent approval for extending the U.S.-Soviet Economic, Industrial and Technical Cooperation Agreement (EITCA) and for exploring the possibility of a meeting of a Working Group of Experts under the Agreement.

In the course of our conversation the Ambassador noted that news of the President's decision would be conveyed to the Soviets at the working level of the State Department. He agreed that it would be a good idea for me to follow up on this by raising the subject of the EITCA Working Group with Sushkov. The Joint U.S.-U.S.S.R. Commercial Commission (JCC) is specifically charged with convening the Working Group of Experts under the terms of the EITCA.

The Working Group is headed on the Soviet side by an official of the Ministry of Foreign Trade, and for the U.S. side it should be headed by the Assistant Secretary of Commerce for International Economic Policy.

The Working Group would be responsible for exchanging information and forecasts on economic industrial and commercial trends to assist enterprises and trading organizations in both countries in identifying fields for "mutually beneficial contracts."

The level and character of this exchange would be entirely within current policy guidelines and should contribute to the objective the President enunciated in his January 16 speech of finding areas for U.S. Soviet cooperation in order to move toward a more constructive relationship. Observers from other departments, and certainly from the NSC staff, will be invited to participate.

Sincerely,



Secretary of Commerce

~~CONFIDENTIAL~~

Trade/Econ 11746 4264 13

~~Matlock~~

MEMORANDUM

NATIONAL SECURITY COUNCIL

May 25, 1984

File

~~CONFIDENTIAL~~

INFORMATION

MEMORANDUM FOR ROBERT C. MCFARLANE

RCM HAS SEEN

FROM: JACK MATLOCK *JM*

SUBJECT: Your Meeting with Verity and Sushkov
12:30 P.M., May 25, 1984

Background

Verity and Sushkov come from a two-day meeting in New York of the U.S.-USSR Trade and Economic Council (USTEC), and will have met with Mac Baldrige and Ken Dam earlier today. USTEC is made up of private businessmen on the U.S. side and Soviet trade officials on theirs, and Sushkov is the Co-Chairman. This week's meeting in New York had been postponed from October of last year because of KAL. During the meeting in New York, Mark Palmer's speech (which was moderate, but frank about some problems, including Sakharov) received a very hostile reception, not only from the Soviets, but from most of the U.S. businessmen present.

We had decided last week that, in light of the Sakharov affair, we would not notify the Soviets officially of our willingness to renew the Long-Term Trade and Economic Agreement (which expires at the end of June). Baldrige called George Shultz yesterday, however, and persuaded him to agree that he could notify Sushkov today, so we must assume that this has been done before your meeting.

Recommendation

Given these circumstances, I would suggest that you make a point of mentioning the Sakharov matter as an impediment, but play our willingness to extent the agreement as an example of our making every effort to improve relations, even in the face of Soviet intransigence.

I have attached some suggested talking points for the meeting.

~~CONFIDENTIAL~~

Declassify on: OADR

DECLASSIFIED

NLRR 506-114/11 #11746

~~CONFIDENTIAL~~ BY KML NARA DATE 4/21/11

-- Welcome meeting of USTEC and Sushkov's visit to Washington. Important to intensify our search for ways to improve our trading relationship.

-- President has genuine desire to improve relations. Problems are evident, but we must try to solve them.

-- On the relationship in general -- which inevitably influences trade conditions -- the President has made a whole series of constructive proposals. He has done this in private, to demonstrate his serious intent.

-- We are disappointed that your government has not shown more interest. In fact, there seems to have been a decision to make relations as bad as possible.

-- This is unfortunate, but we are patient. Our readiness to solve problems will not be affected.

-- Still, if we are to start solving them, we must be frank about what the problems are and what barriers must be removed. Right now, for example, the situation your government has placed the Sakharovs in has a real potential for making poor relations even worse. A humanitarian outcome to this unnecessary problem could make it easier to restore some health to our relations across the board.

-- I am pleased that the President has approved extending our long-term trade and economic agreement. I hope your government will understand the significance of this decision. It was taken to demonstrate his commitment to improving our relations. He could easily have found cogent reasons for making a different decision, if his interest in an improved relationship were not as deep as it is. I hope your government will take proper note of this decision.

-- Please convey to your government the President's earnest desire to find ways to a better relationship. Whenever you are prepared to reciprocate that interest, you will find us ready.

McFarlane meeting with Verity and Sushkov (addendum):

Meeting with Baldrige: Commerce says that the meeting went well. The following topics were covered:

-- Baldrige notified them that we would extend the long-term agreement, and Sushkov asked for an official communication to this effect. (Commerce has done a draft which they will clear with State and us.)

-- Sushkov proposed a meeting of the Joint Commission at the ministerial level as soon as possible. Baldrige said that there should be a working level meeting first, and if this is successful, a meeting of ministers could be considered.

-- Sushkov was interested in U.S. participation in a Soviet trade exhibition next year of energy and environmental technology, and also in arranging a show in the U.S. of Soviet technology available for export. Baldrige did not comment on either proposal.

-- It was clear that there is high Soviet interest in the area of energy technology. Also, naturally, in our evolving technology export controls.

-- Baldrige did not raise Sakharov specifically, but did make reference to political problems.

Meeting with Ken Dam

-- Sushkov referred approvingly to President's Jan. 16 speech and said it is time to take some steps to move ahead.

-- He said they would like to reactivate the Joint Commission, but did not propose an initial meeting at the level of ministers.

-- He expressed great interest in contract sanctity issue. Dam said that we agreed with its importance, but of course must reserve President's authority in extreme situations. Sushkov did not object to the latter.

-- The tone of the meeting was good and businesslike, with no rhetoric on Soviet part.

File: _____

28

US-USSR Trade
Econ Council



ARMCO CORPORATE OFFICES

C. WILLIAM VERITY, JR.
Chairman, Executive Committee
Board of Directors

29
Matthew
FVI
→

RCM HAS SEEN

JUN 1 1 1984

June 6, 1984

The Honorable Robert C. McFarlane
National Security Advisor to the President
The White House
Pennsylvania Avenue
Washington, D.C. 20050

Dear Bud:

I truly appreciate your willingness to see me and Vice Minister Sushkov. I personally thought it was an excellent meeting and I thought you handled it extremely well. Mr. Sushkov left the White House with the conviction that the long-term agreement is important and that you will give serious consideration to the Joint Commission on Trade at the Ministerial level.

I thought you made the Administration's policy on relationships with the Soviet Union quite clear and I believe Mr. Sushkov heard you for he was very complimentary about your directness and your clarity and, yet, your understanding of the Soviet positions.

If there is an opportunity, I would like to relay to you and President Reagan the feelings we developed as a result of our Council meeting in New York. I realize you are very busy with many other things, but perhaps such a moment might arise and I am still hopeful that I can give my views to the President at some time.

I hope the trip to Europe is a total success and I am delighted that you and Wilma will be on that trip with the President.

