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WITHDRAWAL SHEET

Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	from Colin Powell to the President re: Soviet membership in the INF (1p)	7/25/88	P-1 B1
2. memo 79	to the President re: re: conversation with P.M. Rishkov (1p, partial)	7/11/88	P-5 open
3. memo	from Danzansky to Powell re: letter fo Dwayne Andreas on Soviet membership in IMF (1p)	7/29/88	P-1 B1
4. attachment	re: soviet proposal regarding the GATT (4pp)	n.d.	P-1 B1
5. vax	from Am Embassy London to Sec. of State re: beneath the hype: what are the prospects fo British/Soviet trade, with attachment (5pp)	1/8/88	P-1 B1
6. vax	from Danzansky and Ermarth to NSSID re: summit and Soviet/US trade (2pp)	n.d.	P-1 B1
7. memo	form Danzansky to Cpowell re: minutes of the PRG meeting on US/Soviet grains agreement (4pp)	10/1/87	P-1 B1
8. vax	from Sec. of State to US Mission Geneva re: discussion of Soviet GATT membership at summit (2pp)	12/24/87	P-1 B1
9. vax	from Am. Consul Frankfurt to Sec. of State re: Soviet official comments on IMF, GATT and joint ventures, with attachment (5pp)	1/8/88	P-1 B1
10. DIA Trends & Development	"An Assessment of Soviet Joint Venture Initiatives and the Risks Inherent in Western Participation (22pp)	11/-/87	P-1 B1 <i>(CS 10/26/00)</i>
COLLECTION: DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER: Soviet Union (Economic Initiatives) [1 of 6] Box 91819 <i>RAC Box 12</i>			11/10/94

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].
- C. Closed in accordance with restrictions contained in donor's deed of gift.

THE WHITE HOUSE
WASHINGTON

5282
DANZAMSKY
G. W. W.

August 1, 1988

Dear Dwayne:

The President has asked me to write you concerning your memorandum to him dated July 11, 1988. That memorandum suggested that the United States should review its position opposing Soviet membership in the International Monetary Fund (IMF).

There have been a number of recent Soviet statements concerning economic restructuring. This process of restructuring, perestroika, is in an infant stage. The Soviet economy does not come close to operating on market principles. Until it does, and there is no indication that this will occur anytime soon, the Soviets cannot fulfill commitments to the Fund that all members must make. Failure to meet these commitments could undermine the IMF at a time when it is vitally needed in managing the Western financial system.

In addition, the United States has made it clear that any possibility of movement on improved economic relations with the Soviet Union depends on progress on human rights issues. The Soviets still have far to go on this front.

For the reasons outlined above, the President and all of his principal advisors continue to believe that the U.S. should not open up even the possibility of Soviet membership in the IMF.

Sincerely,



Colin L. Powell

Mr. Dwayne Andreas
Chairman
Archer-Daniels-Midland Company
P.O. Box 470
Decatur, Illinois 76252

SOVIET UNION (Economic Initiatives) Venzosky

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 1 LISTED ON THE
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

MEMORANDUM TO THE PRESIDENT

JULY 11, 1988

I AM PASSING THIS INFORMATION ON TO YOU BELIEVING IT MIGHT NOT HAVE REACHED YOU THROUGH CHANNELS AND IT MIGHT BE IMPORTANT.

IN A RECENT CONVERSATION I HAD WITH PRIME MINISTER RISHKOV THE SUBJECT TURNED TO THE INTEREST OF THE BUSINESS COMMUNITY OF BOTH SIDES IN WORKING OUT A SCHEME TO CUT A SUBSTANTIAL AMOUNT OFF OF EACH OF OUR DEFENSE BUDGETS. I RAISED THE QUESTION OF HOW TO VERIFY RECIPROCAL CUTS.

IN THIS CONTEXT RISHKOV SAID HE WOULD LIKE TO JOIN THE INTERNATIONAL MONETARY FUND. HE SAID, "IT WOULD ACCOMPLISH TWO THINGS FOR ME".

