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# WITHDRAWAL SHEET

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**FOIA**

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
116998	REPORT	<i>D</i> 12/27/2012 M554/1	1	11/21/1986	B1 B3
116999	REPORT	<i>D</i> 12/27/2012 M554/1	1	11/21/1986	B1 B3
117000	REPORT	<i>D</i> 12/27/2012 M554/1	1	11/24/1986	B1 B3
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117005	PAPER	RE HUMAN RIGHTS AND EMIGRATION <i>R</i> 12/22/2015 M554/1	4	11/21/1986	B1
117007	PAPER	RE FISHERIES ISSUE <i>R</i> 12/22/2015 M554/1	2	11/21/1986	B1

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PAPER BEING PREPARED





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Furskins

Issue

Passage of legislation to lift the 35-year-old ban on the importation of seven types of furskins from the Soviet Union.

U.S. Position

The United States supports introduction and passage of this legislation by the Congress of the United States.

Soviet Position

The U.S.S.R. supports passage of this legislation by the Congress of the United States.

Background

At the previous meeting of the Joint Commercial Commission in May of 1985, Secretary of Commerce Malcolm Baldrige announced that the Administration would propose and work for passage of legislation lifting a ban on the importation of seven types of Soviet furskins. The ban dates back to 1951, when President Truman embargoed imports of seven furskins: ermine, fox, kolinsky, marten, mink, muskrat and weasel. [The ban covered Chinese furs as well, but this was changed by legislation signed by President Reagan on January 12, 1983.]

Secretary Baldrige made this announcement as part of an agreement with former Soviet Foreign Trade Minister Patolichev to improve the opportunity for U.S. and Soviet firms to engage in non strategic trade. Former Minister Patolichev announced he would take steps to improve the access of U.S. firms to the Soviet market. These agreements were reconfirmed with Soviet Foreign Trade Minister Aristov after his appointment to that position. The U.S. Department of Commerce has prepared two analyses of the U.S. furskin industry which indicate lifting the embargo would have little or no effect on the U.S. furskin industry.

During the 99th Congress, the Administration sent proposed legislation to the Congress to lift the import ban. The legislation was introduced in the House as H.R. 3019 by Rep. Sam Gibbons (D-FL), Chairman of the Ways and Means Subcommittee on Trade, and in the Senate as S. 1809 by Senator Bob Dole (R-KS), the Majority Leader. Secretary Baldrige testified in support of the bill during hearings in the House of Representatives, and Secretary of State George Shultz sent a letter in support of the proposed legislation to the Committee on Ways and Means. H.R. 3019 passed the House as part of the miscellaneous tariff section of H.R. 4800, the House Omnibus Trade bill, on May 22, 1986.

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The Senate Finance Subcommittee on Trade subsequently held hearings on miscellaneous tariff bills, and Frank Vargo, Commerce DAS for Europe, testified for the Administration in support of the furskin bill. The Senate originally planned to take the same route as the House and pass a miscellaneous tariff bill as part of a larger omnibus trade bill; however, as the legislative session drew to a close in October, it became obvious that the Senate would not be able to pass an omnibus trade bill during the 99th Congress. The House then passed a separate miscellaneous tariff bill, H.R. 5686, on October 14, 1986, which again included the Administration's furskin bill, and sent that bill to the Senate for consideration.

Unfortunately, during the final evening of the Senate's session on October 17, the Senate leadership conceded they would be unable to pass H.R. 5686 because of objections to other measures included in the legislation, unrelated to the furskin bill.

The Administration will again propose legislation to lift the ban on importing Soviet furskins when the Congress reconvenes in January of 1987. We received indications from House Ways and Means Committee and the Senate Finance Committee during the final days of the 99th Congress that a miscellaneous tariff could receive early consideration in the 100th Congress.

With the change in leadership in the Senate, Senator Robert Byrd (D-WV) should be elected as the new Majority Leader of the Senate, with Senator Lloyd Bentsen (D-TX) expected to take over the chairmanship of the Senate Finance Committee. Both of these Democratic leaders have indicated trade legislation will receive early consideration in the Finance Committee, although it is unclear at this point whether they would take up a miscellaneous tariff bill separately, or include it as part of a more comprehensive trade bill.

Rep. Jim Wright (D-TX) will take over as Speaker of the House of Representatives, and he has indicated he plans to call a special working group in the House to "hammer out a trade bill." The leadership of the House Ways and Means Committee under Rep. Dan Rostenkowski (D-IL), and the Subcommittee on Trade under Rep. Sam Gibbons (D-FL), is not expected to change.

#### Talking Points

o The Department of Commerce plans to resubmit proposed legislation to lift the ban on the importation of Soviet furskins to the Congress during early December of 1986 and work to see that the legislation is introduced in the House and Senate as soon as possible following the opening of the 100th Congress on January 6, 1987.

o There has been some opposition expressed to the passage of this bill from Members of Congress who represent states where the domestic furskin industry is centered. The domestic industry is



concerned that lifting the ban will allow lower-priced Soviet furskins to flood the U.S. and reduce U.S. producers' share of an already shrinking domestic market for furskins. We have attempted to reassure U.S. industry representatives and concerned Members of Congress that it is not the intent of the Soviet Union to force U.S. furskin producers out of the domestic market. Statistics provided to date on Soviet furskin production have been helpful in making the Administration's case for passage of this bill, and any further data that can be provided on current production and future projections of Soviet furskin production and exports would be helpful as well.

o During the past session of Congress, we stressed the importance of this measure to the continued expansion of non-strategic trade opportunities for U.S. companies in the Soviet Union, citing increased sales and access to Soviet officials from which U.S. companies have already benefited since the successful 1985 meeting of the Joint Commercial Commission. We will continue to stress this point to Congressional members in the upcoming Congress, and it is therefore important to see a continuing trend in increased sales for U.S. companies.

o The failure of the Senate to pass a miscellaneous tariff bill, which included the furskin bill, was a disappointment to the Administration as Secretary of Commerce Baldrige, Secretary of State Shultz, staff members of the Departments of Commerce and State, the National Security Council, and the U.S. Trade Representative's office worked long and hard to get this legislation introduced and approved by the House of Representatives, not once, but twice.

o Successfully moving any bill through the Congress is a long and involved process. And because trade has become a very sensitive issue for this country during the past two years -- for political as well as economic reasons -- legislation relating to trade has had particularly difficult hurdles to surmount. The House passed only one major trade bill during the 99th Congress, which included the furskin bill. In the end, the Senate was unable to pass any trade legislation, including the extension of certain bilateral trade agreements which the Administration strongly supported.

o The Administration will be working during the months the Congress is in recess to pave the way for early, and successful, consideration of the furskin bill when the Congress reconvenes in January of 1987.

Drafted by: Sarah Long, DOC/OCA

Cleared by: G. McKiernan, DAS/OCA; K. Paulson, ITA/CA; A. Watson, OGC; F. Vargo, DAS/EUR

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Antidumping Duty Actions Against the USSR

Issue

The Department of Commerce is currently investigating whether imports of urea from the USSR are being dumped (sold at less than fair value). Urea exports are very important to U.S.-Soviet trade. In 1985, Soviet urea exports to the United States were the second largest Soviet export to the United States, by volume.

U.S. Position

U.S. industries have the right to bring antidumping (AD) complaints when they believe they are being injured by unfairly traded imports.

Soviet Position

The AD investigation is having an adverse effect on Soviet exports of urea and may hamper development of U.S.-Soviet trade.

Background

On August 5, 1986, the Department initiated an antidumping duty investigation on urea imported from the Soviet Union. The petition was filed by the Ad Hoc Committee of Domestic Nitrogen Producers, an association of producers of nitrogen fertilizers. This case was filed in conjunction with two other antidumping cases on urea--one on Romania, and the other on the German Democratic Republic. The product covered by this investigation is solid urea, a high-nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide.

Petitioner alleges dumping margins on urea from the Soviet Union ranging from 241.48% to 278.53%. The U.S. International Trade Commission has preliminarily determined that these imports are causing or threatening material injury to the U.S. industry. Commerce's preliminary is due by December 23. If the investigation proceeds normally, and no extensions of time are requested, we will issue our final determination by March 9, 1987. If this determination is affirmative, the ITC's final determination will be issued at the end of April, 1987.

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Petitioner further alleges that since the Soviet Union is a state-controlled-economy country, home market prices or costs are not appropriate bases for the Department's less-than-fair-value determinations. Instead, the Department must rely upon prices or costs in a non-state-controlled economy as a surrogate.

Moreover, petitioner argues that, because of the worldwide depression of urea prices caused by low, below-cost prices at which the USSR, Romania, and the German Democratic Republic sell urea, the Department cannot rely on prices in making its less-than-fair-value determinations. Instead, the Department should use a cost-based methodology for computing fair value.