Sincerely,

CWV:cee

RECEIVED 04 JUN 84 11

TO MCFARLANE FROM VARGO, F

DOCDATE 25 MAY 84

DECLASSIFIED
White House Guidelines, August 28, 1997
By CS NARA, Date 8/8/02

File
US - Sov Trade
(LTA)

KEYWORDS USSR INTL TRADE BALDRICE, M

SUBJECT: SEC OF COMMERCE BALDRICE MTG W/ SOVIET DEPUTY FORN TRADE MIN SUSHKOV

ACTION: FOR RECORD PURPOSES DUE: STATUS C FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

MATLOCK

LENCZOWSKI

SESTANOVICH

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ROBINSON

FORTIER

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cc: VP Meese Baker Deaver Other _____

COMMENTS

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(Date/Time)

4250-7
4375

Info only
Matlock
Lengowski
McMinn
Fortier
Poindexter

FROM (Signature, title, office) Franklin J. Vargo
Deputy Assistant Secretary for Europe

REPORT OF PARTICIPATION

(Check appropriate box)

- Interdepartmental Committee Meeting
- Meeting w/Other Agency Officials
- Industry-Trade Association Meeting
- International Conference
- Discussion or Conversation
- Nat'l Stockpile Discussion

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PLACE Secy Baldrige's Office
Washington, D.C.

DATE
May 25, 1984

U/Secy Armacost (State)
DAS Palmer (State)
Asst to President for
National Security Affairs

PARTICIPANTS (Commerce, other agencies, industry)

See Text

11747

SUBJECT (Name of committee, conference or association, if applicable)

Secretary of Commerce's Meeting with Soviet Deputy Foreign Trade Minister Sushkov

SUMMARY REPORT (Topics discussed and conclusions)

SUMMARY

(C) Secretary of Commerce Malcolm Baldrige met with Soviet Deputy Trade Minister Vladimir Sushkov Friday, May 25, for about 1½ hours. The Secretary informed Sushkov that the United States was willing to renew the Long Term Agreement to Facilitate Economic, Industrial, and Technical Cooperation (LTA), and was willing to hold a Working Group of Experts meeting as provided for by the LTA. Sushkov at first insisted on a Cabinet-level meeting of the Joint Commercial Commission (JCC) as the initial step, but ultimately appeared to settle for the Secretary's statement that if the Working Group of Experts meeting were to be successful in establishing the groundwork for a JCC meeting, a meeting of the JCC could then be held when practical. Sushkov asked for this proposal in writing and stated the Soviet side would respond after considering the matter in Moscow.

(U) Sushkov was accompanied by Soviet Ambassador to the United States Anatoliy Dobrynin and by an interpreter. Participating on the U.S. side were Deputy Secretary Brown, Deputy Under Secretary Wethington, Assistant Secretary Dennin, Associate Deputy Secretary Policinski and Deputy Assistant Secretary Vargo.
END SUMMARY.

LONG-TERM AGREEMENT

(C) Secretary Baldrige began the meeting by informing Sushkov of the U.S. willingness to renew the LTA for another 10 years, if the USSR were also willing. He noted that we were offering to renew the agreement as is, with no consideration of any wording changes. He said we envisioned the renewal to take place by a simple exchange of diplomatic notes between the State Department and the Soviet Ministry of Foreign Affairs.

(C) Some confusion ensued on the Soviet side, with Ambassador Dobrynin at first saying that the Soviet side was indeed ready to renew the agreement, and that he had already told Secretary of State Shultz that this was the case. A little later in the meeting, Dobrynin said he had been mistaken in his earlier statement, and that he had not discussed renewal of the LTA agreement per se with Sec. Shultz. He said he had spoken in general terms with Sec. Shultz about Soviet willingness to discuss renewal of a number of bilateral agreements -- and added he did not have Moscow's approval to agree on the spot to a renewal of the LTA. He would have to cable Moscow and await instructions.

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NLRR E06-114/11 # 11747

~~CONFIDENTIAL~~

BY KW NARA DATE 4/21/11

(C) Sushkov indicated a sharp degree of interest in renewing the LTA. He said he wanted to discuss the machinery for implementation, stating that we already had the JCC -- which had never been terminated by either side and was still operative, even though it had not been meeting because the U.S. side refused to meet. He reminded the U.S. side that Soviet Foreign Trade Minister Patolichev was the Soviet co-chair for the JCC, and said that Minister Patolichev was anxious to meet in a JCC context with Secretary Baldrige. Sushkov added that the other piece of the machinery was the Working Group of Experts. The Soviet side, he said, would not be willing to change the implementation machinery.

(C) Sushkov then stated that the first step should be to convene immediately a meeting of the Ministerial-level JCC. The JCC, he said, would examine the question of renewing the LTA.

(C) Secretary Baldrige said we appeared to have a difference of opinion. The United States, he said, does not hold ministerial-level commission meetings without first holding a working group meeting to set up the way for the ministerial meeting. This, he stressed, was our practice for meetings with all countries -- we were not singling out the USSR in this regard. We must first have a meeting of the Working Group of Experts. If that went well, and the Secretary expressed his assumption that it would, then the U.S. side would propose a ministerial-level meeting once the mechanics were out of the way and a JCC meeting was practical.

(C) Sushkov responded that, indeed this was the normal process. The Working Group was not an independent body, but was related to the JCC. He said the Soviet side could accept the process of having a Working Group meeting first. He then indicated that the Working Group should precede the JCC, which in turn would consider renewal of the LTA. Dobrynin hastened to add that Sushkov was not accepting the U.S. proposal, but was merely indicating the Soviet side was prepared to look at it and get back to the U.S. side. They could not, he said, agree on the spot.

(C) Secretary Baldrige said we still had a difference of views. From the U.S. perspective, we must first have an exchange of letters renewing the LTA, followed by a Working Group meeting, followed by a JCC meeting when practical. He reminded Sushkov and Dobrynin that the LTA would expire on June 29, 1984; and said if we don't renew it, there would be no basis for a Working Group meeting. He reiterated that if a meeting of the Working Group were successful, then -- and only then -- could we have a JCC meeting when practical.

(C) Sushkov inquired into the U.S. intent. Would we simply renew the LTA, he asked, hold a Working Group meeting, and then a JCC meeting only to have the U.S. side announce that it is impossible to increase bilateral trade? Or could the JCC discuss obstacles to our trade and ways to overcome the obstacles?

(C) Secretary Baldrige told the Soviet side that President Reagan did not desire to conduct economic warfare on the Soviet Union. The President, he said, wants to expand nonstrategic trade with the USSR. The first step must be to discuss how that trade can be expanded. Points of Soviet interest would certainly come up in discussions, he said, including perhaps offshore oil drilling. The United States, the Secretary said, would not be adverse to discussing Soviet interests in trade and problems involved in those interests, in a JCC context. No promises could be made ahead of time, he cautioned, but we were interested in doing what we could to expand nonstrategic trade.

(C) Sushkov at that point thanked the Secretary for his statement and for his position and that of the President regarding nonstrategic trade. He asked the Secretary not to be disappointed that he and Dobrynin could not respond on the spot. The Soviet side needed, he said, to discuss and consider the U.S. proposal. He expressed great confidence, however, that the Soviet response would be a positive one. He added that an exchange of letters which would refer to a Working Group meeting and a JCC meeting as well as renewal of the LTA would be of greatest interest to the Soviets.

(C) Secretary Baldrige said he wanted Sushkov to understand him clearly: he wanted this process to work! The Secretary emphatically stated he did not want a public relations exercise with no lasting results. We had to take one step at a time. First, the exchange of diplomatic notes renewing the LTA for 10 years, second the Working Group of Experts meeting, and third, the Joint Commercial Commission meeting when practical, if the Working Group meeting was successful.

(C) Sushkov asked that the U.S. proposal be put in writing and conveyed to the Soviet side. Sushkov again apologized for not being able to accept the proposal on the spot, and expressed confidence that the proposal would be accepted after it had been reviewed in Moscow.