I PARAPHRASE HIM AS FOLLOWS:

1. "I UNDERSTAND THEY WOULD SEND IN A TEAM TO HELP REORGANIZE OUR FINANCIAL STRUCTURE. THAT WOULD BRING IT OUT INTO THE LIGHT OF DAY IN KEEPING WITH GLASNOST. IT WOULD ALSO HELP US TO REACH CONVERTIBILITY SOONER RATHER THAN LATER.
2. "IF I HAD A CONTRACT WITH IMF, AGREEING TO CERTAIN BEHAVIOR, IT WOULD STRENGTHEN MY HAND VISAVIS THE DOCTRINAIRE PARTY PEOPLE.

PARTY PEOPLE HAVE GREAT RESPECT FOR THE SANCTITY OF INTERNATIONAL CONTRACTS."

I HAVE HAD THE IMPRESSION FROM SEVERAL U.S. ADMINISTRATIONS THAT IT WOULD BE IN THE INTEREST OF THE UNITED STATES TO HAVE THE SOVIETS ENTER THE IMF. IT SEEMS TO ME THAT THE CHANGES THEY WOULD MAKE TO ACHIEVE ELIGIBILITY WOULD BE CLEARLY IN OUR INTEREST.

I WOULD LIKE TO SUGGEST THAT YOU HAVE THE FEDERAL RESERVE STUDY THE MATTER AS THERE MAY BE TOO MUCH PREJUDICE IN OTHER BRANCHES OF GOVERNMENT TO GET AN HONEST OPINION.

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25 July

PSS, SID,

AL has asked me
to reply to Andreas'
NOTE. Pls prepare

CP

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

*File: Some (unclear)
essential materials*

July 14, 1988

UNCLASSIFIED MEMORANDUM WITH CONFIDENTIAL ATTACHMENT

TO: Richard Goldberg
Allen Moore
~~Stephen Danzansky~~
Peter McPherson
Gene McAllister
Gene Lawson
William Maroni

FROM: W. Douglas Newkirk *WN*
Assistant USTR for GATT Affairs

SUBJECT: Meeting of the TPRG Informal Group on Tuesday, July 19,
at 2:00 pm, Room 203, at USTR

Ambassador Smith has asked me to circulate this Memorandum of Conversation concerning the subject of Tuesday's meeting.

ATTACHMENT

Panzansky

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 4 LISTED ON THE
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Soviet Trade With West Fell 4.6% in 9 Months As Moscow Cut Imports

Reuters

MOSCOW — The Soviet Union's trade volume with the West fell by 4.6 percent in the first nine months of last year as Moscow cut back its purchases of Western goods, Tass said Friday.

The agency said that trade with Western countries from January to September of 1987 totaled 20.7 billion rubles (\$34.6 billion), down 1 billion rubles from the first nine months of 1986.

Foreign analysts said the Soviet Union apparently was cutting back imports of Western goods because of reduced revenues from the raw materials it exports, especially oil.

Tass also reported that oil output was 624 million metric tons (686.4 million short tons) for the year, 7 million tons more than the official output target.

The figures indicated that the Soviet Union was running a merchandise trade deficit with the West of about 300 million rubles for the nine months, which analysts said showed an improvement.

They noted that for all of 1986, the deficit with the West was 2.72 billion rubles.

Tass said the Soviet Union imported 10.5 billion rubles of goods over the nine months, while exports totaled 10.2 billion rubles. Exports had grown by about 550 million rubles over the same period a year earlier, it said.

Analysts said imports had been depressed by greater pressure to use Soviet technology instead of importing it from the West, as well as the recent reorganization of the Soviet trade administration to adjust to changes under the Soviet leader, Mikhail S. Gorbachev.

The Soviet Union has recently abolished its Ministry of Foreign Trade and a related state committee, and created a new Ministry of Foreign Economic Relations to take their place.

"The whole trade apparatus is being reorganized, and it's having an effect," a foreign analyst said. "No one in the West is willing to sign contracts."

Tass said on Jan. 23 that the volume of Soviet trade with all countries had decreased by about 2.2 percent in all of last year.

West Germany remained the Soviet Union's biggest trading partner in the West in the nine months. But Tass said trade with Bonn from January to September was 3.7 billion rubles, down by 600 million rubles from a year earlier.

Soviet imports from West Germany amounted to about 2 billion rubles over the nine months, Tass said.

Finland was the second largest trading partner, followed by Italy, France and Japan.

SOVIET UNION - Danzansky

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JANUARY 20, 1988

U.S. Eases Stand on Membership For Moscow in Economic Groups

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Jan. 19 — President Reagan has opened the door to Soviet membership in the World Bank, the International Monetary Fund and the General Agreement on Tariffs and Trade, provided that Moscow makes good on its talk of economic reforms, according to a policy document the White House is expected to release within days.