Finally, petitioner asserts that a significant portion of U.S. urea imports may be obtained through countertrade transactions in which the declared transaction values of the imports may not reflect actual payments by U.S. importers. Thus, price data may well be distorted.

According to U.S. census data, recent imports of urea in TSUS category 480.000 from the USSR have been as follows:

1984	--	417,551	short tons
1985	--	454,983	short tons
1985 (Jan-July)	--	263,958	short tons
1986 (Jan-July)	--	521,217	short tons

In 1984, U.S. imports of urea from the Soviet Union represented 18.98% of total urea imports by volume; in 1985, they were 21.02%. The import penetration of Soviet urea was 5.00% and 6.00%, in 1984 and 1985 respectively.

Soviet representatives have argued that, because of the antidumping case, U.S. importers have ceased importing Soviet urea. They also pointed out that the sale of urea is pursuant to an agreement with an American company. This agreement had the support of both governments when it was signed. Moreover, the Soviets point out that the U.S. government extended credits in support of sales of fertilizer plants to the Soviet Union.

Besides the current AD investigation of urea, there is one outstanding AD order against the Soviet Union. It covers titanium sponge. Commerce recently published the

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preliminary results of the administrative review of that order with an AD margin of 83.96 percent ad valorem. The Soviets did not choose to participate in the review.

Congress has been considering proposals to amend the antidumping duty law as it applies to nonmarket economy countries. The proposals have taken various forms, but the two key issues that always emerge are the "benchmark" and the application of the injury test. The benchmark is the equivalent of foreign market value -- it is the price at which a nonmarket economy country must sell in the United States to avoid antidumping duties.

Talking Points

- o Under U.S. law, when a properly filed antidumping petition is received, we must initiate a case, as we did here. We are committed to carrying out thorough and objective investigations of all unfair trade allegations brought to our attention by U.S. companies or other interested parties. Our laws are consistent with our international obligations under GATT. This is not a political decision.
- o The Department's antidumping procedures provide ample opportunity for all interested parties to submit factual information and to make arguments as to the appropriate methodology to be used. We would like to stress that it is in the USSR's best interest to cooperate with the investigation and to make use of the opportunities to participate actively in the proceeding.
- o Through active participation, the USSR has the ability to help shape the outcome of the investigation.
- o Also, if the USSR declines to answer when we ask for information, we are forced to use the "best information available" to make our determination. Best information available may include the information submitted in support of the petition, or involve the use of certain adverse assumptions based on the failure to respond.
- o Petitioner submits that the Federal Republic of Germany (FRG) is the most appropriate surrogate country for the USSR. Petitioner also argues that

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other appropriate surrogate countries would be France or Italy. We have, however, chosen the United Kingdom as the surrogate country.

- o The underlying theoretical basis for finding a comparable surrogate rests in the belief that the state-controlled-economy country producer would face comparable costs and sell at comparable prices as producers in the surrogate market economy, if it were not for the nonmarket character of the state-controlled economy country.
- o The uncertainty generated by antidumping cases often does have an impact on trade, but it is unusual for all imports of the subject merchandise to cease. Importers will have to continue to operate with this uncertainty as the Department has not yet made any determinations in this case. It is also noted that duties are not necessarily retroactive.
- o The Administration's position is that the benchmark should be the lowest import price from a market economy and that the injury test should be extended to all nonmarket economies.
- o We support lowest import price as the benchmark because we believe it offers the best balance between protecting U.S. industries from the unfair aspects of low-priced imports from nonmarket economies and not closing the U.S. market to these products.

Drafted by: ITA/TA/IA/OP/FMcFaul/x4412/11-20-86

Cleared by: ITA/TA/IA/OP/SHaggerty  
ITA/TA/DAS/GBKaplan  
ITA/IEP/JBrougher  
State/RClark  
Defense/WGeorge

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WG CONCLUSION



## CONCLUSION

11:40 a.m.-12:00 noon, Tuesday, December 2, 1986, Room 4830

### U.S. REMARKS

Under Secretary Smart will make a concluding statement suggesting that he, representing the host country, deliver the traditional report of the Working Group to the Joint Commercial Commission plenary session; and that Deputy Minister Malkevich would follow with a few comments of his own. The Under Secretary also will suggest that both sides consider and decide within three months how the Working Group of Experts should organize its work in the future to best carry out its mandate under the Long-term Economic, Industrial and Technical Cooperation Agreement (EITCA). Included in this consideration should be how frequently and when the Working Group should meet in relation to the JCC, level of chairmanship, and participation.

TAB L: Under Secretary Smart's Concluding  
Statement

### ANTICIPATED SOVIET REMARKS

Deputy Minister Malkevich will concur with the suggestion that Under Secretary Smart deliver the Working Group report. The Soviets are likely to have some of their own ideas on sub-JCC meetings.

L



UNDER SECRETARY SMART'S  
CLOSING STATEMENT

At the Working Group of Experts Meeting  
December 2, 1986

MINISTER MALKEVICH:

WE HAVE HAD TWO FULL AND USEFUL DAYS. A CONSIDERABLE VOLUME OF INFORMATION RELEVANT TO THE EXPANSION OF U.S.-SOVIET COMMERCE HAS BEEN DISCUSSED. I BELIEVE IT IS CLEAR THAT IN THE COMING YEAR THERE WILL BE MANY UNCERTAINTIES -- BUT ALSO MANY OPPORTUNITIES -- FOR OUR BUSINESS COMMUNITIES.

ON OUR SIDE, WE CAME TO THIS MEETING WITH MANY ECONOMIC, COMMERCIAL, AND ORGANIZATION QUESTIONS. WE APPRECIATE THE INFORMATION YOUR DELEGATION HAS PROVIDED US DURING THESE MEETINGS.

FROM THE INFORMATION YOU PROVIDED ABOUT THE REORGANIZATION OF SOVIET FOREIGN TRADE, IT IS OBVIOUS THAT AMERICAN COMPANIES WILL NEED TO DEAL WITH MORE SOVIET ORGANIZATIONS THAN IN THE PAST, AND WILL NEED TO DEVELOP NEW CONTACTS. THEY WILL NEED YOUR CONTINUING ASSISTANCE.



THE NEW FORMS OF COOPERATION AND JOINT VENTURES WHICH YOUR DELEGATION DESCRIBED COULD HAVE A SIGNIFICANT EFFECT ON THE WAY BUSINESS IS DONE BETWEEN AMERICAN COMPANIES AND SOVIET ENTITIES. WE ARE INTERESTED SEEING HOW YOUR VIEWS DEVELOP IN THIS AREA.

SOVIET PUBLICATION OF INFORMATION ON THESE QUESTIONS, AS WELL AS PERIODIC INFORMATION EXCHANGES BETWEEN OUR REPRESENTATIVES WOULD BE USEFUL.

WE RECOGNIZE THAT US-SOVIET TRADE MUST DEVELOP IN BOTH DIRECTIONS. IN OUR PRESENTATIONS WE PROVIDED INFORMATION AND ASSESSMENTS TO HELP YOU UNDERSTAND THE AMERICAN MARKET, ITS OPPORTUNITIES AND ITS CHALLENGES.

THE MANDATE OF THE WORKING GROUP OF EXPERTS IS TO ASSIST ORGANIZATIONS OF BOTH COUNTRIES IN CONCLUDING MUTUALLY BENEFICIAL CONTRACTS. I BELIEVE, MINISTER MALKEVICH, THAT WE SHOULD CONSIDER HOW THIS WORKING GROUP CAN BETTER FULFILL THIS MISSION. THIS WILL BECOME EVEN MORE IMPORTANT AS THE CHANGES YOU DESCRIBED IN SOVIET FOREIGN ECONOMIC RELATIONS BEGIN TO TAKE HOLD.

I SUGGEST THAT BOTH SIDES GIVE SOME THOUGHT TO THIS, AND THAT WE EXCHANGE VIEWS IN PERHAPS THREE MONTHS -- AMPLE TIME TO IMPLEMENT ANY USEFUL CHANGES PRIOR TO THE NEXT MEETING OF THE COMMISSION.

FINALLY, MR. MINISTER, LET ME PROPOSE THAT AS THE REPRESENTATIVE OF THE HOST GOVERNMENT, I DELIVER THE CUSTOMARY REPORT OF THE WORKING GROUP TO THE JOINT COMMISSION MEETING ON THURSDAY, AND YOU FOLLOW WITH OBSERVATIONS FROM THE SOVIET SIDE.

IN CONCLUDING, I WANT TO THANK YOU AND THE ENTIRE SOVIET DELEGATION FOR YOUR COOPERATION IN MAKING THIS A SUCCESSFUL MEETING.

I WOULD NOW LIKE TO INVITE YOUR CLOSING COMMENTS.