REVIEW OF THE USTEC MEETING

(U) Turning to the just-concluded USTEC meetings in New York, Sushkov said they had been good meetings, but they had raised questions beyond the competence of the private sector. As an example, he pointed to Soviet statements that they were having difficulty implementing the Grain Agreement because of sanctions preventing Soviet ships from entering U.S. ports. This, he said, was a question for the JCC rather than USTEC.

(U) Sushkov said the approach to trade reflected by the U.S. companies and by the Soviet participants at the USTEC meeting was quite positive. He thanked the Secretary for the Commerce Department's brochure on what can be exported to the USSR -- a brochure especially prepared by ITA's Office of Export Administration for the USTEC meetings. He expressed the view that the brochure would be quite helpful, but asked that it be made more specific next time, if that were possible.

INTERNATIONAL HARVESTER COMBINE FACTORY

(U) Secretary Baldrige inquired into the status of Soviet intentions to purchase a combine plant from International Harvester. The Secretary noted that last year Sushkov had stated all that was necessary to finalize the deal was a letter of assurance from the U.S. Government that it favored completion of the contract. That letter had been given, but the deal had not been finalized.

(U) Sushkov stated that International Harvester had made some modifications to the combine design, and these modifications had to be tested. The tests were positive, he said. He noted that a Soviet designer of combines was objecting to the deal, but said he would ensure the right people visited the International Harvester exhibit in the USSR next month, and that he was optimistic the deal would be finalized at that time. He said he could not promise this, but that he was definitely optimistic.

ENERGY PROJECTS

(U) Sushkov then turned to the Soviet interest in U.S. oil exploration and production know-how. He said offshore oil projects represented a big program for the USSR. He explained that he was responsible for foreign procurement of equipment and services, and that he was interested in arranging some big deals with U.S. firms in offshore drilling. He stated that U.S. technology controls prevented arrangements with U.S. firms.

(U) It was not just a matter of buying individual pieces of equipment, Sushkov said. It was a matter of long-term cooperation and mutual guarantees. The Soviets felt that they had to buy a complete long-term arrangement, including the willingness of the foreign partners to accept oil as payment. He said that the Europeans, Canadians, and Japanese were willing to do business now. Only the Americans, he said, faced restrictions. The USSR, he insisted, would obtain the services and equipment from the West -- the U.S. restrictions would only serve to be in the way of U.S. companies, not the USSR, he said.

(C) Secretary Baldrige said the United States would do its best to deal with the USSR realistically, but that had to include taking into account national security and policy concerns. The President, he reiterated, wanted to expand nonstrategic trade with the USSR; so without making any promises, we were willing to see if something could be worked out in offshore oil.

(U) The meeting ended with both sides agreeing there would be no public mention of the contents of the meeting, other than that renewal of the LTA had been discussed in a favorable context and that final decisions would be made by both governments soon.

NATIONAL SECURITY COUNCIL

October 18, 1984

~~SECRET~~ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: DAVID G. WIGG *DGW*
 ROGER W. ROBINSON *RWC*
 WILLIAM F. MARTIN

DECLASSIFIED

NLRR F06-114/11 # 11748BY KML NARA DATE 4/21/11

SUBJECT: NSC Review of Commerce Trade Promotion
 Activities Concerning Energy Equipment
 Exports to the Soviet Union

Attached (Tab I) is a memo to Secretary Baldrige requesting that Commerce postpone certain trade promotion activities concerning U.S. exports of energy equipment to the USSR, at least until the ongoing NSC/CIA review of this subject is completed. This memo is the result of the following series of events:

o While attending the first preparatory meeting for the U.S.-USSR Economic Working Group at Commerce last Friday, October 12, we learned that Commerce was moving forward unilaterally with the publication of a new brochure on "Exporting to the USSR." We also learned that the brochure had been expanded, at the request of Soviet Minister Sushkov, to include oil and gas equipment and technology. We officially requested that the NSC have the opportunity to review the document prior to publication. DAS Frank Vargo agreed to this request and sent over the attached proof copy (Tab II).

o We also learned at the meeting that Commerce is trying to finalize plans for a U.S. technical equipment show in Moscow in October 1985 to include oil and gas equipment. Commerce (Vargo) has requested our concurrence on this undertaking as well.

In light of our efforts now underway to evaluate and refine the conceptual underpinnings of U.S. policy in this area, we have carefully reviewed both of these proposals and have reached the following conclusions:

o We strongly believe it is premature for these trade promotion efforts to go forward when we are in the process of reviewing our oil and gas equipment export policies both within the U.S. Government and COCOM. Going forward with

~~SECRET~~

DECLASSIFY ON: OADR

Matlock 2/8
File
US-USSR
Trade

11748

the Commerce proposals will, at best, complicate, and at worst, prejudice our efforts in this critically important area of U.S. policy formulation.

o There is no major action-forcing event that requires moving ahead at this point in time on these specific activities. A temporary hiatus on such activities is a small price to pay for unfettered deliberations which will strengthen U.S. policies in this area.

o We therefore believe that publication of the brochure and/or a decision to include energy equipment in the planned October 1985 U.S. technical trade show should be delayed until completion of the CIA assessment and, more importantly, the completion of the policy process you recently implemented to deal with energy equipment exports to the USSR, modelled after the China export control procedure (Tab IV).

o We also believe that the brochure proof should be submitted to State, Defense and CIA for appropriate inter-agency verification that it tracks with our present export control policies. It will also serve as a useful guide to specific export categories in the interagency review process.

RECOMMENDATION: •

That you sign the memorandum to Secretary Baldrige (Tab I) requesting a postponement in Commerce's promotional activities regarding U.S. exports of energy equipment and know-how to the USSR, pending the completion of the ongoing U.S. policy review effort.

Approve _____ Disapprove _____

Don Fortier concurs, Jack Matlock is out of town.

Attachments

Tab I	Memo to Baldrige
Tab II	Brochure on Exporting to the USSR
Tab III	Letters to Commerce on U.S. Technical Equipment Show
Tab IV	McFarlane October 12 Memo to Shultz/Baldrige/ Brock

THE WHITE HOUSE
WASHINGTON

DECLASSIFIED

NLRR FOI-114/11 # 11748A~~SECRET~~BY KML NARA DATE 4/21/11

MEMORANDUM FOR THE HONORABLE MALCOLM BALDRIGE
The Secretary of Commerce

SUBJECT: Proposed Promotional Activities Concerning
U.S. Exports of Energy Equipment to the
USSR (S)

I appreciate your responsiveness in submitting for our review a proof copy of the Department of Commerce brochure entitled, "Exporting to the USSR." This represents a fine effort and will no doubt serve a useful purpose in support of the exporting community. Its release at this time, however, would complicate and possibly prejudice ongoing efforts to review and refine U.S. policies as well as our efforts within COCOM concerning energy technology exports to the Soviet bloc. (S)

As you know, the NSC has tasked CIA to study various dimensions of this problem, the results of which we hope will constructively contribute to our knowledge base in the complex policy area of East-West economic security. Therefore, I ask that you postpone publication of this brochure, pending the outcome of the CIA/NSC effort. In addition, in the interests of building a policy consensus on this critically important subject, I am requesting a review of your brochure by State, Defense and CIA. As something "on the table," it should help to focus our efforts on this issue. For the same reasons stated above, a decision at this point in time to include energy technology and know-how in the October 1985 U.S. technical exhibit in Moscow is premature. I request that Commerce either remove from consideration the exhibit of oil and gas equipment or postpone a decision on this matter until a clearer sense of U.S. policy direction in this area is forthcoming.