The new position contrasts with the President's strongly stated opposition last year.

Moscow has expressed interest in joining all three organizations.

The policy document takes note of Soviet statements about economic reforms along lines emphasizing free markets and says the United States could consider endorsing Soviet participation in the organizations provided the policy statements were "translated into positive action." A copy of the document was obtained today.

'Incompatible' at Present

Until this "positive action," the document adds, the Soviet system remains "fundamentally incompatible with participation in free-world institutions."

This was a shift from the much harder line Mr. Reagan took a year ago, when he said Soviet membership in the organizations "would clearly not serve constructive purposes, would not be in the best interests of the West" and would cause politicization of the organizations.

The American policy change is reported in the annual National Security

Strategy assessment of the President, which is mandated by Congress under the Defense Reorganization Act of 1986.

In another substantive change, this year's report makes no explicit link between trade and human rights, as it did a year ago.

The document was written by the new national security adviser, Lieut. Gen. Colin L. Powell, and was commented upon by other agencies before

being published under the President's name.

The changes would seem to mark a further improvement in United States-Soviet relations since the President's meeting with Mikhail S. Gorbachev, the Soviet leader, in Washington early last month. The two leaders signed an arms control agreement at that meeting.

Noting that Treasury Secretary James A. Baker 3d spoke last March of the Administration's "unqualified and unconditional" opposition to Soviet membership in these institutions, several conservatives were highly critical of the new stance today.

Roger W. Robinson Jr., former senior director for international economic affairs at the National Security Council, said, "When Soviet entry into these organizations is predicated solely on a judgment of market-oriented reforms, it leaves out critical human rights and security dimensions."

Raul Fernandez, an aide to Representative Jack Kemp, the upstate New York Republican and Presidential candidate, said the Soviet Union, "with its bankrupt economy and record of human rights abuse, has no

place in such international organizations."

The I.M.F. and the World Bank, which make loans to poorer countries and GATT, which organizes the world trading system, "are mainly concerned with improving relations among free individuals, business and financial institutions," the policy document says.

Moscow has long been seeking an end to the high tariffs that the United States applies to imports from the Soviet Union. Such tariffs are mandated by 1974 legislation barring most-favored-nation treatment, which carries low duties, to countries that do not permit free emigration. The Soviet Union has curtailed emigration of Jews. In recent months emigration figures have improved.

Some analysts said omission of the direct linkage could be the prelude to a request by the Administration to seek a temporary Congressional waiver of the ban on most-favored-nation treatment.

During Mr. Gorbachev's visit, Abel G. Aganbegyan, a top economic adviser to the Soviet leader, said political reasons were at the root of trade agreements. "Now that political relations are improving, economic relations will improve in their time," he added.

Among the Communist members of the World Bank, the monetary fund and GATT are Poland, Hungary, Rumania and Yugoslavia. China is a member of both the World Bank and the I.M.F. and enjoys GATT observer status. It has applied for full membership.

Membership in the 95-nation GATT would help the Soviet Union improve its trading position in Western markets, where trade agreements are important lubricants. It is especially important now as Moscow seeks to diversify exports away from such commodities as oil and raw materials to more sophisticated manufactured goods.

Membership in the World Bank and the I.M.F., each of which has 151 members, would help Moscow tap private credit markets. Earlier this month, the Soviet Union ended a 70-year absence from the international public bond market when a state bank sold a \$77.8 million bond issue in Switzerland.

RP

NATIONAL SECURITY COUNCIL

Jan 20, 1988

TO: Roman Popaduik
~~Marlin Fitzwater~~ Don Snider
Peter Rodman
Steve Danzansky ✓
Eric Melby

FROM: Fritz Ermarth

FYI

NATIONAL SECURITY COUNCIL

20-Jan-1988 12:14 EST

MEMORANDUM FOR:

PERINA

FROM: VMS MAIL user ERMARTH
(ERMARTH@VAXC@MRGATE)

SUBJECT: FYI

RUDY, SOMEBODY AT LEAST GOT THE RIGHT LINE. I THINK OUR
GUYS PLANTED THIS LAST NIGHT. GET IT AROUND THE STAFF,
WILL YOU?