BACKGROUND PAPERS



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116998 REPORT

1 11/21/1986 B1  
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## WORKING GROUP OF EXPERTS

### 1st Session

Moscow, February 12-14, 1975

U.S. Delegation headed by G. L. Parsky, Assistant Secretary of Treasury

USSR Delegation headed by A. N. Manzhulo, Deputy Minister of Foreign Trade

Major Items: Organizational and procedural questions; Information and data exchange on industrial projects and general economic and production forecasts of the respective countries. Agreement to hold a Legal Seminar in Moscow.

### 2nd Session

Washington, July 6-7, 1977

U.S. Delegation headed by Alan Reich, Deputy Assistant Secretary of Commerce

USSR Delegation headed by A. N. Manzhulo, Deputy Minister of Foreign Trade

Major Items: Exchange of information and status of industrial projects and/or general economics and production forecasts of the prospective countries; presentation of analysis concerning important sectors of both economies. Agreement to hold a Marketing Seminar for Soviet officials in Moscow to explain about exporting to the United States.

### 3rd Session

Moscow, November 30 - December 1, 1978

U.S. Delegation headed by Anthony M. Solomon, Under Secretary of the Treasury for Monetary Affairs

USSR Delegation headed by A. N. Manzhulo, Deputy Minister of Foreign Trade

Major Items: Presentation on the economies of the respective countries; Soviet presentation on the reorganization of their Foreign Trade Organization; exchange of information and data on industrial projects and/or general economic and production forecasts. Agreement to hold a Marketing Seminar for U.S. businesses in Washington and Chicago to explain about exporting to the U.S.S.R.

### 4th Session

Moscow, January 8-10, 1985

U.S. Delegation headed by Lionel H. Olmer, Under Secretary of Commerce for International Trade

USSR Delegation headed by V. N. Sushkov, Deputy Minister of Foreign Trade

Major Items: This meeting was held to review the status of U.S.-Soviet trade and to determine if there was sufficient basis for holding a Joint U.S.-U.S.S.R. Commercial Commission (JCC) meeting. JCC had not met since 1978. Presentation on U.S. and soviet exports; obstacles to trade and access to Soviet market; prospect for trade, possible areas for trade expansion, major projects under discussion, U.S. trade promotion.







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Human Rights and Emigration

Issue

Soviet human rights abuses present a serious obstacle to an improvement in overall U.S.-Soviet relations, including economic relations.

U.S. Position

While we are pleased at the resolution in the last year of a number of prominent human-rights cases and the promised resolution of a large number of cases from the U.S. representation lists, we remain concerned at low levels of emigration from the Soviet Union and at continuing persecution of dissidents. Without significant, sustained progress on Soviet human rights performance, it will be difficult to sustain domestic support for an improvement in U.S.-Soviet relations.

Soviet Position

The Soviets have adopted a more media-conscious approach on human rights. They no longer contend that expressions of concern over their human rights performance is interference in their internal affairs. Both privately and in public, they have portrayed themselves as willing to discuss human rights issues and to cooperate in resolving cases of humanitarian concern.

When criticized for human rights violations, they counterattack, citing the U.S. and the West for Soviet-defined human rights violations, such as unemployment.

In several public statements, they have implied that new emigration regulations will be beneficial to the applicant. How the Soviets implement these regulations will be crucial, however, since they contain elements which could actually impede emigration. Naturally, the Soviets ignore the contention that emigration controls of any kind represent a violation of Soviet commitments in the Helsinki process.

Background

For the last year, the Soviets have been employing a strategy of resolving a small number of high-profile cases. Some of these were: permitting Mrs. Bonner to travel to the West; allowing the emigration of dissidents Yuriy Orlov, Vladimir Brodskiy and Yuriy Medvedkov, refusenik David Goldfarb, and cancer patient Tatyana Bogomolnii; and releasing Ukrainian poet Irina Ratushinskaya from prison.

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The Soviets have also promised to resolve an unprecedented number of U.S. representation-list cases. Between November 1985 and June 1986, the Soviets presented the U.S. with five separate lists of cases which they promised to resolve, adding up to over 90 cases from our representation lists of divided families, separated spouses, and dual nationals. As of November 1, approximately half of the individuals named had actually been granted exit documentation.

At the same time, however, Soviet human rights performance remains poor. Large numbers of religious believers, Helsinki monitors, and other dissidents are incarcerated, many in psychiatric hospitals. From a peak of over 51,000 in 1979, Jewish emigration has dropped to less than 1,000 a year. Despite Soviet disclaimers, we believe that large numbers of Soviet Jews still wish to emigrate; almost 400,000 have either actually applied and been refused or have requested invitations from abroad.

On November 7, the Soviets for the first time published regulations relating to applications to leave the USSR. Apart from a shortened processing period, most of the regulations appear to be merely a codification of previous practice. Knowledge of "state secrets," frequently used in the past as a pretext for turning down applications, has been retained as a grounds for refusal.

Soviet refuseniks are disturbed by publication of the provision that to emigrate they must have an invitation from abroad from a close relative; many Soviet Jews do not have close relatives in the West but in the past the authorities were sometimes willing to overlook this deficiency. How the Soviets apply emigration regulations has always been a political decision, however, and the U.S. will be watching carefully to determine how the Soviets intend to implement the regulations.

#### Talking Points

- Our economic relations cannot be isolated from other aspects of our overall relationship. Without significant, sustained progress in human rights, it will be difficult to sustain public and Congressional support for new initiatives, including those in the economic field.
  
- When concluding new agreements with the Soviet Union, it is natural for Congress and the American public to ask how the Soviet Union has lived up to previous agreements. Unfortunately, the Soviet Union has failed to live up to its commitments under the Helsinki Final Act and other human rights agreements.



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- We welcome the fact that in the last 12 months, the Soviet Union has agreed to resolve a large number of divided family cases. We hope that processing will be completed swiftly in all those cases in which a resolution has been promised, and that favorable consideration will be given to the large number of divided family cases which still remain.
  - We are particularly concerned about the 15 husbands and wives of U.S. citizens who have applied unsuccessfully more than twice to join their spouses in the United States. Anatoly Michelson has not seen his wife in thirty years. Yuriy Balovlenkov has never seen his younger daughter. Matvey Finkel will not be able to be with his wife in the U.S. for the birth of their first child.
  - We are pleased that many prominent human rights cases have been resolved in the past year, such as those of Vladimir Brodskiy and Yuriy Medvedkov. We are glad that seriously ill individuals such as Tatyana Bogolmolniy and David Goldfarb have been able to join their relatives in the West and receive treatment there.
  - Severe problems remain, however. While Irina Ratushinskaya was released from prison, a positive step, she has been denied permission to seek medical treatment in the West. Others dissidents, such as psychiatrist Anatoliy Koryagin, who protested psychiatric abuses, remain in exile or in prison.
  - Andrei Sakharov is still in exile and incommunicado in Gorky. Allowing him to return to Moscow and to resume a normal life would have a very positive impact on U.S. public opinion.
  - Jewish emigration is at a twenty-year low. We hope that the regulations on leaving the Soviet Union which were recently published will be applied in a positive spirit, and that emigration levels will rise.
  - The existence of any controls on emigration is a violation of the important human right to freedom of movement. As a signatory to the Helsinki Final Act, the Soviet Union has agreed to act in conformity with the Universal Declaration of Human rights, which recognizes this right.
  - The U.S. remains firmly committed to Jackson-Vanik. Should there be a substantial and permanent change in Soviet human rights performance, however, the way would be open to explore the granting of MFN to the Soviet Union.



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U.S.-USSR LONG TERM GRAIN AGREEMENT (LTA)

For the second year in a row, the Soviets have fallen short of their LTA commitment to take at least 4 million tons of U.S. wheat. A disagreement has arisen over the price; the United States took action last August to resolve the matter by offering a lower price, but the Soviets showed no interest. The offer expired September 30, and thus far the Soviets have bought neither wheat nor corn for the 1986/87 season. Consultations, as provided for under the agreement, are to be held soon in Washington, but a date has not yet been fixed. At this stage, the status of the LTA is uncertain, even though both sides had always been meticulous in carrying out all the terms and conditions since these agreements began in 1975.

Possible Talking Points

- Our Government is extremely disappointed that the USSR has not fulfilled its LTA commitment; such action is without precedent on either side.
- The United States has always met its commitment for minimum supply even during times of most serious bilateral disagreements.
- The next required session of consultations should be held soon in Washington. We have proposed a date, but there has been no answer yet.
- We are prepared to look forward and to discuss possible ways of ending our disagreements. We have shown this and we need to have some indication of Soviet attitudes about the grain agreement and whether the USSR shares the desire to end the price disagreement.

