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FOIA MARKER

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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Scowcroft, Brent, Collection
Series: USSR Collapse Files
Subseries: U.S - Soviet Relations Chronological Files

OA/ID Number: 91117
Folder ID Number: 91117-007

Folder Title:
USSR Collapse: U.S - Soviet Relations Thru 1991 (November 1989)

Stack:	Row:	Section:	Shelf:	Position:
G	34	3	2	4

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memo	Brent Scowcroft to POTUS Re: Gorbachev's Crisis (1 pp.)	11/11/89	(b)(1)	S
01b. Report	Re: Gorbachev's Crisis (4 pp.)	11/6/89	(b)(1)	S
02. Memo	Condoleezza Rice to Brent Scowcroft Re: Soviet Delegation for Malta (2 pp.)	11/20/89	(b)(1)	C
03. Cable	Re: Letter to Shcardnadze on SA-7's (5 pp.)	11/28/89	(b)(1)	S
04a. Memo	Brent Scowcroft to POTUS Re: Malta Meeting: Economic Issues (2 pp.)	11/29/89	(b)(1)	S
04b. Memo	Nicholas F. Brady to POTUS Re: U.S./Soviet Economic Issues (3 pp.)	11/29/89	(b)(1)	S
04c. Background Report	Re: Bilateral Investment Agreement (2 pp.)	n.d.	(b)(1)	
04d. Background Report	Re: Negotiation of New US-USSR Income Tax Treaty (2 pp.)	n.d.	(b)(1)	
04e. Memo	Carla A. Hills to POTUS Re: Possible Trade Policy Action Plan Toward the Soviet Union, 1989-1991 (2 pp.)	11/29/89	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: USSR Collapse Files
Subseries: U.S. - Soviet Relations Chronological Files
WHORM Cat.:
File Location: USSR Collapse: U.S. - Soviet Relations Thru 1991 (November 1989)

Pinksheet Number: cap993
OA/ID Number: 91117-007
Date Closed: 2/23/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
04f. Background Report	Re: Jackson-Vanik Requirements for Granting MFN to the Soviet Union (2 pp.)	n.d.	(b)(1)	C
04g. Background Report	Re: Financial Dialogue with Soviets (1 pp.)	n.d.	(b)(1)	
04h. Memo	Alan Greenspan to Secretary Brady Re: U.S./Soviet Economic Issues (2 pp.)	11/29/89	(b)(1)	S
04i. Background Report	Re: Improving Soviet Economic Statistics (2 pp.)	n.d.	(b)(1)	
04j. Background Report	Re: Agricultural Trade and Cooperation (3 pp.)	n.d.	(b)(1)	
04k. Background Report	Re: Possible Soviet Association with the OECD (2 pp.)	n.d.	(b)(1)	
04l. Background Report	Re: Soviet Union and the GATT (2 pp.)	n.d.	(b)(1)	C
04m. Background Report	Re: Multilateral Coordination of Export Controls (2 pp.)	n.d.	(b)(1)	
04n. Background Report	Re: Soviet Membership in the IMF and World Bank (2 pp.)	n.d.	(b)(1)	

Collection:

Record Group: Bush Presidential Records
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P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
04o. Background Report	Re: USSR Word War I Debt to the U.S. (2 pp.)	n.d.	(b)(1)	
04p. Letter	Mikhail Gorbachev to Francois Mitterrand (3 pp.)	n.d.	(b)(1)	
04q. Memo	Timothy E. Deal to Brent Scowcroft Re: Malta Meeting: Economic Issues (1 pp.)	11/29/89	(b)(1)	S
05a. Memo	Brent Scowcroft to POTUS Re: Your Telephone Call to President Mitterrand, November 30, 1989 (1 pp.)	11/29/89	(b)(1)	C
05b. Memo	Robert L. Hutchings to Brent Scowcroft Re: The President's Telephone Call to President Mitterrand, November 30, 1989 (1 pp.)	11/29/89	(b)(1)	C
05c. Talking Points	Re: Points To Be Made for Telephone Conversation with President Mitterrand (4 pp.)	n.d.	(b)(1)	C
05d. Letter	President Mitterrand to President Bush (2 pp.)	n.d.	(b)(1)	
06. Memo	Cooper Evans to POTUS Re: Dobrynin's Views on Codifying Soviet Emigration Laws (2 pp.)	11/29/89	(b)(1)	C
07a. Memo	Brent Scowcroft to David Q. Bates, Jr. Re: The President's Meeting with the Cabinet, November 20, 1989 (1 pp.)	11/29/89	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: USSR Collapse Files
Subseries: U.S. - Soviet Relations Chronological Files
WHORM Cat.:
File Location: USSR Collapse: U.S. - Soviet Relations Thru 1991 (November 1989)

Pinksheet Number: cap993
OA/ID Number: 91117-007
Date Closed: 2/23/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
07b. Talking Points	Re: Points To Be Made with the Cabinet on the Malta Meeting (3 pp.)	n.d.	(b)(1)	C
07c. Memo	Robert L. Hutchings to Brent Scowcroft Re: The President's Meeting with the Cabinet, November 30, 1989 (1 pp.)	11/29/89	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
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Pinksheet Number: cap993
OA/ID Number: 91117-007
Date Closed: 2/23/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

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CHRON FILE
8434

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

Brent
interesting
paper
cB
11-16

November 11, 1989

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Gorbachev's Crisis

Attached is a speculative piece by Peter Rodman on the crisis that Gorbachev may be heading into -- either having to crack down to prevent the disintegration of the Soviet empire, or (conceivably) being removed from power. It discusses the implications not only for Soviet Foreign policy but for the domestic political debate in this country.