<ORIG> REUTER

<TEXT>23

UU YDB

201708 ORG,DIP,TRD :AM-SOVIET-AMERICAN

U.S. REMAINS OPPOSED TO SOVIET MEMBERSHIP IN IMF, GATT
WASHINGTON, JAN 20, REUTER - THE UNITED STATES SHOULD NOT
CHANGE ITS POLICY OF EXCLUDING THE SOVIET UNION FROM MAJOR
INTERNATIONAL FINANCIAL AND TRADE INSTITUTIONS, ACCORDING TO A
REPORT BY THE NATIONAL SECURITY COUNCIL ISSUED ON WEDNESDAY.

SINCE SOVIET LEADER MIKHAIL GORBACHEV CAME TO POWER NEARLY
THREE YEARS AGO, MOSCOW HAS SHOWN INTEREST IN JOINING THE
INTERNATIONAL MONETARY FUND (IMF) AND THE GENERAL AGREEMENT ON
TARIFFS AND TRADE (GATT).

GORBACHEV HAS MADE "PERESTROIKA", OR RESTRUCTURING THE
ECONOMY TO MAKE IT MORE EFFICIENT, AND "GLASNOST", OR OPENNESS,
CENTRAL THEMES OF HIS RULE.

BUT THE ANNUAL NATIONAL SECURITY REPORT SAID: "WHILE WE
NOTE RECENT POLICY STATEMENTS REGARDING 'RECONSTRUCTION' AND
ECONOMIC REFORM, THE SOVIET ECONOMIC SYSTEM REMAINS AT THIS
POINT FUNDAMENTALLY INCOMPATIBLE WITH PARTICIPATION IN FREE
WORLD INSTITUTIONS.

"POLICY STATEMENTS MUST BE TRANSLATED INTO POSITIVE ACTIONS
BEFORE SUCH PARTICIPATION CAN BE CONSIDERED," ADDED THE REPORT
BY THE NATIONAL SECURITY COUNCIL STAFF AT THE WHITE HOUSE TO
PRESIDENT REAGAN.

WASHINGTON HAS OPPOSED ANY SUGGESTION THAT THE SOVIET UNION
BE ALLOWED INTO INTERNATIONAL ECONOMIC BODIES, AND THE REPORT
SHOWED NO CHANGE IN THE U.S. ATTITUDE, CONTRARY TO PRESS
REPORTS PUBLISHED ON WEDNESDAY.

IT ALSO URGED A TIGHTER APPLICATION OF THE POLICY OF
DENYING TO MOSCOW HIGH TECHNOLOGY THAT MIGHT HAVE MILITARY
USES.

REVIEW & OUTLOOK

U.S. Foreign

Who's Minding the NSC?

Sources say that Commerce, State and lower reaches of the National Security Council are to blame for ambiguous wording in the NSC's annual report suggesting that Ronald Reagan was about to open the doors of the International Monetary Fund to Mikhail Gorbachev. Yesterday, the White House issued a clarification: "The Treasury Department and the administration remain opposed to Soviet membership."

In other words, it won't happen tomorrow and the President still is running foreign policy, more or less. Jack Kemp, among others, was not much placated.

Such things don't gain currency and pop in and out of government reports for no reason. The Russians want membership in the IMF and for months now have been lobbying their American contacts for help. They have a very good reason: They badly need money.

Admission to the IMF, coupled with participation in the World Bank, is somewhat equivalent to getting an improved credit rating. It implies that if things don't go well for the Soviet empire, the IMF and World Bank will be on hand to help.

Things are not going well right now. The Comecon bloc, which is in fact an integrated economic system run from Moscow, has racked up \$127 billion in hard-currency debt. The amount goes much higher if you include short-term and interbank debts of the Soviet external banks and East European borrowers. The three Comecon countries that already belong to the IMF—Poland, Hungary and Romania—no longer are viable taps into Western credit markets for the Soviets. Elsewhere in the Soviet empire, Afghanistan, Angola, Nicaragua and Vietnam are at war and economically busted. Cuba is kept afloat by Soviet subsidies repaid by Cuban soldiers fighting the empire's wars.

The empire's chances for becoming better able to pay debts are de minimus. Even the Russian people, bound to the Kremlin by a powerful nationalism, find little inspiration in "economic reform." As for the morale of Poles, Latvians, Uzbeks, Cambodians or whoever—forget it.