Background

The current agreement calls for minimum annual shipments of 9 million tons, of which at least 4 million tons must be wheat and 4 million tons corn. The Soviets have the option of satisfying the remaining one million tons by purchasing wheat, corn, soybeans, and/or soybean meal, with every ton of soybeans or meal counting as two tons of grain. They may purchase up to a total of 12 million tons of wheat and/or corn without prior consultations. Last year and this year, the Soviets have fallen far short of meeting the wheat minimum by 1.1 MMT and 3.85 MMT respectively, claiming that U.S. prices are not

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competitive, and that the Export Enhancement Program (EEP), before it was offered to them, discriminated against them. The United States has maintained that the Soviet commitment under the agreement to buy 4 MMT per year is not contingent upon the price; that other origins have always tended to undercut U.S. prices, even at the time when the wheat commitment was made; that the Soviets benefit from lower prices resulting from EEP--even if they are not a targeted EEP destination; and that the Soviets are well aware the United States would never have agreed to an LTA without a firm minimum quantity commitment from the USSR on wheat.

The USSR failed to fulfill the 4 MMT wheat commitment in 1985/86, purchasing only 153,000 tons. To facilitate the fulfillment of the wheat minimum, an EEP was announced to provide U.S. exporters with a bonus (subsidy paid with CCC-owned commodities) to cover sales of up to 4 MMT. Purchases were required to be made by September 30, but no deadline was designated for shipment. The bonus level, reviewed and announced weekly, which took into account world market conditions, was at \$13.00 the first 4 weeks and \$15.00 each week until September 30. The Soviets not only did not purchase, but also gave no sign of interest whatsoever in the offer.

There has been no official communication from the Soviets, but reportedly they were disappointed that the EEP was limited to wheat, that there had been no prior discussion of the matter, and finally, that the offer was conditional upon a September 30 deadline. In any case, as background, we know that their purchases for shipments during the 1985/86 season had apparently already been completed by the time the U.S. offer was announced in early August. The Soviets could have urged our offer to purchase for shipment during the 1986/87 agreement year, but declined. Actually, by mid-September they began an active purchasing program for the 1986/87 season, but showed no interest in U.S. wheat.

Other important background points are:

- 1) The Soviets had a bumper crop in 1986 and total imports are likely to be the lowest since 1980.
- 2) The Soviets have also fallen far short of their LTA commitment with Argentina.
- 3) There have been changes in personnel and lines of authority on the Soviet side and this appears to be linked to certain new and very unreasonable demands for changes in contract terms which seem to be directed mainly at U.S. exporting companies and, ostensibly, at some continuing problems with U.S. grain quality.



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It is understood that the United States raised the question of grain purchase during the recent Iceland meetings, but the response from the Soviets was very brief and mentioned only that they were suffering from reduced export earnings and foreign exchange.

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Most Favored Nation Status (MFN)

Issue

The USSR wants to have most favored nation (MFN) treatment for its exports to the United States. The Soviet Union lost MFN status under U.S. law as a result of legislation passed during the Korean War in 1951. The Administration has consistently maintained that Soviet performance on emigration and human rights issues (linked with MFN under the Jackson-Vanik amendment to the Trade Act of 1974) does not warrant restoration of MFN status.

Background

Pre-WWII: The Soviet Union first obtained MFN treatment for exports to the United States in an exchange of notes signed in July 1935. These notes were renewed each year and provided for MFN treatment for Soviet goods in exchange for a Soviet commitment to purchase a specified dollar amount of American goods. Beginning in 1942, this arrangement was replaced by the Lend-Lease Agreement, which became the basis for American-Soviet trade.

Cold War: At the height of the Korean War, Congress passed the Trade Agreement Extension Act of 1951, which directed the President to withdraw MFN treatment for imports from the USSR and any other nation controlled by the world Communist movement. In 1966 and 1969, Congress failed to pass legislation which would have restored the President's authority to make national interest determinations for granting MFN to the USSR.

1972 U.S.-Soviet Trade Agreement: In 1972, the United States and the Soviet Union negotiated a trade agreement which contained a clause committing each side to provide most favored nation treatment on customs duties and charges. The U.S. executive branch made a commitment to seek enabling legislation from Congress, a prerequisite for the agreement to enter into force. The Lend-Lease settlement, signed on the same day, provided that if MFN were not granted to the USSR by 1975, the USSR would suspend further Lend-Lease repayments.

1972-75 Trade/Emigration Linkage: During 1973-74, the Administration tried to obtain Congressional authorization for MFN. This effort became mired in a battle over the linkage of MFN with Soviet emigration practices, an issue which had arisen even before the trade agreement was initialed.

In August 1972, the Soviets had announced a new regulation calling for a substantial "education tax" on would-be emigrants. The Congressional response to this and other restrictive emigration practices was the Jackson-Vanik amendment to the Trade Act of 1974. The amendment states that a non-market economy is ineligible for MFN and U.S. government sponsored credit and credit guarantee programs, if it denies its citizens the opportunity to emigrate or imposes more than nominal charges for

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emigration. However, the Act provides a waiver authority for the President. The President can extend MFN and access to credits to nonmarket countries on an annual basis, if he provides assurances to the Congress on the designated country's emigration practices. Assurances are usually based on some form of communication from the country in question and review by the State Department. Under this procedure, Romania and Hungary have been granted MFN.

The Jackson-Vanik amendment provides for a one-house override of the Presidential waiver within 60 days. The June 1984 Supreme Court decision in Immigration and Naturalization Service v. Chadha held that a similar one-house veto was unconstitutional. The Court also established guidelines for determining whether the rest of a law could be "severed" from its unconstitutional one-house veto provision. USG attorneys believe that the Jackson-Vanik provisions would meet this severance test. Accordingly, the USG has continued the practice of observing the Act's Presidential determination and report provisions in making one-year extensions.

Soviet Response to the 1974 Trade Act: The Soviets notified the U.S. government that they would not bring the 1972 U.S.-USSR trade agreement into force under the terms established by the 1974 Trade Act. They stated that the Act's provisions were inconsistent with the Agreement and the principle of non-interference in domestic affairs.

Administration Positions 1975-79: Successive U.S. administrations expressed an intention to move toward a more normal trade relationship, but the formulations became increasingly less specific. At the 6th Session of the Joint Commercial Commission (JCC), the U.S. side affirmed that the "Administration is continuing to work for the normalization of trade ... on a non-discriminatory basis." The minutes of the Commission's 7th session in December 1978 refer to this statement, noting that there had been no change. The Communique from the 1979 Vienna Summit, the last joint statement on U.S.-Soviet trade, "recognized the necessity of working toward the elimination of obstacles to mutually beneficial trade."

Post Afghanistan: Since the Soviet invasion of Afghanistan, the U.S. has not re-considered any change in the Soviet non-MFN status. Prior to his election, President Reagan pledged to Senator Jackson that he would not propose any modifications to Jackson-Vanik. There has been no significant change in Congressional thinking regarding MFN for the Soviet Union. Certain members of Congress have introduced legislation to prevent the President from continuing to use his waiver to grant Romania MFN treatment.

Emigration Trend: Soviet law does not recognize the right of citizens to emigrate by choice. During the 1970's, emigration increased greatly, benefiting particularly Soviet Jews. A peak was reached when 51,000 Soviet citizens emigrated in 1979. Since

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then emigration figures have plummeted to a level of approximately 1,000. The overwhelming evidence is that this precipitous drop is the result of a deliberately restrictive policy.

The Soviet government has recently published new emigration regulations, which are believed to be largely a codification of past practice. The new regulations go into effect on January 1, 1987. The Soviets claim that the new regulations will facilitate faster processing of applications.

Concern has been expressed about a requirement in the regulations that a prospective emigrant must be invited to join a close relative living abroad. The relative must be either a brother, sister, mother, or father. Current practice has been to apply this requirement with a degree of flexibility. If the new regulations are strictly applied, this could be a significant barrier.

Impact of MFN: The Soviets have claimed that the absence of MFN is largely responsible for the chronic imbalance in their trade with the United States. If they were to receive MFN treatment, the Soviets would presumably try to expand their manufactured exports to the United States. However, given their poor track record of marketing such goods in other Western countries where they do enjoy MFN, the prospects for an increase in their exports to the U.S. are modest.

## TALKING POINTS

- The Jackson-Vanik amendment of the Trade Act of 1974 links the granting of MFN with performance on emigration and human rights.
- The extremely low level of Soviet emigrants is a fundamental concern to the Administration, the U.S. Congress, and the American people.
- Unless there is evidence of a substantial change in the present restrictive Soviet policy on emigration, the Administration would have no basis for reviewing its implementation of Jackson-Vanik.