It is, as I say, speculation, but it raises some issues we should be thinking about.

Attachment
Tab A Paper: "Gorbachev's Crisis"

cc: Vice President
Chief of Staff

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PER E.O. 13526
2011-0765-MR
MM 10/17/2016

~~SECRET~~
Declassify on: OADR

~~SECRET~~

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. Report	Re: Gorbachev's Crisis (4 pp.)	11/6/89	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: USSR Collapse Files
Subseries: U.S. - Soviet Relations Chronological Files
WHORM Cat.:
File Location: USSR Collapse: U.S. - Soviet Relations Thru 1991 (November 1989)

Date Closed:	2/23/2009	**OA/ID Number:**	91117-007
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

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 the 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]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

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

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

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~~CONFIDENTIAL~~

NOTED

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506
November 20, 1989

[redacted]

1

INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT BLACKWILL RB

FROM: CONDOLEEZZA RICE CR

SUBJECT: Soviet Delegation for Malta

The following is the Soviet delegation list for Malta in the order given to us. You will note that there are no serving military officers (though Akhromeyev will be there) and the only known regional expert is a Latin Americanist.

Official Delegation that will participate in the larger bilateral group meetings

E.A. Shevardnadze (Foreign Minister)
A.N. Yakovlev (Party Secretary/Chairman of the International Policy Commission)
A.A. Bessmertnykh (First Deputy Foreign Minister)
A.S. Chernyaev (Aide to Gorbachev/likely notetaker)

Advisers

N.E. Kruchina (Full member of Central Committee/responsibilities unknown)
V.M. Falin (Chief of the International Department of the Central Committee [Specialist on Soviet-European Affairs])
A.F. Dobrynin (Special Assistant to Gorbachev [Former Ambassador to the United States])
V.V. Zagladin (Special Assistant to Gorbachev [European and American Affairs])
S.F. Akhromeyev (Special Assistant to Gorbachev [Former Chief of the General Staff])
I.T. Frolov (new editor of Pravda but also key aide to Gorbachev on domestic affairs)
V.P. Karpov (Deputy Foreign Minister [Arms control specialist])
Y.V. Dubinin (Ambassador to the United States)
G.A. Arbatov (Director of the Institute for the Study of the USA and Canada)
V.S. Gusenkov (responsibilities unknown)

Accompanying Experts

T.G. Stepanov (Assistant to Shevardnadze)
N.A. Kosolapov (responsibilites unknown)
V.I. Chernyshev (Protocol)

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2009-0939-MR
SCS 4/2/13

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V.N. Shevchenko (responsibilities unknown)
S.P. Tarasenko (rumored new head of Policy Planning for Shevardnadze)
A.A. Obukhov (USA Directorate/Foreign Ministry)
Y.I. Pavlov (Latin Americanist)
G.E. Mamedov (Obukhov's Deputy)
Y.A. Gremitskikh (Press and Information)

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NSC/S PROFILE

RECORD ID: 8909090
RECEIVED: 11 NOV 89 11

CHRON FILE

TO: ROSE, S

FROM: GATES

DOC DATE: 22 NOV 89
SOURCE REF:

KEYWORDS: USSR MP

1

PERSONS:

SUBJECT: SOVIET OFFER OF EARTHQUAKE ASSISTANCE

ACTION: GATES SGD MEMO DUE DATE: 15 NOV 89 STATUS: C

STAFF OFFICER: RICE LOGREF:

FILES: WH NSCIF: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		BLACKWILL
		RICE

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSGAD CLOSED BY: NSJWD DOC 4 OF 4

UNCLASSIFIED

THE WHITE HOUSE

WASHINGTON

November 22, 1989

MEMORANDUM FOR SUSAN PORTER ROSE

FROM: ROBERT M. GATES

SUBJECT: Soviet Assistance in San Francisco Earthquake

A draft letter for your signature to Mr. William Bryant, who wrote Mrs. Bush complaining that we turned down Soviet offers of assistance in the San Francisco earthquake, is at Tab A.

We, in fact, accepted Soviet assistance. The President communicated with Mr. Gorbachev directly about the situation and a team of Soviet seismologists is now in the San Francisco area until November 17; they can stay longer if they so desire.

Attachments
Tab A Letter to Mr. Bryant
Tab B Incoming

THE WHITE HOUSE

WASHINGTON

Dear Mr. Bryant:

On behalf of the First Lady, I would like to thank you for your letter regarding Soviet assistance in the aftermath of the earthquake in California. You raise an important question, and we wanted to respond quickly.

After the earthquake in California, President Bush communicated directly with Soviet President Gorbachev. The Soviets suffered a devastating earthquake in Armenia last year, and both sides believed it would be mutually beneficial for a Soviet team to visit the site in California. Consequently, a team of Soviet seismologists went to California in November for several weeks, and are welcome to stay as long as they feel they can be useful. Of course, we are very grateful for their assistance, and both sides are hopeful that by working together to study these devastating events we may be better prepared in the future.

I thank you again for telling us of your concern.

Sincerely,

Susan Porter Rose
Chief of Staff to Mrs. Bush

The Honorable William R. Bryant, Jr.
Minority Leader Emeritus
House of Representatives
State Capitol
Lansing, Michigan 48909

9090

THE WHITE HOUSE
WASHINGTON

November 9, 1989

9090

MEMORANDUM TO BOB GATES

FROM: SUSAN PORTER ROSE

SUBJECT: Attached Correspondence to Mrs. Bush

Could someone give us a suggested reply on this? It could be for my signature.