I know that you share with me the belief that we can and we must strive to reach a definitive, refined consensus on this issue of vital national security importance to our country. I ask that you bear with us and defer East-West export promotion activities for energy technology and

~~SECRET~~

DECLASSIFY ON: OADR

know-how until we can develop a solid and sensible rationale for moving ahead. (S)

FOR THE PRESIDENT:

cc: The Secretary of State
The Secretary of Defense
The Director of Central Intelligence



OCT 16 1984

To : Roger Robinson
NSC Staff/Room 365

From: David Schlechty
Director of Policy
Tel: 377-4252

Handwritten initials "DS" in black ink.

Per our telcon yesterday afternoon, attached is a revised copy of the Commerce Booklet, "Exporting to USSR and the Commerce Control Program". I am passing it along for your review/comments in light of our conversation and Frank Vargo's comments that you have requested an opportunity to review it. The Booklet is now in the final clearing stages, therefore, I would appreciate any comments as quickly as possible.

**IMMEDIATE
ATTENTION**

TRANSMITTAL
PRESCRIBED BY1828-P67
E3-403-390



U.S. DEPARTMENT OF COMMERCE
International Trade Administration

September 25, 1984

To : John Boaddock

From: Walter J. Olson
Deputy Assistant Secretary
for Export Administration

Please prepare the material
requested in the attached
papers and submit through
this office by ~~08~~ Tuesday
October 2, 1984.

Done

Done & cover

Articles 3 points

FW

To *Jelt*

From: William T. Archey
Deputy Assistant Secretary
for Trade Administration

- 1) I want a clearance sheet with the signature of all reviewers attesting to accuracy of attached.
- 2) An accompanying analysis showing the revision changes from original
- 3) That it accomplishes

WTA
9/24/54

9/24/54
9/25/54

**EXPORTING
TO THE U.S.S.R.
and the
United States
Department of Commerce
Control Program**

September 1984

U.S. DEPARTMENT OF COMMERCE
International Trade Administration
Office of Export Administration
Washington, D.C. 20230

*Note:
When sent to printing,
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Cover 1

10/2/84 5th Rev.

MASTER PROOF

Indicate all corrections on this set of proofs and return to Composition Division, Office of Publications. NOTE: Circled errors not chargeable as A.A.'s

Attn: *Tickler*

Issued May 1984
Revised September 1984

Cover 2

Exporting to the U.S.S.R. and the U.S. Department of Commerce Control Program

This booklet is intended to provide the U.S. business community with an understanding of policy on exports to the Soviet Union as they pertain to export controls exercised by the Department of Commerce (DOC). It does not in any way modify or supersede any of the provisions of the Export Administration Regulations.

Statutory Mandate of Export Controls

Under the Export Administration Act of 1979, as amended (EAA), the Department of Commerce, through the Office of Export Administration (OEA), exercises jurisdiction over the export and reexport of most articles, materials, supplies, and technical data.

The EAA authorizes controls on exports for national security, foreign policy and short supply reasons. National security controls are intended to restrict the export of goods and technology which would make a significant contribution to the military potential of any other country or combination of countries which would prove detrimental to the national security of the United States. Foreign policy controls are intended to restrict the export of goods and technology where necessary to further significantly the foreign policy of the United States or to fulfill its declared international obligations. Short supply controls are intended to restrict the export of goods where necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact of foreign demand.

The EAA provides broad authority to control exports of any goods or technology "subject to the jurisdiction of the U.S. or exported by any person subject to the jurisdiction of the U.S." The EAA provides for both criminal and administrative sanctions for enforcement of these controls.

Most controls on exports to the U.S.S.R. are maintained for national security reasons. Oil and gas exploration and production equipment, however, is for the most part under foreign policy controls which have been in effect since 1978. The Depart-

ment of Commerce's current licensing policy is to review applications for oil and gas exploration and production equipment on a case-by-case basis with a presumption of approval (unless such equipment is also subject to national security controls, e.g., geophones and computers). Applications for technical data for production of these items will be reviewed with a presumption of denial.

In addition, foreign policy controls apply to equipment and data destined for the Soviet Kama and Zil truck manufacturing facilities, even when the same items are not controlled to other Soviet end users. The general policy is to deny licenses for such exports.

License Process for Exports to the U.S.S.R.

All license applications, upon receipt, are logged into OEA's computer and assigned a case number. A notice is then sent to the applicant within ten days confirming OEA's receipt of the application, providing the case number which has been assigned, and advising whether or not the application requires referral to the Department of Defense or other agencies for additional review. Under current U.S. policy all license applications for national security controlled items to the U.S.S.R. which exceed the Commodity Control List Advisory Notes for approval to Country Group Y are denied by Commerce without interagency review. Those which fall below that level, or which are for U.S. unilaterally controlled items, are referred to the Department of Defense for review. Applications for foreign policy controlled items may be referred also to the Department of State.

Allowable Exports to the U.S.S.R.

Generally, commodities not specifically identified on the Commodity Control List (CCL, Part 399.1 of the Export Administration Regulations) as requiring a validated license* for the U.S.S.R. are exportable to the U.S.S.R. under a general license authorization. The exporter simply indicates on the Shipper's Export Declaration that the items are exportable under general license G-DEST.

* VALIDATED EXPORT LICENSE—A specific document issued by the Office of Export Administration, Department of Commerce, authorizing export to the U.S.S.R. of a specific item for a particular end use. A license for commodities is normally valid for a period of 12 months from the date of issue. Licenses for technical data are valid for 24 months.

Licensing Policy for Oil and Gas-Related Pipeline Exports

Except for certain equipment, such as pipeline welders, pipewrapping and pipecoating equipment, oil and gas transmission and refining equipment may be shipped to the Soviet Union under a general destination license.

Oil and gas exploration and production equipment remains under the foreign policy controls which have been in effect since 1978 and, thus, require a validated export license for the U.S.S.R. The Department of Commerce will process these applications on a case-by-case basis.

All technology, including technology for the manufacture of oil and gas equipment, requires a validated export license for the U.S.S.R.*

Construction of Turnkey Facilities

In processing license applications for sales of turnkey facilities to the U.S.S.R., the Department of Commerce examines three major factors:

1. The product to be produced by the turnkey facility:

License applications for turnkey facilities are evaluated in terms of the overall scope of the technical data transfer involved. Facilities which produce G-DEST commodities,

* All technical data, unless it is in the public domain, is controlled for national security reasons and requires an export license. The Export Administration Regulations define "Technical Data" as "information of any kind that can be used, or adapted for use, in the design, production, manufacture, utilization, or reconstruction of articles or materials. The data may take a tangible form, such as a model, prototype, blueprint, or an operating manual; or, they may take an intangible form such as technical service." General Licenses which cover limited areas, as defined in Section 379.4(b) of the Export Administration Regulations, do not require formal authorization from the Department of Commerce. Validated export license applications where the technical data involved would not be considered to be detrimental to the national security of the United States are generally approved. A presumption of denial, however, exists for technical data exports which involve exploration and production of oil and gas. License applications which relate to analysis of seismic signals generated in such oil and gas studies are likely to be approved, provided the methodology and know-how associated with the analysis are excluded from the export.