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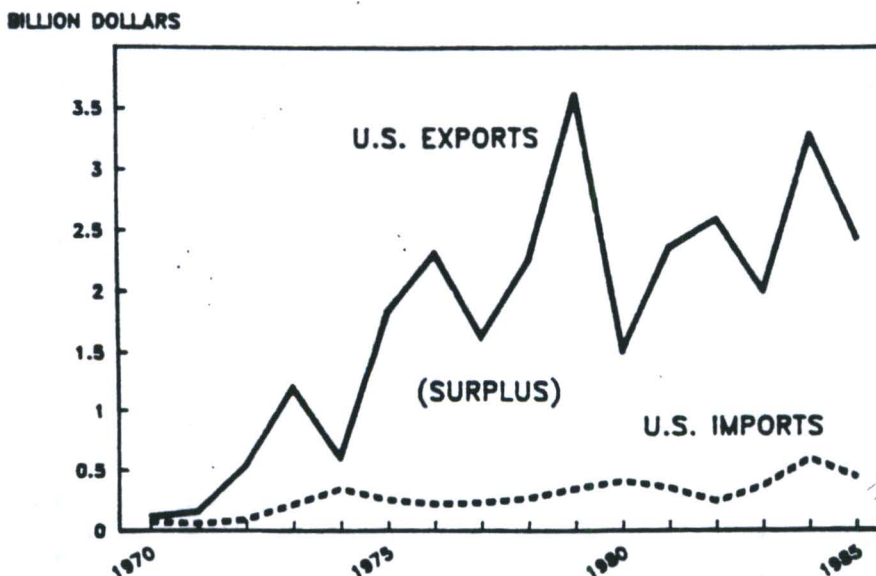
Overview

U.S.-U.S.S.R. trade grew rapidly in the 1970s, from less than \$200 million in combined exports and imports in 1970 to a peak of almost \$4 billion in 1979. The imposition of sanctions in 1980 and 1981 in response to the Soviet invasion of Afghanistan and Soviet responsibility for repression in Poland curtailed the flow of trade during 1980-83. In 1984 U.S.-Soviet trade rebounded almost to the 1979 peak level, based mostly on more than threefold increases in U.S. exports of corn to the U.S.S.R. and U.S. imports of Soviet refined petroleum products. U.S.-U.S.S.R. trade declined in 1985 as U.S. wheat exports fell by almost 90 percent. For January-September 1986, U.S.-Soviet trade was down a further 26 percent from the 1985 level. The aggregate trade picture will probably remain largely unchanged through the end of the year, because Soviet hard currency earnings are constrained by low world oil prices and a good harvest is expected to reduce Soviet grain import needs.

Since the early 1970s, U.S. exports to the Soviet Union have consistently exceeded U.S. imports, providing the United States with substantial trade surpluses (Figure 1 and Table 1). After peaking at \$3.3 billion in 1979, the U.S. trade surplus has averaged about \$2 billion a year. U.S.-Soviet trade, however, accounts for less than one percent of total U.S. foreign trade. In contrast to U.S. trade with other developed countries, U.S.-Soviet trade in the 1980s has been dominated by a few raw materials and intermediate goods—U.S. exports of corn and wheat and imports of inorganic chemicals, metals (in the early 1980s), and petroleum (in the last three years).

Figure 1

**U.S. TRADE WITH THE U.S.S.R.  
1970 - 1985**



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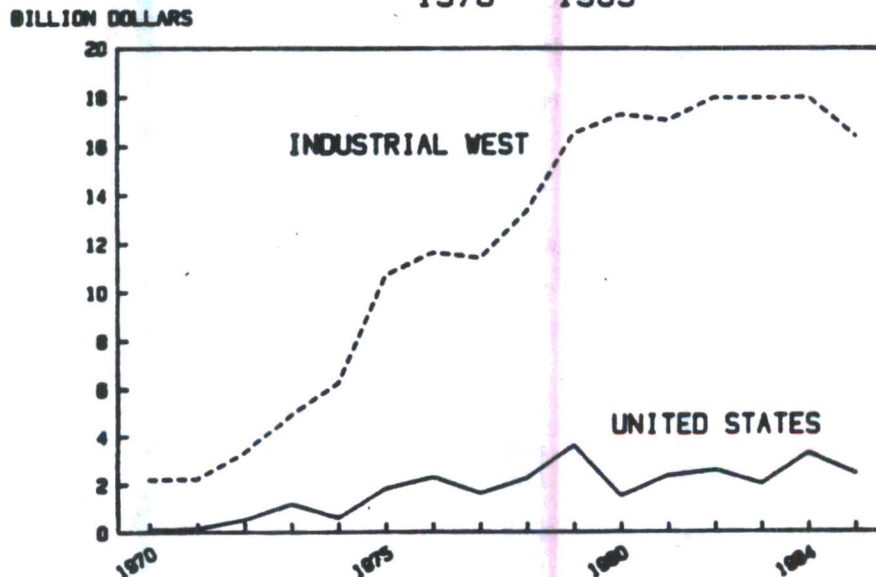
Since 1980 the countries of the industrial west (the IW14)\* have accounted for about 60 percent of Soviet hard currency exports and 75 percent of Soviet hard currency imports. West Germany is the Soviet Union's largest trading partner in the West, with over 20 percent of IW14 trade with the U.S.S.R. Japan is the second largest IW14 exporter to the Soviet Union, followed by the United States, France, Italy, and Canada. France and Italy are also major markets for Soviet goods. During 1980-85, the United States accounted for 14 percent of IW14 exports to the Soviet Union and less than 2 percent of IW14 imports. Overall, the United States accounts for less than five percent of Soviet hard currency trade.

### U.S. Exports and Related Market Share

Total U.S. exports to the Soviet Union have fluctuated considerably in the 1980s as a result of wide swings in U.S. grain sales. By contrast, total IW14 exports to the U.S.S.R. have exhibited more stability and growth (Figure 2). In 1985, U.S. exports totaled \$2.4 billion, down from \$3.3 billion in 1984. The U.S.S.R. was 21st in rank among U.S. export markets in 1985 with just over one percent of U.S. global exports. However, the \$2.0 billion U.S. trade surplus with the Soviet Union in 1985 was the fourth largest among U.S. trading partners.

Figure 2

### INDUSTRIAL WEST EXPORTS TO THE U. S. S. R. 1970 - 1985



\*The IW14 group comprises the following 14 countries of the industrial west: Austria, Belgium-Luxembourg, Canada, Denmark, France, West Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States.

The U.S. share of total IW14 exports to the Soviet Union has varied considerably since 1970 (Table 2). The U.S. share expanded rapidly to a high of 24 percent in 1973. Since then, it has fluctuated widely in response to changes in the level of U.S. agricultural exports. In 1985, the United States supplied 15 percent of IW14 exports, compared to 18 percent in 1984.

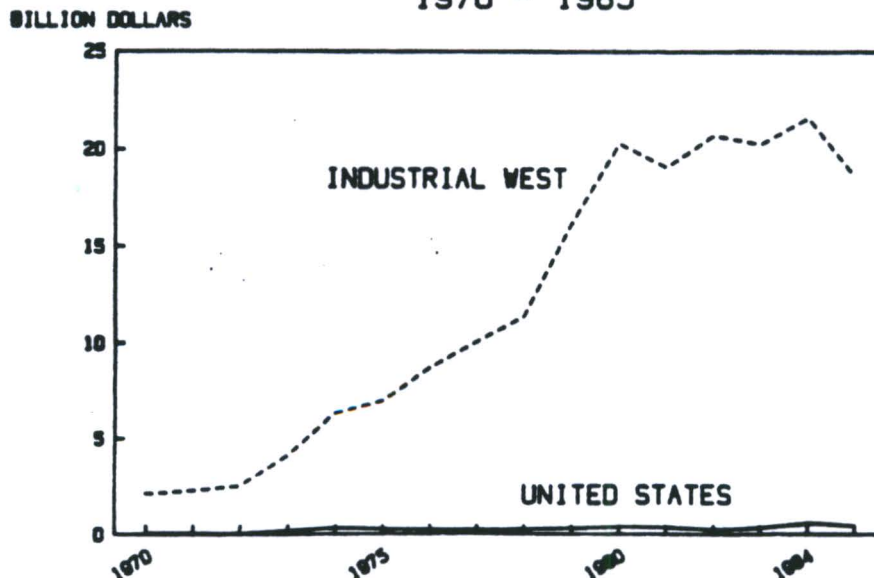
U.S. exports to the U.S.S.R. during January-September 1986 were only 60 percent of year earlier levels. A substantial recovery in U.S. sales to the Soviet Union during the remainder of the year is unlikely. Lower world oil prices in 1986 have constrained Soviet hard currency revenues, although the U.S.S.R. may have increased the volume of oil shipped to prevent a sizable downturn in its hard currency earnings. Present estimates indicate that this year's Soviet grain harvest will be somewhat higher than last year's level, reducing the need for Soviet imports of grain from the United States and other grain-exporting countries.

#### U.S. Imports and Related Market Share

U.S. imports from the U.S.S.R. have fluctuated much less than exports, and have been running at far lower levels. Imports marked a record high of \$600 million in 1984, subsiding to \$440 million in 1985—less than 0.2 percent of U.S. global imports. While U.S. imports from the Soviet Union have fluctuated around \$330 million since 1973, total IW14 imports have grown from \$4 billion in 1973 to about \$19 billion in 1985 (Figure 3).