Thank you.

HOUSE OF REPRESENTATIVES

THIRTEENTH DISTRICT
WILLIAM R. BRYANT, JR.
MINORITY LEADER EMERITUS

STATE CAPITOL
LANSING, MICHIGAN 48909
(517) 373-0154

October 19, 1989

Mrs. Barbara Bush
The White House
Washington, D.C. 20015

RE: Soviet offer of earthquake assistance

Dear Barbara Mrs. Bush:

I choose to write you, rather than the President, in the hope this might be more likely to reach you than him.

I feel it was unfortunate, if true, that we turned down the Soviet offer of assistance in the San Francisco earthquake disaster.

It is insulting to be turned down. It also encourages them to turn us down merely to "save face" by reciprocating discourteous, go-it-alone behavior.

If we are to become friends with the Soviet Union, we must take the opportunity, where appropriate, to act like friends.

Friends accept help from friends!

Sincerely,

WILLIAM R. BRYANT, JR.
Republican Leader Emeritus

WRBjr:pmb

United States Department of the Interior

GEOLOGICAL SURVEY
RESTON, VA 22092

Memorandum November 7, 1989

To: Doyle Frederick, Associate Director, U. S. Geological Survey

From: John Filson, Office of Earthquakes, Volcanoes, and Engineering, U. S. Geological Survey

Subject: Foreign investigations of Loma Prieta earthquake.

The U. S. Geological Survey has formal scientific exchanges in earthquake studies with the Union of Soviet Socialist Republics (USSR) and the Peoples's Republic of China (PRC) for several years. Groups from both countries are now visiting the Menlo Park, California, offices of the USGS to study the recent earthquake under the aegis of these exchanges.

USSR Delegation:

V. I. Keilis-Borok,	Team Leader, Academician, Director of the Institute of Earthquake Prediction (IEP)
I. A. Vorobjeva,	Seismologist IEP
T. A. Levshina,	Seismologist IEP
V. G. Kossobokov,	Seismologist IEP
A, V. Lander,	Geologist IEP
V. V. Steinberg,	Seismologist, Institute of Physics of the Earth (IPE)
N. V. Shebalin,	Seismologist IPE
G. S. Vartanyan,	Director of the Institute for Hydrogeology and Engineering Geology

PRC Delegation:

Ge Zhizhou,	Team Leader, Director of Department of Planning and Finance, State Seismological Bureau (SSB)

89. 11/08 11:09 P02 *DEPT : F INTERIOR

Zhu Chuazhen,	Seismologist SSB
Liu Puxiong	Seismologist SSB
Chen Dasheng	Engineer SSB
Ding Tuanshang	Seismologist Seismological Bureau of Guangdong Province
Ye Hong	Geologist SSB

The PRC delegation wants to stay for "about two weeks"; the USSR delegation wants to stay from two to four weeks. The general plan is to conduct briefings and field trips during the first week (6-10 November) and allow the second week for individual collaboration with USGS scientists in Menlo Park.

The detailed plan, subject to change, is as follows:

Nov 7	Briefings at USGS center, Menlo Park
Nov 8	Field trip to Santa Cruz region
Nov 9	Field trip to Santa Cruz region
Nov 10	Field trip to San Francisco damaged area
Nov 11-12	We shall offer return visits to Santa Cruz region and San Francisco
Nov 13-17	Follow-up studies with USGS scientists at Menlo Park. Visits of USSR scientists may be extended if they so request and depending on the promise of further work.

The Team Leader of the USSR group has expressed the desire to visit earthquake research groups at the University of California, San Diego and University of California, Los Angeles.

cc: R. Wesson
B. Morgan

89. 11/08 11:09 P03 *DEPT F INTERIOR

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 20, 1989

ACTION

Deputy Natl Sec Advisor has seen

MEMORANDUM FOR ROBERT M. GATES

THROUGH: ROBERT D. BLACKWILL

FROM: CONDOLEEZZA RICE

SUBJECT: Response to Letter Regarding Soviet Assistance in San Francisco Earthquake

At Tab I is a proposed memo from you to Susan Porter Rose forwarding a response to William Bryant, Republican Leader Emeritus of the Michigan State House of Representatives (Tab A). Mr. Bryant's letter to Mrs. Bush complains that we turned down the Soviet offer of assistance after the San Francisco earthquake (Tab B). Of course, we did not refuse Soviet assistance, and our draft response to Mr. Bryant provides some background.

RECOMMENDATION

That you sign the memo at Tab I forwarding the letter to Susan Porter Rose.

Attachments
Tab I Memo to Rose
Tab A Letter to Bryant
Tab B Incoming

1128

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CLE[illegible]

CHRON FILE

3 [illegible] 4 [illegible]
5 [illegible] 6 [illegible]
7 [illegible] 8 [illegible]

ORIGINAL

THE PRESIDENT HAS SEEN

~~SECRET~~

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FYI

Brent strong stuff -

GB

11-30

EUR/SOV:AWOLFF:AW
11/28/89 76736 SESOVML 199
S:SECRETARY

EUR/SOV:SPIFER;AVERSHBOW
ARA:BARONSON
S/P:WBURNS
S/S:

EUR:RGHSEITZ
P:RKIMMITT
NSC:
S/S-O:

IMMEDIATE ROME, MOSCOW IMMEDIATE

NODIS

E.O. 12356: DECL: OADR

TAGS: PREL, PARM, XK, UR

SUBJECT: LETTER TO SHEVARDNADZE ON SA-7'S

1. ~~SECRET~~ - ENTIRE TEXT.