Western banks should have learned by now the risks of lending large sums to people who are essentially unbankable. How, for example, would the IMF go about setting up an adjustment program for the Soviet Union? Would it require the Soviets to cut back on the already paltry supply of

foodstuffs and consumer goods, thus risking hunger? Would it dictate less spending on tanks and missiles, and, if so, how would it enforce that edict? Would it require a devaluation of the ruble, and, if so, what exactly would that mean? Would it insist on privatization of state enterprises?

It would, of course, do none of those things. What would in fact happen is a continuation and enlargement of a process that we already have seen at work. The Soviets would offer small political concessions to Western governments in return for still more financing. As new Soviet missiles are deployed there will be future counterparts of the redundant SS-20s to be bargained away. There will be new plays on the credulous hope that the Russians will some day pack away their centuries-old imperialist habits and settle down to quiet domesticity. And to the extent that Western banks, investors and corporations become more deeply engaged as lenders, the Russians will have new allies in the West with a financial stake in helping promote such dreams.

If anyone needs reminding, Russian imperialism is a dangerous and hateful thing. Its blind nationalism finds justification in behavior as petty as Raisa Gorbachev's insults to her Washington hosts and as monstrous as the maiming of Afghan children. Other than lip service to a withdrawal from Afghanistan, there is no evidence of any intent to renounce imperialism.

Further bankrolling of this huge and unproductive system can only damage the world economy. The North American, West European and East Asian economies generate a large economic surplus, and there is justification for sharing with less fortunate peoples to bring about a better and more peaceful world. But if we have learned anything in the postwar era, it has been that payoffs to aggressive regimes do not bring peace. They only make the world poorer and create an appetite for bigger payoffs.

IMF membership for the Soviets is not a small thing to be proffered generously by the so-called "pragmatists" of the Reagan administration. It is a new claim on the incomes and savings earned by hard-working free peoples. It's nice to know that the Reagan White House has no present plans to bestow this unearned reward. It could avoid future scares by paying closer attention to what people are writing into its reports.

By IRVING KRISTOL

A specter is haunting the foreign policy of the United States—the specter of the status quo. Our statesmen are desperately clinging to past policies that they feel have served us well even as they confront a future that subverts the *raison d'être* of those policies. The post-war era is coming to an end and uncertainty is beginning to infiltrate what seemed only yesterday to be solid principles.

One of the most critical challenges to leadership is to read the signs that announce the status quo has outlived its time. Established habits of thought always tend to prevail over the candid recognition of emerging realities. What is involved is not a failure of intelligence—or even a weakness of will—but a deficiency of imagination, that rarest of faculties in any leadership. It is rare because it is not usually very important. But it becomes crucial at precisely those moments when its absence is most critical—moments that represent turning points in the evolution of policy. At such moments innovation, not coping, is the order of the day.

Changing and Not Changing

Its absence is most evident today in the case of our relations with West Germany, the linchpin of NATO. The INF agreement has removed from German soil a major deterrent against Soviet aggression—nuclear missiles capable of reaching the Soviet Union itself. True, those missiles had been put in place only a few years ago, in an effort to persuade the Soviets to dismantle their medium-range missiles targeted at Western Europe—an effort at persuasion which, to everyone's astonishment and the dismay of some, has been successful. So, in a sense, nothing has changed. After all, the probability of a German government permitting those missiles to be launched, therewith ensuring the nuclear annihilation of the German nation, was always closer to zero than NATO's generals would admit.

Yet, in a sense, everything has changed. For the Soviet Union now seems to have come to the conclusion that nuclear intimidation will not work against Western Europe, and that a radical restructuring of the nuclear threshold is to its advantage. As a result, the INF agreement opens the door to negotiations over the short-range battlefield nuclear weapons now dotted around Germany.

The German government finds itself in a quandary on this issue. There is no doubt that the German people are very uneasy about these weapons, especially if they are to be used, as NATO doctrine prescribes, in case of a successful conventional attack

Stanford Wou

By ISAAC D. BARCHAS

The intellectual heritage of the West goes on trial at Stanford University today. Most predict it will lose.

A Faculty Senate debate is to bring to a head a bitter dispute over Stanford's Western Culture course—this university's version of the Great Books program. The Western Culture course is the only

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