Figure 3

### INDUSTRIAL WEST IMPORTS FROM THE U. S. S. R. 1970 - 1985





Since U.S. imports from the Soviet Union have remained at rather low levels since the mid-1970s, the United States' small share of IW14 imports has continued to shrink (Table 3). The U.S. share of IW14 imports from the U.S.S.R. reached its peak of 5.5 percent in 1974 and has declined steadily since then, falling to a low of 1.2 percent in 1982 before recovering modestly to 2.4 percent in 1985. Unlike the U.S. share of IW14 exports, the U.S. import share has not been greatly affected by large variations in the commodity composition of Soviet exports to the United States.

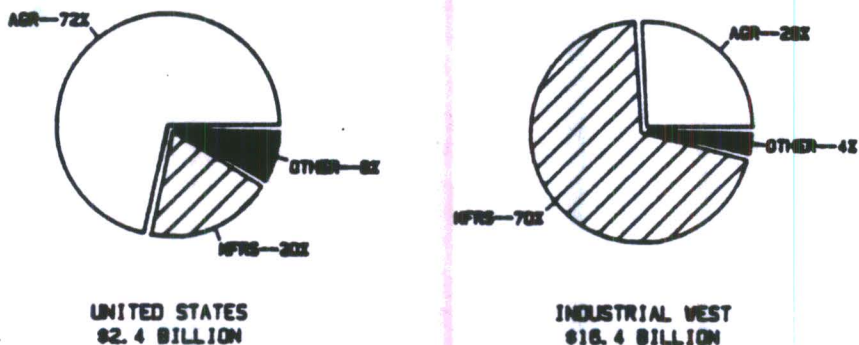
U.S. imports during January-September 1986 ran about 50 percent over year earlier levels. If the high level of Soviet exports to the United States continues in the last quarter of 1986, the U.S.S.R. will top its 1984 export record of \$600 million.

Sectoral Trends in U.S.-U.S.S.R. Trade

The substantial fluctuations in total U.S. exports to the Soviet Union and in the U.S. bilateral trade balance have resulted primarily from developments in U.S.-Soviet agricultural trade. In fact, trade in agricultural goods dominates the U.S. export picture, in notable contrast to the structure of total IW14 exports to the U.S.S.R. (Figure 4). Trade in manufactured goods has been relatively modest, so even substantial percentage changes in annual manufactures trade has not greatly affected overall U.S.-Soviet trade.

Figure 4

COMPOSITION OF INDUSTRIAL WEST  
EXPORTS TO THE U. S. S. R.  
1985





Agricultural Trade. U.S. agricultural exports became a significant factor in U.S.-Soviet trade in 1972, accounting for two-thirds of U.S. exports to the U.S.S.R. and about five percent of global U.S. agricultural exports in that year. In 1985, agricultural goods provided 72 percent of U.S. exports to the Soviet Union and composed about eight percent of U.S. agricultural shipments. Corn and wheat are the predominant U.S. agricultural exports (Table 4). During January-September 1986, U.S. agricultural sales to the U.S.S.R. were substantially less than year earlier levels (Table 6).

In 1976, a five-year bilateral grain agreement was put into effect, providing for both minimum and maximum Soviet grain purchases. The agreement was extended until 1983, when a new five-year agreement took effect. Agricultural exports covered under the present agreement are wheat, corn, soybeans, and soybean meal. The Soviet Union has failed to meet the minimum wheat purchase requirements during the last two marketing years.

The U.S. share of IW14 exports of agricultural products to the Soviet Union surged from under two percent in 1970 to almost 50 percent in 1972. The U.S. share continued to climb during the 1970s, reaching a peak of 74 percent in 1978. As a result of the U.S. embargo on grain shipments imposed in January 1980, the U.S. share of IW14 agricultural exports plunged to 27 percent in 1980 and has remained at about 36 percent since then. Canada and France greatly increased their shares of IW14 agricultural exports during the embargo and have continued to enjoy larger shares of IW14 agricultural trade since then. Argentine agricultural exports to the Soviet Union ballooned in 1980 and rivaled U.S. exports through 1983.

Manufactures Trade. The United States has consistently earned a modest surplus in its manufactures trade with the Soviet Union. From a surplus of \$33 million in 1970, the U.S. manufactures trade balance expanded to a record \$685 million in 1976. Since 1977 the surplus has fallen to under \$400 million, dipping to \$53 million in 1984 before recovering to \$184 million in 1985.

U.S. manufactures exports to the U.S.S.R. have generally declined from their 1975-76 peak levels, contributing to lower U.S. manufactures trade surpluses despite roughly constant levels of total manufactures trade. The Soviet Union buys well under one percent of U.S. global manufactures exports.

Between 1980 and 1985 U.S. manufactures exports hovered around \$500 million. The composition of these exports changed markedly, however, as the proportion of machinery and transportation equipment fell and the share of chemicals and related products rose. In 1980, machinery and transportation equipment accounted for 63 percent of U.S. manufactures exports to the Soviet Union and chemicals and related products for seven percent; in 1985, the respective proportions were 24 percent and 59 percent. During January-September 1986, U.S. exports of fertilizers were triple the 1985 January-September level, accounting for almost 18 percent of total U.S. exports to the U.S.S.R. in that period.



The U.S. share of IW14 exports of manufactures to the Soviet Union has declined since the mid-1970s. At its 1976 peak, the United States supplied 8.6 percent of IW14 manufactures exports. The U.S. share sank to 3.2 percent in 1980, then recovered slightly to about 4 percent in 1981-85. West Germany and Japan have been the major industrial west suppliers of manufactured goods to the Soviet Union in the 1980s, with annual IW14 shares of 20-30 percent. France and Italy have accounted for 8-14 percent of annual IW14 exports each, followed by the United Kingdom, Austria, and Belgium-Luxembourg with 4-5 percent of annual IW14 manufactures imports.

U.S. imports of manufactures from the Soviet Union exceeded \$300 million in only two years (1980 and 1984). U.S. manufactures imports totaled \$293 million in 1985, compared to \$351 million in 1984. Inorganic chemical elements were the leading import item in every year from 1980 to 1985 (Table 5). The most notable change in the composition of U.S. imports of Soviet manufactures was the decline in nonmonetary gold imports (while silver and platinum group metals imports remained strong) and the rise in imports of fertilizers and organic chemicals and related products. However, during the January-September 1986 period U.S. imports of nonmonetary gold soared to \$155 million—over 140 times the comparable 1985 level of \$1.1 million and about 30 percent of total U.S. imports in that period (Table 7).

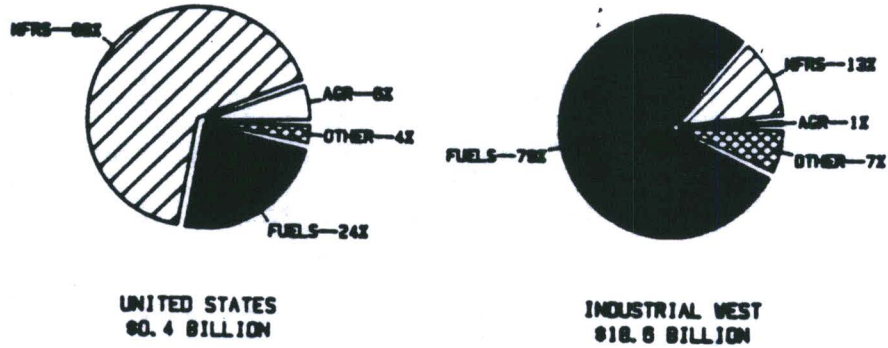
In the 1980-85 period, the United States absorbed about 10 percent of Soviet manufactured exports to the IW14. West Germany has been the Soviet Union's leading western export market, with 20 percent of IW14 manufactures imports during 1980-85, followed by Japan with 15 percent. France and Belgium-Luxembourg each take around 12 percent of IW14 manufactures imports, the United Kingdom about 9 percent and Italy and Sweden about 6 percent each of the IW14 manufactures imports total.

Manufactured goods have traditionally predominated in overall Soviet exports to the United States. Petroleum and other fuel products were significant in U.S. imports only in 1980 and 1983-85. By contrast, petroleum and other fuel products have been the leading Soviet export commodities to the IW14 as a whole (Figure 5). Energy products rose from about half of overall IW14 imports in the mid-1970s to over three-quarters in the 1980s. Manufactured products provide only about 10 percent of total Soviet exports to the IW14.