2. FOR ROME: EMBASSY SHOULD DELIVER TO SOVIET EMBASSY IN ROME AS SOON AS POSSIBLE TEXT OF LETTER AT PARA 4 FROM SECRETARY BAKER TO SOVIET FOREIGN MINISTER SHEVARDNADZE FOR IMMEDIATE TRANSMITTAL TO THE MINISTER. THIS LETTER SHOULD BE PASSED TO SHEVARDNADZE BEFORE HIS DEPARTURE FOR MALTA.

3. FOR MOSCOW: EMBASSY SHOULD DOUBLE-TRACK ABOVE EFFORT BY PROVIDING SOVIET MFA TEXT OF LETTER BEING PASSED THROUGH EMBASSY ROME.

4. BEGIN TEXT:

DEAR MR. MINISTER:

THIS IS THE SECOND LETTER WITHIN A MONTH WHICH I HAVE FELT COMPELLED TO WRITE TO YOU ON THE GENERAL ISSUE OF CENTRAL AMERICA. THESE COMMUNICATIONS, COUPLED WITH THE NOVEMBER 25 DEMARCHE WE CONVEYED THROUGH YOUR EMBASSY, UNDERSCORE AGAIN

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PER E.O. 13526
2009-0939-MR
scs 4/2/13

THE CONCERN WITH WHICH MY GOVERNMENT VIEWS THE RECENT ESCALATION OF THE SALVADORAN WAR AND THE IMPORTANCE PRESIDENT BUSH AND I ATTACH TO SEEKING COOPERATION IN EARNEST FROM YOUR GOVERNMENT IN HELPING CONTAIN AND RESOLVE CONFLICTS IN A REGION OF UTMOST IMPORTANCE TO THE U.S.

.

YOU ARE NO DOUBT AWARE OF THE DEVELOPMENT THAT MOTIVATES THIS CORRESPONDENCE: THE INTRODUCTION FROM NICARAGUA OF SA-7 MISSILES INTO THE SALVADORAN CONFLICT. THIS LAST SHIPMENT OF 24 SA-7 MISSILES WAS DISCOVERED WHEN AN AIRCRAFT CARRYING WEAPONS AND AMMUNITION DESTINED FOR THE FMLN CRASH-LANDED IN EL SALVADOR. WITH THE INTRODUCTION OF THIS WEAPON SYSTEM TO THE FMLN'S ARSENAL, THE RECENT ESCALATION HAS TAKEN ANOTHER, EVEN MORE DANGEROUS TURN. THE MOST RECENT SHIPMENT OF SA-7'S ALTERS DRAMATICALLY THE FMLN'S ABILITY TO WAGE WAR ON THE COUNTRY'S DEMOCRATICALLY-ELECTED GOVERNMENT AND HAS POISONED RELATIONS BETWEEN SAN SALVADOR AND MANAGUA TO THE POINT THAT THE ENTIRE REGIONAL PEACE PROCESS IS IN JEOPARDY. THE USE OF THESE WEAPONS BY THE FMLN WILL GRAVELY ESCALATE THE CONFLICT IN EL SALVADOR WHICH COULD IN TURN FURTHER IMPACT ON U.S.-SOVIET RELATIONS.

.

WE ARE EXTREMELY CONCERNED THAT NICARAGUA REMAINS INVOLVED IN THE ACTIVE SUPPORT OF THE FMLN, BOTH THROUGH DIRECT ARMS SHIPMENTS AND THROUGH THE CONTINUED PRESENCE OF FMLN COMMAND AND CONTROL OPERATIONS IN THAT COUNTRY. INDEED, FMLN COMMANDERS, FROM MANAGUA, HAVE BEEN DIRECTING THE INSURGENT OFFENSIVE -- THE LARGEST SUCH MILITARY OPERATION IN THE HISTORY OF THE SALVADORAN WAR WHICH HAS ALREADY RESULTED IN THE DEATH AND INJURY TO THOUSANDS OF INDIVIDUALS. MOREOVER, THIS OFFENSIVE WAS MADE POSSIBLE BY THE COORDINATED EFFORTS OF CUBA AND NICARAGUA OVER THE PREVIOUS MONTHS TO MASSIVELY REARM THE SALVADORAN GUERRILLAS WITH SOVIET BLOC WEAPONRY.

.

THERE IS AMPLE EVIDENCE AVAILABLE WHICH POINTS TO THE NICARAGUAN GOVERNMENT'S INVOLVEMENT IN THE LATEST SHIPMENT:

-- RECONSTRUCTION OF THE FLIGHT PLAN PIECED TOGETHER FROM THE AIRCRAFT INDICATES THAT THE FLIGHT ORIGINATED IN MONTELIMAR, NICARAGUA -- A SANDINISTA MILITARY BASE;

-- CERTAIN ITEMS IN THE AIRCRAFT, INCLUDING THE RADIO, WERE MARKED WITH A "YN" NUMBER -- THE INTERNATIONAL AVIATION DESIGNATOR FOR NICARAGUA;

-- SEVERAL PIECES OF EQUIPMENT ON THE PLANE (A CESSNA 310), INCLUDING ENGINE PARTS, WERE MARKED WITH THE NUMBER "546" -- THE SANDINISTA AIR FORCE DESIGNATOR FOR THE CESSNA 310;

-- THE AIRCRAFT CONTAINED A BLANK MAINTENANCE BILL FROM SANDINO AIRPORT; AND

-- AMONG OTHER PIECES OF INCRIMINATING EVIDENCE AVAILABLE TO US, WE HAVE INFORMATION THAT NICARAGUAN OFFICIALS KNEW OF THE PLANE'S FATE AND ARE CURRENTLY WORKING TO COVER UP SANDINISTA INVOLVEMENT IN ITS ACTIVITIES.