To provide the U.S. business community with a better understanding of these general license commodities, this booklet lists representative examples of commodities currently exportable to the U.S.S.R. under a G-DEST classification.* The commodities are divided into generic categories for easy reference. Exporters should use these broad descriptions as a general guide only, however, because precise identification of controlled commodities is possible only through examination of the CCL.

Many different factors are taken into account in determining a commodity's classification. For example, even though most presses may be shipped G-DEST, certain types of presses require a validated license because they are capable of producing strategic goods. Sometimes enhancement of certain G-DEST items will also result in their being subject to control. Table 1 shows an illustrative listing of items which may be exported to the Soviet Union without a validated license.

Table 2 is designed to help U.S. exporters better understand the level of commodities on the CCL which may be approved for export to the U.S.S.R.. Because approximately 80% of all license applications received by the Department of Commerce fall under ten CCL entries, this table focuses primarily on those entries. Please note that all export license applications for the U.S.S.R. are reviewed on a case-by-case basis. Therefore, the items included in Table 2 are intended to serve only as a general illustration of an approval level for the U.S.S.R. It is not intended to indicate an automatic approval level, since such factors as foreign availability, the stated end user, as well as a determination made as to whether the proposed export is appropriate for the stated end use must be carefully weighed.

* G-DEST—General Destination License is a general license that is based on commodity and destination. It requires no application or written authorization from the Department of Commerce. Products may be exported G-DEST unless a specific CCL entry indicates a validated export license is required. The CCL specifies those commodities which require a validated export license and countries for which such requirements apply.

Commodities for export not specifically requiring a validated license may be exported G-DEST. The exporter indicates to the carrier and to Customs that a validated export license is not required by showing the appropriate general license symbols, most often G-DEST, on the Shipper's Export Declaration.

for instance, and to which no critical data is being transferred will receive more favorable consideration.

The process know-how involved:

Of concern to the U.S. Government is dual-use process know-how which may be detrimental to U.S. national security if diverted for use in production of strategic commodities. For example, encapsulation technology is used in the production of pressure sensitive inks for the printing industry; it could also be used in the production of biochemical warfare agents. Applications for export of such types of process know-how to turnkey facilities are likely to be denied.

The individual pieces of equipment and materials included in the proposed facility:

Equipment, such as machine tools, robots, and computers for process control, and materials, such as certain cobalt-based alloys, and certain polymeric substances, is reviewed on a case-by-case basis. A variety of factors are weighed. For example, licenses for robots which perform the same function as controlled equipment assume the identity of the controlled equipment and the export application would be processed accordingly.

For those pieces of equipment which raise national security concerns, U.S. exporters are given the opportunity to downgrade them to meet U.S. Government concerns, or the license application may be approved if the sensitive equipment is excluded from the proposed transaction.

questions should be directed to this office. Exporters Service may be reached on three separate numbers depending on the nature of the inquiry. The Department of Commerce numbers are:

Status report on export license—(202) 377-2752

Export regulations or current policy—(202) 377-4811

Export licensing emergency—(202) 377-2793 or 2799.

In light of the U.S. Government's increased enforcement efforts, U.S. exporters are urged to contact the Exporters' Service Staff to clear up any uncertainties they may have prior to engaging in actual exports.

Other Agencies' Controls

Exporters should also be aware that other agencies maintain their own lists of controlled commodities which are separate from the CCL. For example, the Department of State maintains the U.S. Munitions List, and the Department of Energy and Nuclear Regulatory Commission each maintain their own controls of nuclear-related commodities and technologies. In a few instances different agencies' controls overlap.

Information Source for U.S. Exporters

Finally, and most importantly, the Department of Commerce offers specific export control guidance to the U.S. business community through the Exporters' Service Staff. All export licensing related

Table 1

ITEMS GENERALLY EXPORTABLE TO THE U.S.S.R.
WITHOUT VALIDATED LICENSE
(G-DEST ITEMS)

Agriculture Equipment

tractors
harrows
threshing machines
planting machines
seeders
mowers
combines
threshing machines
mowers
planting machines
seeders

Chemical Processing

distillation equipment
fermentation equipment
refining and control valves
stripping elements
trays
centrifuges, n.e.s.*
mixing equipment
filtration equipment
chemical reactors
refining equipment

Chemicals and Related Materials

Methyl-o-phenylenediamine dihydrochloride
aldehyde
aniline
nitro
styrene
vinyl ether resins
manufactured fertilizers
special additives for synthetic lubricants
special rubber accelerators and compounding agents
barium and radium salts, alloys and compounds
cesium oxide and peroxide
cesium chlorate
cesium iodide
cesium chromate

*n.e.s. means not elsewhere specified in the Export Administration Regulations.

Electronic and Precision Equipment

Survey positioning equipment, not incorporating computers or peripherals
UHF mobile telephone receivers (not digitally controlled, manual crystal based)
VHF and UHF radio transmitters (not ruggedized for military service)
Silicon transistors (NPN, PNP) less than 5 watts and less than 1 GHz
Germanium transistors
Tantalum electrolytic capacitors rated within a temperature range of -55° to 125°C.
4 bit PMOS microprocessors
Non-ruggedized 100 MHz oscilloscopes (-25° to 55°C)
1024 bit, 250 ns access time dynamic RAMS (-20° to +75°C)
Digital frequency counters with less than 200 MHz bandwidth, not employing pre-scale of input signal which is capable of resolving successive input signals with greater than 1 ns time difference, and not capable of measuring burst frequencies exceeding 100 MHz for a duration of less than 5 milliseconds.

Food Processing

Refrigerators
Cauldrons
Mixers and blenders
Vending machines
Ovens
Steam kettles
Food mills
Coffee makers
Steamers
Pressure cookers
Vegetable and fruit peelers and skinners
Food processors
Bottling, canning, filling, packaging and sealing machines

General Industrial Equipment *

Agricultural machines and appliances, n.e.s.
Airconditioning machines, n.e.s.
Bituminous pavers, finishers, and spreaders
Bottling, canning, cleaning, dishwashing, filling, packaging, and sealing machines, n.e.s.
Coil winding for electrical components
Concrete pavers, finishers, and spreaders
Cranes, n.e.s., nonmilitary
Environmental chambers, n.e.s.
Filters, ferro-magnetic
Food processing machines

General Industrial Equipment *—Continued

operated welding, cutting, brazing, and surface tempering machines and appliances, n.e.s.
working machines, n.e.s.
d tools, n.e.s.
nal combustion engines, reciprocating
ng, loading, and conveying machines and
quipment, n.e.s.
hinery and equipment, n.e.s., for the nonau-
mated manufacturing and assembling of elec-
tronic components, n.e.s.
hines, n.e.s., for treatment of a material involv-
g a change in temperature
allurgical, mill, and foundry equipment, n.e.s.
ermaking machinery
ting machines, n.e.s.
king machines, laboratory
im generating power boilers, and engines
epers, road
ing machines for covering wire and cable
building, recapping, and repairing machines
ck press for repairing tractor crawlers or tracks
eel tractors, including garden, log skidders, and
ontractors earthmoving types, n.e.s.
id tunnels, subsonic

Machine Tools

Machine tools, n.e.s.
n-automated metal-cutting machines
nding machines
r-cutting machines, n.e.s.
eading machines
sses, n.e.s.
tal-forming machines
ling machines
mping, drawing and forming machines
ling machines (non-aircraft type)
aching machines (non-gas turbine type)
aching machines
eting machines

Metals, Minerals and Their Manufactures

ist iron and steel, and manufactures
pper and brass, and manufactures
re cloth and fencing
dtools, saws, blades, axe heads, shears, knives,
etc.
dware—nails, screws, etc.