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Figure 5

COMPOSITION OF INDUSTRIAL WEST  
IMPORTS FROM THE U. S. S. R.  
1985



Prepared by Leyla Woods/TRD/OTIA/TD/ITA/DOC/377-4334

19 November 1986

Clearances: Susanne Lotarski/IEP/DOC  
Bob Clark/State  
Bill George/DOD

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Table 1

U.S.-U.S.S.R. Trade Balance  
 Total Trade and Manufactures Trade  
 1970-1985  
 (Millions of Dollars)

Year	Total Trade Balance	Manufactures Trade Balance
1970	46	33
1971	105	78
1972	447	34
1973	975	138
1974	259	71
1975	1,581	561
1976	2,089	685
1977	1,389	431
1978	1,978	305
1979	3,255	375
1980	1,098	59
1981	2,004	378
1982	2,350	397
1983	1,630	236
1984	2,685	53
1985	1,982	184
1986 est.	787	N.A.

Sources: U.N. Trade Data System  
 U.S. Department of Commerce

Table 3

U.S. Imports from the U.S.S.R.  
1970-1985  
(Millions of Dollars)

Year	Total Imports		Manufactured Goods		Fuels	
	Value	Share of Industrialized West Imports 1/	Value	Share of Industrialized West Imports 1/	Value	Share of Industrialized West Imports 1/
1970	72	3.41	51	8.94	3	0.45
1971	57	2.47	41	7.31	1	0.08
1972	96	3.72	69	9.60	7	0.94
1973	220	5.33	131	10.37	77	5.85
1974	350	5.52	224	14.06	106	4.16
1975	255	3.60	116	6.90	96	2.83
1976	221	2.52	114	5.89	54	1.17
1977	236	2.34	119	4.94	64	1.20
1978	274	2.41	165	5.70	48	0.76
1979	353	2.17	286	6.69	17	0.18
1980	415	2.05	368	8.51	17	0.13
1981	355	1.86	210	8.82	116	0.80
1982	243	1.17	205	8.62	11	0.07
1983	373	1.84	263	10.84	59	0.37
1984	599	2.77	351	12.42	203	1.19
1985	441	2.37	293	12.48	106	0.73

1/ Industrialized West: Austria, Belgium and Luxembourg, Canada, Denmark, France, West Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States.

Sources: U.N. Trade Data System  
U.S. Department of Commerce



Table 2

U.S. Exports to the U.S.S.R.  
1970-1985  
(Millions of Dollars)

Year	Total Exports		Manufactured Goods		Agricultural Products	
	Value	Share of Industrialized West Exports 1/	Value	Share of Industrialized West Exports 1/	Value	Share of Industrialized West Exports 1/
1970	119	5.37	84	4.21	2	1.76
1971	162	7.22	118	5.95	17	10.06
1972	542	16.34	103	4.22	366	49.14
1973	1,195	24.07	269	7.81	842	61.48
1974	609	9.75	295	5.24	288	58.85
1975	1,836	17.12	677	7.61	1,114	67.85
1976	2,310	19.81	799	8.62	1,360	65.16
1977	1,625	14.23	549	5.69	877	61.61
1978	2,252	16.89	470	4.34	1,445	74.39
1979	3,607	21.83	661	5.34	2,285	72.26
1980	1,513	8.75	427	3.26	975	26.86
1981	2,359	13.83	588	5.15	1,601	32.14
1982	2,593	14.42	603	4.76	1,645	36.50
1983	2,003	11.15	498	3.81	1,196	29.68
1984	3,284	18.26	404	3.45	2,586	47.49
1985	2,423	14.78	477	4.15	1,737	40.95

1/ Industrialized West: Austria, Belgium and Luxembourg, Canada, Denmark, France, West Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States.

Sources: U.N. Trade Data System  
U.S. Department of Commerce

Table 5

108/20/86  
17:05:59Leading items in U.S. general imports from Soviet Union in 1985,  
1981, 1982, 1983, 1984, and 1985

(C.I.F. value, in thousands of dollars)						
Sched A number	Description	1981	1982	1983	1984	1985
522	Inorganic chem elem, oxids and--	98,446	100,921	96,784	156,579	131,477
334	Petroleum products-----	115,882	10,946	59,158	202,563	106,073
562	Fertilizers and fertilizer mat--	0	16,870	48,420	62,748	61,044
681	Silvr, plat, plat gp met unw o--	50,572	37,961	58,021	85,731	48,981
517	Organic chemicals & related pr--	509	114	2,123	13,302	21,952
112	Beverages, alcoholic-----	3,973	10,830	21,135	7,838	13,214
036	Shellfish, fresh, frozen, salt--	674	2,166	16,379	15,695	11,496
212	Furskins, undressed-----	8,627	7,664	8,352	10,248	7,846
288	Nonferrous waste and scrap, ns--	3,218	0	0	4,892	6,534
641	Paper and paperboard, not cut--	3,067	3,498	3,589	4,893	5,321
671	Pig iron, etc., and ferroalloy--	317	0	3,399	3,758	5,089
526	Inorganic chemicals & compound--	1,220	2,795	2,381	1,905	2,978
896	Artworks, collectors pieces &---	1,423	7,123	5,733	3,083	2,378
684	Aluminum and alumn alloys, wr--	671	1,909	504	7,687	2,304
634	Veneers, plywood, wood, worked--	4,061	1,795	3,903	3,367	1,993
971	Gold, nonmonetary, ex ores & c--	22,104	4,085	1,693	1,564	1,776
722	Tractors, agricultural and con--	1,257	49	1,019	909	1,391
931	Special transactions nspf-----	584	1,054	435	485	1,166
037	Fish & shellfish, nspf, prep o--	1,486	1,408	852	1,193	966
776	Electronic components and part--	293	380	665	828	767
990	Under \$251 entries, estimated---	71	75	267	429	729
764	Telecommunications equip nspf---	2	1/	0	11	653
248	Wood, shaped or simply worked---	0	0	0	28	639
737	Metal-working machinery, nspf,--	207	507	963	26	605
233	Rubber, synthetic, & reclaimed--	0	11	648	980	442
772	Elect eq, current carry, resis--	31	7	33	31	365
716	Rotating electric plant and pa--	2	1	1	17	285
665	Glassware-----	22	14	68	163	275
788	Parts nspf of motor veh & hand--	236	86	539	108	270
892	Printed matter-----	296	1,388	84	94	265
	Total-----	319,250	213,656	337,147	591,155	439,274
	Total, all items imported					
	from Soviet Union-----	377,022	247,050	374,667	600,104	442,712

1/ Less than \$500.

0 Source: Compiled from official statistics of the U.S. Department of Commerce.



Table 4

Leading items in U.S. total exports to Soviet Union in 1985,  
1981, 1982, 1983, 1984, and 1985

108/20/86  
17:14:23

(F.a.s. value, in thousands of dollars)						
Sched E number	Description	1981	1982	1983	1984	1985
044	Corn or maize--unmilled-----	781,677	818,768	390,915	1,389,842	1,502,150
041	Wheat, in split or msln, unmill--	772,563	802,182	800,584	1,170,572	158,712
562	Fertilizers & fertilizer mater--	0	0	2,925	0	151,730
525	Inorganic chemicals & products--	169,125	273,730	223,450	189,052	111,282
057	Fruits & nuts, ex oil nuts--frs--	16,003	13,080	2,977	24,518	66,341
263	Cotton-----	0	67	72,223	167,407	63,577
891	Articles of rubber or plastics--	22,171	43,062	60,915	55,635	62,262
411	Animal oils and fats-----	48,509	17,887	21,506	29,745	36,752
334	Petroleum products--refined-----	29,785	55,745	19,446	21,867	32,844
744	Mechanical handling equipment--	30,947	17,053	5,679	1,888	27,801
423	Fixed veg oils (soft), crude or--	1,500	22,678	0	0	27,175
784	Parts of road vehicles & tract--	94,602	51,228	33,908	30,245	26,781
233	Rubber--synthetic; & reclaimed--	6,224	3,790	12,218	17,156	24,155
335	Resid petro products nspf & re--	33,055	34,269	3,125	8,178	21,694
778	Electrical machinery & apparat--	5,713	3,680	2,653	2,255	8,270
875	Measuring, checking etc instru--	13,181	12,577	12,998	8,472	7,720
723	Civil engineer & contractors'---	33,592	48,059	28,821	22,828	7,518
121	Tobacco--unmanufactured; tobac--	0	1,262	492	946	7,366
598	Miscellaneous chemical product--	1,559	6,743	5,415	6,208	5,866
745	Non-electric machy & mechan ap--	1,488	2,509	3,784	2,271	5,115
743	Pumps, nspf, compressor, filte--	4,830	3,312	4,457	3,818	5,022
774	Electro-medical & radiological--	4,584	3,152	4,356	2,512	4,131
591	Pesticides, fungicides & disin--	3,004	0	693	1,670	3,900
741	Heating & cooling equipment &---	638	1,140	7,040	2,094	3,874
736	Metalworking mach tools; & pts--	19,048	4,915	8,401	1,793	3,795
712	Steam & other vapor power unit--	12	1,947	1,946	2,773	3,629
533	Prepared paints, varnishes etc--	1,191	2,244	3,478	2,928	3,463
724	Textile & leather working mach--	327	664	856	496	2,962
714	Internal combustion engines, n--	360	23	17,144	8,830	2,710
728	Specialized industrial machine--	18,008	10,721	5,543	6,534	2,480
	Total-----	2,113,698	2,256,490	1,757,949	3,182,536	2,391,076
	Total, all items exported					
	to Soviet Union-----	2,340,416	2,592,575	2,002,872	3,283,931	2,422,826

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Trade does not include special category exports.