.

I AM PROVIDING THIS DEGREE OF DETAIL TO EMPHASIZE THE HARD EVIDENCE POINTING TO NICARAGUAN INVOLVEMENT. LIKE THE CACHE OF ARMS FOUND IN THE TRUCK DISCOVERED BY HONDURAN AUTHORITIES ON OCTOBER 18, THESE ACTS CONSTITUTE A VIOLATION OF NICARAGUA'S INTERNATIONAL LEGAL OBLIGATIONS; ITS COMMITMENTS TO ITS CENTRAL AMERICAN NEIGHBORS UNDER ESQUIPULAS; AND ITS PROMISES TO YOUR GOVERNMENT AS YOU DESCRIBED THEM TO US. IT CALLS INTO QUESTION YOUR GOVERNMENT'S OWN UNDERTAKINGS TOWARD MINE.

.

I REALIZE THAT THESE ARE SERIOUS ALLEGATIONS, AND FOR THAT REASON I WOULD LIKE TO RECALL WHAT UNDERTAKINGS WE BELIEVE HAVE NOT BEEN COMPLIED WITH. IN ADDITION TO THE GENERAL STATEMENTS BY CHAIRMAN GORBACHEV OPPOSING THE EXPORT OF REVOLUTION OR COUNTERREVOLUTION AND THE USE OF MILITARY MEANS TO RESOLVE CONFLICTS, A REPRESENTATIVE SELECTION OF SOVIET STATEMENTS ON THE ISSUE AT HAND INCLUDES:

-- A JUNE 20 STATEMENT BY A SOVIET OFFICIAL IN MOSCOW THAT "AS EVIDENCE OF SOVIET SERIOUSNESS, THERE HAD BEEN NO INTRODUCTION OF SURFACE-TO AIR MISSILE SYSTEMS IN EL SALVADOR";

-- YOUR OWN STATEMENT TO ME ON AUGUST 9 THAT YOU WERE TO TAKE UPON YOURSELF "THE RESPONSIBILITY OF CERTIFYING THAT NICARAGUA AND CUBA ARE ALSO IN FAVOR OF A POLITICAL, AND NOT A MILITARY SOLUTION" WITH REGARD TO EL SALVADOR;

-- ANOTHER ASSERTION BY SOVIET OFFICIALS TO U.S. OFFICIALS DURING EXPERTS TALKS ON AUGUST 10 THAT "THE SALVADORAN RESISTANCE HAD NO EQUIVALENT TO THE STINGER MISSILE TO SHOOT DOWN HELICOPTERS";

-- A STATEMENT BY A SOVIET OFFICIAL IN THE EXPERTS TALKS OF SEPTEMBER 18 THAT "THE USSR HAD TAKEN STEPS TO ENSURE THAT THE FMLN WOULD NOT RECEIVE CERTAIN SOPHISTICATED WEAPONS," INCLUDING SURFACE-TO-AIR MISSILES; AND

-- YOUR STATEMENT TO ME ON SEPTEMBER 21 ON ROUTE TO WYOMING THAT NICARAGUA HAD ASKED YOU TO CONVEY THAT "THEY WILL NOT

PERMIT THEIR TERRITORY TO BE USED TO SUPPLY THE SALVADORAN GUERRILLAS AND THEY WILL NOT PROVIDE ARMS TO THEM.

.

FINALLY, THE WYOMING JOINT COMMUNIQUE SPEAKS FOR ITSELF: WE BOTH ENDORSED THE ESQUIPULAS TREATY AND THE SUBSEQUENT CENTRAL AMERICAN AGREEMENTS WITH REGARD TO THE NON-USE OF TERRITORY FOR SUPPORT OF DESTABILIZATION IN THE REGION AND FOR ALL PARTIES TO RESPECT THE REQUEST BY THE CENTRAL AMERICAN COUNTRIES TO END ALL MILITARY ASSISTANCE TO IRREGULAR OR INSURGENT FORCES.

.

I COULD POINT TO SIMILAR COMMITMENTS FROM YOUR GOVERNMENT REGARDING THE PROVISION OF SOVIET-MADE WEAPONS TO NICARAGUA. YOUR STATEMENTS ON THIS QUESTION ARE WELL KNOWN TO BOTH SIDES; YET CUBA, A COUNTRY THAT DEPENDS ON YOUR GOVERNMENT'S TREMENDOUS SUBSIDIES AND ASSISTANCE HAS ALREADY DOUBLED THE AMOUNT OF ARMS AND AMMUNITION IT WAS PROVIDING TO NICARAGUA FOR ALL OF 1988. AT A MINIMUM, THIS REFLECTS A TREMENDOUS EXCESS OF SOVIET MILITARY ASSISTANCE TO HAVANA.

.