* Validated license required for foreign policy reasons
all equipment specially designed for the production
rucks destined for the Soviet Kama and Zil truck manu-
uring facilities.

Metals, Minerals and Their Manufactures—Cont

Building materials
Plumbing fixtures
Laboratory and commercial glassware
Housewares and cutlery
Dies (of G-DEST Items)
Shipping containers
Mechanics' hand tools

Natural and Synthetic Rubber

Tires and tubes (except bullet-proof)
V-Belts, transmission belts and belting
Seals, o-rings, gaskets, & packing (of G-DEST Material)
Hydraulic and pneumatic hose and tubing
Airbags
Floor and wall coverings
Rubber hygienic and pharmaceutical articles
Conveyor belts and belting
Sponge and foam rubber articles
Shipping containers and storage tanks
Weatherstripping and rug and carpet underlay pads

Oil and Gas Related Equipment

Specialized land-based and seaborne petroleum
and natural gas transportation equipment (includes
tankers and petroleum transportation vehicles)
Pipeline equipment designed for use in Arctic re-
gions and the polar seas
Pipeline valves for oil and gas pipelines and high
pressure steel hoses, pipes, and connections
Pipelayer tractors
Pipelines
Filtration units
Air or gas compressors
Gas turbine engines
Metering and mixing equipment
Pipeline cleaning equipment
Seismic survey vessels (not containing controlled
equipment)
Internal pneumatic line-up
— clamps for welding
— transmission line pipe
Certain oceanographic research instruments *
Ocean mooring systems
Instruments for measurement, transmission, or
control of temperatures, pressures, or other var-
iables of liquids or gases
Electric power generators

* Exporters of this type of equipment should check with
the Office of Export Administration, U.S. Department
of Commerce, for the proper classification of the in-
struments before exporting.

tr

Power Generation and Distribution

- Motors, generators and generator sets
- Rotating equipment
- Transformers
- Coils
- Switches
- Circuit breakers
- Solenoids
- Switchgear
- Relays and governors
- Power cable
- Panel and distribution boards
- Starters and contactors

Transportation

- Locomotives
- Railway cars
- Industrial and mine transport
- Passenger automobiles
- Commercial trucks and buses
- Trailers
- Certain certified civilian aircraft and helicopters
- Non-military surface craft
- Fishing boats
- Fire patrol and pilot boats
- Cargo vessels and tankers

Table 2

ILLUSTRATIVE LIST OF APPROVAL AND
NON-APPROVAL
TECHNOLOGY LEVELS OF SELECTED
COMMODITY CONTROL LIST (CCL) ITEMS FROM
THE U.S.S.R.

CCL #1501A—Avionics/Navigation/Radar

Products Likely Approved

Airborne communications equipment for aircraft which does not use a form of digital modulation with time and frequency redundancy as "Quantized Frequency Modulation" (QFM).

Civil airborne doppler navigation equipment.

Civil airborne navigation equipment not designed to make use of hyperbolic grids at frequencies above 3 MHz and which conforms to ICAO standards including standard civil ILS, VOR, LORAN, OMEGA, and marker beacon equipment.

Ground equipment for civil purposes for civil airborne ILS, VOR, DME, and marker equipment.

Ground direction finding equipment which can be installed at civil airports, and which operates at frequencies between 30 MHz and 157 MHz. Provided the equipment employs a loop of a number of vertical aerials uniformly spaced around the circumference of a circle, excluding electronically commutated types.

Airborne commercial weather radar which is at least one year old and which contains no significant advanced technology of strategic value.

Marine collision avoidance systems which are mandated by the Safety of Life at Sea (SOLAS) conventions and by U.S. Coast Guard regulations.

Secondary radar systems for civil air traffic control.

Products Likely Not Approved

Airborne direction finding equipment operating at greater than 5 MHz.

Global Positioning System (GPS) receivers.

Ground and marine direction finding equipment operating at greater than 30 MHz, except those specified.

Any primary radar system intended for air traffic control which is not located at an airport providing regular scheduled commercial flights to destinations in COCOM member countries.

CCL #1522A—Lasers

Products Likely Approved

Laser parts designed for equipment approved for export. Parts restricted to capability of original design.

Products Likely Not Approved

Industrial laser systems.

Ruby, Nd:YAG laser rods not previously approved with export of originally approved equipment.

Tunable laser systems with operation wavelength longer than .8 micrometers.

CCL #1529A—Instruments

Products Likely Approved

Signal analyzer employing Fast Fourier Transform (FFT) techniques capable of computing 512 real spectral lines at no less than 100 milliseconds.

Programmable data communication testers being restricted to a particular application and having a computer processing rate (CPU) of 2 million bits/sec floating point 0.1 million bits/sec. total internal memory of 32.768 megabits.

Products Likely Not Approved

Signal analyzers employing Fast Fourier Transform techniques capable of computing real spectral lines greater than 512 at less than 100 milliseconds.

Programmable data communication testers exceeding any of the conditions/parameters approvable to U.S.S.R.

CCL #1537A—Microwave Equipment

Products Likely Approved

Microwave parts and components under 1537 would be considered for approval for servicing previously exported U.S. equipment.

CCL #1564A—Microcircuits

Products Likely Approved

Repair assemblies, modules and printed circuit boards specifically designed for previously exported equipment, provided the equipment is clearly restricted to civil end use.

CCL #1564A—Microcircuits—Continued

Limited quantities of repair microcircuits for previously exported equipment, provided the equipment is clearly restricted to civil end use.

(NOTE: Repair parts may be restricted to replacement on a one for one basis, that is, the failed component must be returned to the U.S. prior to shipment of a replacement.)

Microcircuits which are only controlled because they are encapsulated in hermetic packages, provided civil end use justifies such packages.

Products Likely Not Approved

Assemblies, modules, printed boards and microcircuits which are not repair parts for previously exported equipment and whose value exceeds \$1,000.

Any controlled microprocessor, memory microcircuit, or micro-computer support microcircuit which is not a repair part.

Any controlled unencapsulated monolithic integrated circuits.

CCL #1565A—Computers

Products Likely Approved

CPUs with PDR under 32 Mbits/sec., CPU Bus Rate under 90 Mbits/sec. and internal memory under 6.3 Mbits.

Disc drives with Effective Bit Transfer Rate under 3.4 Mbits/sec.

CRT terminals with a limited graphic capability.

Tape drives having no more than 6250 BPI per track.

Computer systems having total connected net capacity of peripheral devices (excluding tape drives) not exceeding 3200 Mbits.

Products Likely Not Approved

All Array Transform Processors (ATP's)

Most Graphic terminals.

All disc drives with Effective Bit Transfer Rate exceeding 3.4 Mbits per sec.

All CPUs with PDR (Processing Data Rate) exceeding 32 Mbits/sec, or CPU Bus Rate exceeding 90 Mbits/sec. or internal Memory exceeding 6.3 Mbits.

CCL #1565A—Computers—Continued

Remote alphanumeric terminals with effective bit transfer rate exceeding 4800 bits/sec.