Table 7

111/17/86  
17:32:58Leading items in U.S. general imports from Soviet Union in 1985,  
1983, 1984, 1985, January-September 1985, and January-September 1986

(C.i.f. value, in thousands of dollars)						
Sched A Number	Description	1983	1984	1985	January-September--	
					1985	1986
522	Inorganic chem elem, oxide and--	96,784	156,579	131,477	88,455	76,606
334	Petroleum products-----	59,158	202,563	106,073	89,822	69,240
562	Fertilizers and fertilizer mat--	48,420	62,748	61,044	46,357	61,319
681	Silvr, plat, plat gp met unw o--	58,021	85,731	48,981	38,771	46,407
517	Organic chemicals & related pr--	2,123	13,302	21,952	20,568	16,125
112	Beverages, alcoholic-----	21,135	7,838	13,214	10,411	14,177
036	Shellfish, fresh, frozen, salt--	16,379	15,695	11,496	5,864	1,011
212	Furskins, undressed-----	8,352	10,248	7,846	6,566	9,226
288	Nonferrous waste and scrap, ns--	0	4,892	6,534	3,819	14,173
641	Paper and paperboard, not cut--	3,589	4,893	5,321	4,248	4,580
671	Pig iron, etc., and ferroalloy--	3,399	3,758	5,089	3,432	3,703
526	Inorganic chemicals & compound--	2,381	1,905	2,978	1,396	2,959
896	Artworks, collectors pieces &--	5,733	3,083	2,378	2,226	1,288
684	Aluminum and alumm alloys, wr--	504	7,687	2,304	1,824	4,225
634	Veneers, plywood, wood, worked--	3,903	3,367	1,993	1,651	1,691
971	Gold, nonmonetary, ex ores & c--	1,693	1,564	1,776	1,096	155,028
722	Tractors, agricultural and con--	1,019	909	1,391	929	2,697
931	Special transactions nspf-----	435	485	1,166	724	1,307
037	Fish & shellfish, nspf, prep o--	852	1,193	966	676	407
776	Electronic components and part--	665	828	767	520	255
990	Under \$251 entries, estimated--	267	429	729	572	719
764	Telecommunications equip nspf--	0	11	653	0	59
248	Wood, shaped or simply worked--	0	28	639	452	816
737	Metal-working machinery, nspf,--	963	26	605	521	15
233	Rubber, synthetic, & reclaimed--	648	980	442	442	189
772	Elect eq, current carry, resis--	33	31	365	298	25
716	Rotating electric plant and pa--	1	17	285	285	0
688	Glassware-----	68	163	275	187	211
788	Parts nspf of motor veh & hand--	539	108	270	133	294
892	Printed matter-----	84	94	265	146	366
	Total-----	337,147	591,155	439,274	332,371	489,115
	Total, all items imported					
	from Soviet Union-----	374,667	600,104	442,712	335,098	501,785

Source: Compiled from official statistics of the U.S. Department of Commerce.



Table 6

111/17/86  
17:35:26Leading items in U.S. total exports to Soviet Union in 1985,  
1983, 1984, 1985, January-September 1985, and January-September 1986

(F.a.s. value, in thousands of dollars)						
Sched E Number	Description	1983	1984	1985	January-September--	
					1985	1986
044	Corn or maize--unmilled-----	390,915	1,389,842	1,502,150	1,114,173	280,589
041	Wheat, in split or msln, unmill--	800,584	1,170,572	158,712	139,694	0
582	Fertilizers & fertilizer mater--	2,925	0	151,730	63,754	192,154
525	Inorganic chemicals & products--	223,450	189,052	111,282	111,226	1,631
057	Fruits & nuts, ex oil nuts--fra--	2,977	24,518	66,341	52,871	37,835
263	Cotton-----	72,223	167,407	63,577	63,577	72
891	Articles of rubber or plastics--	60,915	55,635	62,262	36,367	37,774
411	Animal oils and fats-----	21,506	29,745	36,752	31,870	11,210
334	Petroleum products--refined-----	19,446	21,867	32,844	24,208	34,200
744	Mechanical handling equipment--	5,679	1,888	27,801	23,818	6,379
423	Fixed veg oils (soft), crude or--	0	0	27,175	27,175	0
784	Parts of road vehicles & tract--	33,908	30,245	26,781	23,783	15,353
233	Rubber--synthetic; & reclaimed--	12,218	17,156	24,155	18,921	6,730
335	Resid petro products nspf & re--	3,125	8,178	21,694	18,431	10,813
778	Electrical machinery & apparat--	2,653	2,255	8,270	6,754	9,313
875	Measuring, checking etc instru--	12,998	8,472	7,720	6,013	8,995
723	Civil engineer & contractors'---	28,821	22,828	7,518	6,671	32,838
121	Tobacco--unmanufactured; tobac--	492	946	7,366	946	0
598	Miscellaneous chemical product--	5,415	6,208	5,866	5,088	3,943
745	Non-electric machy & mechan ap--	3,784	2,271	5,115	2,151	851
743	Pumps, nspf, compressor, filte--	4,457	3,818	5,022	3,375	2,255
774	Electro-medical & radiological--	4,356	2,512	4,131	2,425	5,881
591	Pesticides, fungicides & disin--	693	1,670	3,900	3,900	3
741	Heating & cooling equipment &---	7,040	2,094	3,874	3,819	438
736	Metalworking mach tools; & pts--	8,401	1,793	3,795	2,703	3,079
712	Steam & other vapor power unit--	1,946	2,773	3,629	3,526	602
533	Prepared paints, varnishes etc--	3,478	2,928	3,463	2,161	2,078
724	Textile & leather working mach--	856	496	2,962	2,715	140
714	Internal combustion engines, n--	17,144	8,830	2,710	1,572	1,632
728	Specialized industrial machine--	5,543	6,534	2,480	2,148	2,615
	Total-----	1,757,949	3,182,536	2,391,076	1,805,837	709,203
	Total, all items exported					
	to Soviet Union-----	2,002,872	3,283,931	2,422,826	1,831,677	1,094,364

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Trade does not include special category exports.





117007

37

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FISHERIES ISSUES

ISSUE

(U) Both countries are interested in access to fisheries resources in the other country's Exclusive Economic Zone (EEZ). Soviet access to the U.S. EEZ, however, has been restricted because of their whaling practices.

U.S. POSITION

(U) The U.S. would like to pursue the possibility of access to fisheries resources, particularly crab stocks, in the Soviet EEZ on a mutually beneficial basis. Although no fisheries allocations can be made to the Soviet Union until the whaling issue is resolved, their fisheries continue to benefit from joint venture arrangements in the U.S. EEZ.

SOVIET POSITION

(U) The Soviets desire a resumption of fish allocations in the U.S. EEZ and, in principle, do not object to U.S. access to their EEZ, provided that arrangements will be on an equal and mutually beneficial basis.

BACKGROUND

(LOU) U.S. fishing and congressional interests have recently expressed strong support for an agreement which will obtain U.S. access to Soviet crab and other fish stocks. Informal discussions with Soviet officials indicate interest in considering such an agreement, on an equal and mutually beneficial basis. However, although the Soviets have, in the past, received large fish allocations in the U.S. EEZ, last year their allocation was terminated as a result of their whaling practices. In August, we told the Soviets that their allocation could be resumed if they agreed to stop whaling before the

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1986-87 season and withdrew their objection to the International Whaling Commission moratorium on commercial whaling. We have had no response from them. Despite the suspension of fish allocations, the Soviets continue to engage in mutually beneficial joint ventures with the U.S. fishing industry, notably the joint U.S.-Soviet company Marine Resources International. The U.S.-Soviet Governing International Fisheries Agreement, which provides for the current Soviet joint venture activities, was recently extended for one year until the end of 1987.

TALKING POINTS

o As you know, our fisheries relationship was complicated when the Soviet Union was certified under the Packwood-Magnuson and Pelly Amendments as having diminished the effectiveness of the conservation program of the International Whaling Commission. The certification has resulted in the termination of directed fishing access to the U.S. EEZ for Soviet vessels.

o Our position concerning how this certification could be removed was provided to Soviet officials on August 28. We have not yet received a response.

o We would like to pursue the possibility for access to fisheries resources in the Soviet EEZ, particularly crab stocks, on a mutually beneficial basis.

Drafted: Department of State  
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