ANOTHER CATEGORY OF SOVIET UNDERTAKINGS TO THE U.S. INVOLVES THE ASSURANCES PROVIDED THAT EVIDENCE UNCOVERED BY THE U.S. OF SANDINISTA VIOLATIONS OF ITS OBLIGATIONS UNDER THE ESQUIPULAS TREATY, WHICH WE IN TURN PROVIDED TO YOUR GOVERNMENT, WOULD BE LOOKED INTO BY THE SOVIET SIDE WITH THE UNDERSTANDING THAT SUCH VIOLATIONS WOULD NOT RECUR. THIS PROMISE PLAYED A MAJOR PART IN OUR DECISION TO BACK THE UN VERIFICATION MECHANISM ON THE NICARAGUAN-HONDURAN BORDER -- A MECHANISM ABOUT WHOSE LIKELY EFFECTIVENESS WE ALWAYS HAD SOME DOUBT. WE HAD THE OPPORTUNITY TO TEST THIS UNDERTAKING WITH REGARD TO THE OCTOBER 18 TRUCK SHIPMENT. I DID NOT DEEM THE STERILE RESPONSE PROVIDED THROUGH AMBASSADOR DUBININ AS A SERIOUS EFFORT TO INVESTIGATE THE ALLEGATIONS.

.

I HAVE DEVOTED MUCH SPACE IN THIS LETTER TO CATALOGUE SOME OF THE UNDERTAKINGS WHICH WE BELIEVE HAVE NOT BEEN FULFILLED. THIS IS A MATTER OF FUNDAMENTAL CONCERN TO OUR OVERALL RELATIONSHIP: ADHERENCE TO OUR RESPECTIVE COMMITMENTS AND ASSURANCES UNDERPINS ANY PROSPECT FOR SERIOUS AND LONG-TERM PROGRESS IN U.S.-SOVIET RELATIONS. IF THE COMMITMENTS WE MAKE CANNOT BE KEPT, WE HAVE LITTLE BASIS ON WHICH TO PROCEED.

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THE U.S. POSES NO THREAT TO CUBA OR NICARAGUA, TWO GOVERNMENTS WHOSE POLICIES ARE INCREASINGLY AT ODDS WITH THE COURSE AND PACE OF CHANGE OCCURRING IN YOUR COUNTRY, EUROPE AND BEYOND. WE AND OUR FRIENDS CANNOT SIT IDLY BY IN THE FACE OF MOUNTING VIOLENT CHALLENGES BY THESE GOVERNMENTS TO THE STABILITY OF THE CENTRAL AMERICAN

REGION. THEIR PROFESSED SENSE OF INSECURITY, WHICH HAS NO BASIS IN OBJECTIVE FACT, HAS RESULTED IN REPEATED MISREPRESENTATIONS TO YOUR AND OTHER GOVERNMENTS. THE CONSEQUENCES OF THIS BEHAVIOR CONTINUE TO PLACE AN UNNECESSARY BURDEN ON OUR OWN RELATIONS -- PERHAPS BY DESIGN.

.

AS PRESIDENT BUSH WILL BE DISCUSSING WITH CHAIRMAN GORBACHEV, THE TIME HAS COME FOR THE SOVIET GOVERNMENT TO STAND UP AND BE COUNTED AS AN ACTIVE PARTNER COMMITTED TO PROMOTE PEACE AND STABILITY AROUND THE GLOBE. WE URGE YOU TO USE YOUR INFLUENCE, IN A MANNER CONSISTENT WITH YOUR COMMITMENTS, TO PUT A FINAL AND DEFINITIVE END TO NICARAGUAN AND CUBAN MILITARY AND LOGISTICAL ASSISTANCE TO THE FMLN. IN THIS REGARD, WHILE YOUR GOVERNMENT'S RAPID REACTION TO OUR NOVEMBER 25 DEMARCHE, WHICH AMBASSADOR DUBININ DELIVERED TO ME PERSONALLY, WAS APPRECIATED -- PARTICULARLY WHEN COMPARED TO THE BUREAUCRATIC REACTION TO OUR PREVIOUS EXCHANGE ON THE OCTOBER 18 TRUCK SHIPMENT -- THE FACT REMAINS THAT THE GOVERNMENTS OF NICARAGUA AND CUBA TOGETHER HAVE VIOLATED THEIR COMMITMENTS TO YOU AND THEREBY UNDERMINED FUNDAMENTALLY YOUR COMMITMENTS TO THE UNITED STATES.

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THE PRESIDENT AND I CONTINUE TO BELIEVE THAT OUR TWO GOVERNMENTS HAVE AN HISTORIC OPPORTUNITY TO COOPERATE IN RESOLVING THE CONFLICTS IN BOTH EL SALVADOR AND NICARAGUA BY FULLY IMPLEMENTING THE ESQUIPULAS, TESORO BEACH AND TELA ACCORDS. BUT I MUST WARN IN ALL SERIOUSNESS THAT WE NOW FACE THE MOST DANGEROUS POSSIBILITY FOR AN ESCALATION OF THESE CONFLICTS IN MANY YEARS, AND ONLY THE FIRMEST ACTION BY OUR GOVERNMENTS NOW WILL RESCUE THIS SITUATION AND PERMIT THE PEACE AND DEMOCRATIZATION PROCESS TO PROCEED.

SINCERELY, JAMES A. BAKER, III
YY

CHRON FILE

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NSC/S PROFILE

RECORD ID: 8909621
RECEIVED: 29 NOV 89 17

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 29 NOV 89
SOURCE REF:

KEYWORDS: EAST WEST ECONOMICS
MALTA
USSR
SUMMIT



PERSONS:

SUBJECT: SEC BRADY MEMO RE US - USSR ECONOMIC ISSUES FOR MALTA SUMMIT

ACTION: NOTED BY PRES DUE DATE: 02 DEC 89 STATUS: C

STAFF OFFICER: DEAL LOGREF:

FILES: PA NSCIF: CODES:

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FOR ACTION

FOR CONCURRENCE

FOR INFO
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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 2/23/09

COMMENTS: _____

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
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1989 NOV 30 AM 8:39

November 29, 1989

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Malta Meeting: Economic Issues

In response to your suggestion at the November 28 meeting, Nick Brady has sent you a memorandum, highlighting several key issues in U.S.-Soviet economic relations and transmitting a set of individual papers prepared by Treasury, Agriculture, Commerce, USTR and CEA (Tab A). The briefing books that you have received cover virtually all the issues set forth in Nick Brady's memorandum, but this is still a useful compilation of the topics as seen from the perspective of the economic agencies.