CCL #1572A—Recording Equipment

Products Likely Approved

Magnetic tape/undoped gamma ferric oxide, rated intrinsic coercivity not exceeding 350 oersteds, for TV recording, and limited to 2" width.

Refurbished record heads for video recorders that were previously approved for export.

Seismic data acquisition system.

Instrumentation recorder (not ruggedized) analog type not to exceed Advisory Note 1 (b) (1) to (9) and Advisory Note 4 of the EAR.

Products Likely Not Approved

Tape recorder with 1 MHz bandwidth or greater.

CCL #1584A—Oscilloscopes

Products Likely Approved

Oscilloscopes having a bandwidth of 200 MHz or less.

Products Likely Not Approved

Oscilloscopes having a bandwidth greater than 200 MHz.

CCL #4529B—Computerized Instruments

(NOTE: Limitations Based on CCL #1565A)

Products Likely Approved

Spectrophotometers, gas liquid chromatograph.

Also, generally approvable are items which fall under Column A of ITA Form 6031P "Computer System Parameters" which exporters are required to submit with all license applications for the export of items classified under CCL 4529B.

Products Likely Not Approved

Instrumentation based on computers which are prohibited under CCL #1565A.

Some peripherals are restricted although an instrument itself may be approvable. For example, high resolution graphics terminals would be denied.

CCL #6191F and CCL #6391F—Equipment for Exploration/Production of Oil and Gas

Products Likely Approved

Specially designed or modified equipment, offshore floating or bottom-supported drilling and producing structures, including all gathering equipment.

Rigs, parts, components and accessories:

- offshore rigs, floating or bottom supported
- jack-up rigs
- work-over rigs
- elevation systems
- draw works
- pipe handling equipment
- rotary tables
- blow-out preventers

Equipment for well drilling machines, parts and accessories:

- drill bits
- box and pin tool joints
- drill pipe
- drill collars
- tool joints
- other drill string components

Petroleum gas-lift equipment:

- tubular goods
- power tongs
- drill pipe spanners
- pipe handling equipment
- tools

Oil well and oil field pumps:

- high performance submersible or conventional pumps
- mud pumps
- cement mixing pumping units
- mud mixing hoppers

Wireline and downhole equipment and accessories:

- collars
- stabilizers
- mandrels
- packers
- multi-completion equipment
- gun perforators
- telemetry equipment not suitable for aircraft/ space vehicle use

Cementing equipment

Well servicing equipment

Drilling and processing equipment:

- shakers
- mixers
- separators
- filters

Mud

^ O ^

Drill stem testing equipment

CCL =6598F—Other Electronic and Precision Instruments

Products Likely Approved

Optical, electrical, or electronic geophysical and mineral prospecting instruments.

magnetometers having a sensitivity no better than ± 1.0 gamma ($\pm 10^{-5}$ oersteds)

gravity meters (gravimeters) having a stable accuracy of 1 milligal or above, or an in-service (operational) accuracy of 1 milligal or above with a time to steady state registration of two minutes or greater under any combination of attendant corrective compensations and motional influences

passive marine acoustic hydrophones (receiving, whether or not related in normal application to separate active equipment)

Transducers having the following characteristics



- (i) incorporating sensitive elements made of piezoelectric ceramics or crystal, and with a sensitivity no greater than -192 dB (reference 1 volt per micropascal)
- (ii) not designed for operation at depths greater than 100 meters
- (iii) independently mounted or configured and not reasonably capable of assembly by the user into a towed hydrophone array.

marine hydrophones and transducers as above, but which either:

- (a) have a sensitivity no greater than -204 dB (reference 1 volt per micropascal), and designed for operation at greater than 100 meters depth but not greater than 1000 meters depth; or
- (b) are not acceleration compensated, have a sensitivity no greater than -180 db (reference 1 volt per micropascal) and are not designed for operation at depths greater than 100 meters

towed acoustic hydrophone arrays having the following characteristics:

- (a) not specially designed for operation at greater than 100 meters or at tow speeds in excess of 8 knots
- (b) not incorporating temperature or heading sensors
- (c) having hydrophone groups uniformly spaced at not less than 25 meters and not more than 60 meters
- (d) having an assembled diameter of 40 mm or greater and using metallic strength members only
- (e) not having multiplexed hydrophone group signals

CCL #6598F—Other Electronic and Precision Instruments—Continued

- (f) not having a configuration for multiple or overlapping acoustic aperture operation
- (g) not having characteristics better than those specified in paragraphs (i) and (ii) above
- (h) not having associated processing equipment which provides any of the following features: (1) electronically steerable beam-forming capabilities; (2) side-lobe suppression techniques such as shading coefficients; (3) on-line real-time processing or off-line batch pre-processing capabilities exceeding the limits specified in CCLs 1529A and 1565A

Terrestrial acoustic and/or ultrasonic systems or equipment not capable of conversion by the user to underwater or marine applications except as shown above

- Equipment for mud measurement
- Continuous drilling monitors
- Open-hole well logging equipment
- Cased hole logging equipment
- Logging components (e.g., electric log panel)

OK
(handwritten signature)

CCL #6779F—Drilling Fluids

Products Likely Approved

- Clays
- Corrosion inhibitors
- Emulsifiers and defoamers
- Flocculants and extenders
- Fluid loss control agents
- Loss circulation materials
- Lubricants
- Thinning and dispersing agents
- Weighting materials

CCL #1355A—Semiconductor Manufacturing Equipment

Products Likely Approved

None

Products Likely Not Approved

Equipment and technical data for the manufacture of semiconductors requiring a validated license for export will not be approved for export to the Soviet Union because of the significance these commodities and technical data play in the production/maintenance of military systems.

Technical Data Transfer

Data Likely Approved

- Tech data associated with oil and gas refinery operations.
- Tech data related to petrochemicals.
- Tech data for production of titanium sponge.
- Tech data related to coal mining, and some polymeric materials, which are G-DEST.

Data Likely Not Approved

- Tech data for generating seismic data.
- Tech data for signal enhancement.
- Tech data for remote sensing.
- Tech data for superalloys and magnetic steels.
- Tech data for composite technology.
- Tech data for encapsulation.
- Tech data for oil and gas exploration and production.
- Tech data for genetic engineering.
- Software/CAD-CAM; source code.

NOTE: Additional guidance on commodities likely to be approved may be found in the Advisory Notes for each of the CCL entries. See the appropriate CCL, Part 399.1 of the Export Administration Regulations.

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 P-112

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(20)

Confused about Export Licensing Requirements?

Then go to the source for your answers. The *Export Administration Regulations*, a comprehensive guide to the rules controlling exports of U.S. products, answers your questions on export licensing requirements:

- When is an export license necessary?
- When is it not necessary?
- How do I obtain an export license?
- What policies are followed in considering license applications?
- How do I know when the policies change?
- Are there restrictions on exports to certain countries?
- Are restrictive trade practices and boycotts prohibited?
- Do I need a license to ship technical data?
- Where can I obtain help?

At no additional cost, subscribers receive supplementary *Export Administration Bulletins* which explain recent policy changes and provide replacement pages to keep your set of regulations up-to-date.

Available from:

Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

Subscription Rate:

\$68.00 within the United States

Handwritten notes and a large scribble at the bottom of the page, possibly including the word "Export" and other illegible markings.

58
MAR 26 1984

Mr. C. William Verity, Jr.
Chairman, Executive Committee
Board of Directors
Armco Inc.
Middletown, Ohio 45043

Dear Bill,

Thank you for your letter regarding the US-USSR Trade and Economic Council's plans to sponsor an American exhibit of energy, recycling and pollution control equipment in Moscow next year.