Secretary Brady offers a series of proposals, which are designed to show some movement on our part, but which will not require major tradeoffs or concessions at this time. These include:

-- Accelerated negotiations of a bilateral investment agreement.

-- The commencement of negotiations of a tax treaty.

-- The waiver of Jackson-Vanik and the start of discussions on a trade agreement, a prerequisite to the granting of Most Favored Nation treatment.

-- Expanded consultations on financial issues.

-- Technical assistance in the agricultural field.

-- Support for staff level contacts between the USSR and the OECD Secretariat.

-- Support for Soviet observership status in the GATT upon the completion of the Uruguay Round of trade negotiations in 1990.

We reached agreement with the Soviets at the recent meeting of the U.S.-USSR Joint Economic Commission to initiate working group discussions or negotiations on an investment agreement, a tax treaty and a trade agreement. You have recommendations before

cc: Vice President
Chief of Staff

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you in the briefing books about financial consultations with the Soviets and GATT observer status. The OECD Council recently approved the expert level contacts between Soviet officials and the OECD Secretariat. Consequently, work on the proposals above is already underway, although Secretary Brady would seek to give them added impetus through your discussions with Gorbachev.

Two proposals are new:

-- Secretary Yeutter recommends that to promote agricultural reform in the USSR, we initiate a program of technical assistance similar to that for Poland.

-- Michael Boskin recommends that he lead a team to provide technical and analytical advice on improving Soviet economic statistics and the expansion of ongoing contacts between U.S. and Soviet statistical agencies.

Attachment
Tab A Memo from Secretary Brady

A.

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THE SECRETARY OF THE TREASURY
WASHINGTON

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PER E.O. 12958,
AS AMENDED
2011-1589-NR
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November 29, 1989

MEMORANDUM FOR THE PRESIDENT

FROM: Nicholas F. Brady 278

SUBJECT: U.S./Soviet Economic Issues

Following is a summary of economic issues that may arise in your meetings with Mr. Gorbachev. These are all issues in which the Soviets have, at one time or another, expressed interest. We have coordinated with the economic officers who participated in yesterday's meeting: Secretaries Yeutter and Mosbacher, Director Darman, Ambassador Hills and Chairman Boskin. We have also coordinated this with Chairman Greenspan. Attached is separate material which they have provided on the issues.

Summarized below are areas that appear to lend themselves to some possible movement on our part beyond our presently stated positions. By and large, they would not require major tradeoffs or concessions at this time. While some of these may appear modest, they could offer a meaningful indication to Gorbachev of our willingness to support his economic reform efforts as the USSR begins restructuring its economy, shifting resources from defense to other areas.

A. Bilateral Issues

1) Bilateral Investment Treaty.

- o Earlier this month, the US and Soviets agreed to set up a working group to discuss investment issues, as a precursor to negotiations.
- o The Soviets are very interested, and U.S. businessmen would welcome a treaty as it would provide them with political cover for their actions/investments.
- o Conditions common in a treaty between market-oriented countries may be difficult for the Soviets to accept. Therefore, it could take time to reach agreement, but negotiations would be a good way to test their resolve.

2) Bilateral treaty on double taxation

- o Renegotiation of the US/USSR treaty on double taxation is in our mutual interest. Both sides are now ready to begin talks.
- o Treasury tax negotiators are scheduled with other countries through the Spring, but the Soviets could "jump the queue" to begin negotiations early in 1990, if indicated.

3) Waive the Jackson-Vanik amendment and accelerate the process to grant the USSR Most Favored Nation (MFN) status.

- You have the authority to waive Jackson-Vanik (which prevents MFN status for the USSR), but have said you would consult with Congress first. You agreed last May to pursue a waiver once the Soviet parliament codified the new more liberal emigration policy. The Moscow embassy reports that the Soviet Parliament could take action in the upcoming weeks.

- As Ambassador Hills points out, after a waiver, we would still have to negotiate a bilateral 10-point commercial agreement with the Soviets before MFN could be granted. You could offer to begin these talks immediately.

4) Consultations on financial/statistical issues

- The Soviets have requested technical advice, which you have agreed to provide, such as Greenspan's October visit to Moscow.
- Further ad hoc meetings to discuss a wide range of macroeconomic and financial issues, including the structure of their financial system, would be useful to the Soviet reform efforts. This could be combined with Chairman Boskin's proposal to help the Soviets in the statistical area.

- I could discuss this initiative with Finance Minister Pavlov during my meeting next week.

5) Agricultural Assistance

- Secretary Yeutter has proposed a broad array of initiatives in the agricultural area.

- This program could produce benefits for U.S. exports, such as the renegotiation of the Long Term Agreement on Grain.

B. Multilateral Issues

1) Expert-level contacts between the USSR and OECD.

- We believe that the OECD could be a very useful source of technical advice for the Soviets. At present, the OECD is an organization looking for a mission.

- As the USSR progresses, the United States might suggest closer and more regular contacts with the OECD, such as through the recently proposed OECD Center on Transitional Economies.

2) Soviet access to GATT

- o You could agree to discuss informally in the near future with major GATT members what conditions should be put on Soviet observership, so that if a consensus exists, the Soviets could begin work to fulfill them immediately.