The Administration supports the development of nonstrategic trade with the Soviet Union. We demonstrated this support on behalf of the Council's agribusiness show in Moscow last October. Energy trade, however, presents policy problems, as Under Secretary Olmer pointed out at your January 23 meeting.

On March 12, 1984, Messrs. Dudley Miller and William Forrester from the US-USSR TEC met with Department of Commerce representatives Henry D. Mitman, Nicholas F. Maddage, and Jack Brougher, Jr. to discuss the proposed American energy exhibit and technical seminar. The US-USSR TEC representatives were advised of the current policy and export licensing requirements for the USSR and they concluded that an exhibition could be feasible, but a technical seminar may not be practicable given the current technical data regulations on oil and gas-related technology.

We look forward to continuing to cooperate with you as the organization and promotion of the exhibition proceeds. Two staff members of the Office of Export Administration's Capital Goods and Production Materials Division have been assigned to assist the Council on any technical and licensing problems which may arise.

Sincerely,

[Signature]

Secretary of Commerce

Drafted by: HHEISS / NMaddage: Prepared by DSavastuk / US/IT/CCCU/x-1052
ID # 98 LIB. TEMPP Control # 400790 3/15/84
cc: ES (2), SEC, HR, D/S, OCA, GC, PC, CHRN, AS/IEP, AGC, Glidden, DSavastuk



ARMCO CORPORATE OFFICES

C. WILLIAM VERITY, JR.
Chairman, Executive Committee
Board of Directors

January 27, 1984

The Honorable George Shultz
Secretary of State
Department of State
2201 C Street, N.W.
Washington, D. C. 20520

Dear Mr. Secretary:

I enclose a copy of a letter I have sent to Mac Baldrige regarding our tentative thought to sponsor an exhibit in Moscow in 1985 that would focus on permissible trade in energy, recycling and pollution control equipment.

As I say in that letter, I recognize that energy is a sensitive issue. In undertaking such an exhibit, we would concentrate on equipment that is fully licensable or does not require such approval. As in agribusiness, the interests of the two countries are well matched, and in promoting exports of such equipment we would be helping a currently depressed segment of U.S. industry.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. Verity".

CWV:ba
Attachment

cc: Secretary Baldrige ✓
Under Secretary Eagleburger
Under Secretary Olmer



ARMCO CORPORATE OFFICES

C WILLIAM VERITY, JR
Chairman, Executive Committee
Board of Directors

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OFFICE OF THE
SECRETARY
EXECUTIVE SECRETARIAT

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January 27, 1984

The Honorable Malcolm Baldrige
Secretary
Department of Commerce
Main Commerce Bldg., Room 5854
Washington, D. C. 20230

Dear Mac:

Members of the US-USSR Trade & Economic Council's Executive Committee had a very useful meeting on January 23 with Under Secretaries Eagleburger and Olmer. We appreciate their guidance and comments. We considered it a very informative and helpful meeting.

At our meeting, I outlined our tentative thinking about the Council sponsoring an exhibit similar to our recent successful agribusiness show. Our thought is to sponsor in Moscow in 1985 an energy exhibition that would focus on permissible trade in oil and gas field machinery and equipment as well as recycling and pollution control equipment.

I realize, of course, the sensitivity of the energy issue, and I want to emphasize that our firm intent would be to concentrate on equipment that can be exported without concern. It is worth noting that a similar exhibition, which doesn't include the recycling and pollution control equipment, has already been scheduled by the British, according to the December 26 issue of Business America. The British exhibition, called "Neftegas," is scheduled for November 27 - December 4, 1984.

Our plan would be to recruit actively as participants both Council members and non-members who engage in this very broad trade field. We would do so through our own efforts, through appropriate trade associations, and through any other means of bringing such a show to the attention of interested companies.

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The Honorable Malcolm Baldrige
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In considering undertaking this endeavor, I am mindful of the President's recent speech on relations with the Soviet Union in which he said, "Peaceful trade helps." This is quite simply our goal. Our recruiting literature would stress that we wish to exhibit equipment that is either not subject to license or is licenseable. (I am confident that all or most companies that would consider participating know what equipment they can export to the Soviet Union.)

I know you support the Council's effort to promote permissible trade during these difficult times. Without active support of the Commerce Department, our agribusiness exhibition would not have been the success that it was. What we want to do now is mount another successful exhibition. And, after a careful analysis of companies and industries, we have concluded that the energy and pollution equipment field offers the best opportunity to achieve that goal.

I would welcome your views on the Council's undertaking such an exhibit.

Sincerely,

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CWV:ba

cc: Secretary Shultz
Under Secretary Eagleburger
Under Secretary Olmer

THE WHITE HOUSE
WASHINGTON

DECLASSIFIED

NLRR FD6-114/11 #11749

BY rw NARA DATE 1-5-11

October 12, 1984

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MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

THE HONORABLE MALCOLM BALDRIGE
The Secretary of Commerce

THE HONORABLE WILLIAM E. BROCK
United States Trade Representative

SUBJECT: NSC Tasker to CIA on Soviet Energy
Development and Its Strategic Implications
for East-West Relations (S)

I appreciated receiving letters from you expressing the strong interest of your agencies in our request that the CIA undertake an assessment of Soviet energy strategy and its strategic implications. I think we all agree that such an updated assessment is of value at this time, particularly in view of the upcoming meetings of the East-West economic working group tentatively scheduled for December in Moscow.
(S)

Bill Casey has assured me that the CIA assessment is already under way based on our comprehensive terms of reference. In light of this, I believe the best approach at this juncture is to invite the comments of your agencies on the TOR which will be forwarded to the CIA as deemed appropriate. I understand Commerce has already submitted to the CIA a separate list of requirements. (S)

We need though to think not only about an assessment, but also about a process to assimilate the information we receive and to transform it into clear policy recommendations. Here I think our procedure on China technology transfer policy serves as an appropriate precedent. A steering group should be created under NSC auspices. The task of this group should be to evaluate the spectrum of technology before us, to examine the strategic rationale for transfer and for denial, and to table recommendations in green lines and red lines, as well as for an amber zone for the purpose of establishing negotiating leverage. A knowledgeable pre-existing group under the direction of the steering group

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should be assigned to prepare issues for policy resolution. The State-chaired SIG on Technology Transfer would probably be most appropriate as it has heretofore been responsible for COCOM deliberations on oil and gas equipment and technology transfers.

Although it would be desirable to reach a consensus by the time of the December meetings in Moscow, priority must be given to conducting a careful evaluation of this issue and the important role of energy trade in the context of our broader agenda on East-West relations for the second term. As you know, this Administration has expended enormous efforts to forge a security-minded consensus on East-West economic relations as outlined in NSDD-66, and it is important that we take a measured approach to the beneficial expansion of U.S.-Soviet commercial relations so that our hard-fought gains in this area are preserved. (S)


Robert C. McFarlane

cc: The Secretary of Defense
The Director of Central Intelligence

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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.

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.

Drafted by: Marcia Field
Treasury
566-2589

Clearances:
NSC/RRobinson/395-3622/12/10-84
USTR/WTriplett/395-4543/12/10/84
USDOC/JBrougher/377-4655/12/10/84

Reviewed by: Steven Lainoff
Treasury
566-5046