- o This would be an important signal of our willingness to bring the Soviets into the Western trading system as they make the needed policy changes to open their system.

C. Other Issues

Also included in the package is material on other issues (such as IMF/World Bank membership and relaxation of export controls) which Gorbachev may raise with you, but which would involve fundamental changes in policy.

cc: Governor Sununu
Secretary Baker
General Scowcroft
Chairman Greenspan
Secretary Yeutter
Secretary Mosbacher
Director Darman
Ambassador Hills
Chairman Boskin

ATTACHMENTS

Issues Discussed in Memo	Provided by:
Bilateral Investment Agreement	Treasury
Income Tax Treaty	Treasury
Memo from Amb. Hills on Chronology	Ambassador Hills
Jackson-Vanik	Ambassador Hills
Financial Dialogue with Soviets	Treasury
Memo to Brady from Greenspan	Chairman Greenspan
Improving Soviet Economic Statistics	Chairman Boskin
Agricultural Trade and Cooperation	Secretary Yeutter
Possible Soviet Association with OECD	Treasury
Soviet Participation in GATT	Ambassador Hills

Other Material	
Coordination on Export Controls	Secretary Mosbacher
Soviet Membership in IMF and World Bank	Treasury
USSR World War I Debt to the U.S.	Treasury
Gorbachev letter to Mitterrand re: Economic Summit	

BILATERAL INVESTMENT AGREEMENT

BILATERAL INVESTMENT AGREEMENT

SUBJECT

The Soviets have proposed negotiation of a bilateral investment agreement. A working group to lay the groundwork was agreed upon at the November meeting of the U.S.-Soviet Joint Commercial Commission (chaired on our side by Secretary Mosbacher).

TALKING POINTS

-- We propose that the working group on investment issues commence its work on a priority basis. The group would:

    -- explore the conditions for foreign direct investment in the USSR,

    -- exchange information on investment policies in the two countries, and

-- Assuming the working group is successful in establishing a solid basis, we would be willing to move rapidly to commence negotiations on a bilateral investment agreement.

BACKGROUND

U.S. bilateral investment treaties (or agreements) provide for:

-- nondiscriminatory treatment of foreign investment both on and after establishment of the foreign entity;

-- free transfers of capital and returns on investment;

-- expropriation only according to international law and with prompt, adequate, and effective compensation; and

-- fair procedures, including international arbitration, for resolving disputes between investors and host governments.

Bilateral investment treaties help to encourage foreign direct investment, but in and of themselves are not sufficient. Political stability and sound macro-economic policies are by far the major considerations influencing a decision to invest abroad. Presently, we have eight treaties ratified by the Senate -- all with developing countries. We have proposed the negotiation of an economic and business relations agreement to Poland. This agreement would have provisions on business facilitation as well as investment.

The position outlined in the talking points is more forthcoming than our position at the November Joint Commercial Commission. There, we said that the opening of negotiations was premature, but we formed a working group on investment issues. Members have not yet been named, and a date for the first meeting of the group was left open.

Since legislation was passed in January of 1987 allowing joint ventures with Western companies, some 1000 Soviet joint ventures have been signed. Although average Western investment in these ventures is low, estimated at under $3 million, West Germany, Great Britain, Finland, and Luxembourg/Belgium have signed Investment Protection Agreements (IPA) with the Soviets and several others are under negotiation. Together, these nations have several hundred joint ventures in the Soviet Union. The investment agreements give their firms protection against arbitrary and discriminatory treatment, provide assurance of the opportunity to take disputes to international arbitration, and, in the Finnish case, provide assurance of supplies of production inputs.

U.S. companies are increasingly interested in an investment protection agreement, because Western investment in the USSR is outpacing Soviet development of a legal basis to regulate and protect foreign investment. The ability and willingness of the USSR to enter into the rigorous type of agreement the U.S. would want is unknown. The U.S. differentiates between the Soviet Union and Poland and Hungary, with whom we have offered to negotiate comprehensive economic and business relations agreements.

INCOME TAX TREATY

NEGOTIATION OF NEW US-USSR INCOME TAX TREATY

SUBJECT: Revision of the U.S.-U.S.S.R. treaty to avoid double taxation of income

TALKING POINTS:

-We have an income tax treaty that was signed in 1973.

-Since then your country has concluded tax treaties with several other countries as well.

-The tax laws of both countries have changed substantially since our treaty was negotiated.

-Modernizing the treaty to reflect current tax laws and treaty policies of both countries would be a useful complement to our expanding economic relations.

-If the Soviet Government is interested in reviewing and revising the treaty, we could schedule talks for early next year.

-Perhaps Finance Minister Pavlov could discuss this further with Secretary Brady when they meet.

BACKGROUND:

Income tax treaties seek to facilitate international investment and improve tax administration by avoiding double taxation of income earned abroad and by providing a mechanism for cooperation between tax authorities. They typically provide for reduced rates of tax at source on investment income, establish threshholds of activity which can be carried out in another country without incurring income tax there, and guarantee nondiscriminatory treatment.

The U.S.-U.S.S.R. tax treaty was negotiated as an outcome of trade talks between the two countries during the "detente" of the early 1970's. The Soviet income tax system was quite limited at that time, and they had no experience with income tax treaties. The negotiations were based on the model treaty used as the starting point in U.S. negotiations (which is very similar to the model used throughout western Europe), but significant departures were made to accomodate the Soviets reluctance to adopt "capitalist" precedents and to reflect their limited income tax.

Modernizing the treaty would have pluses and minuses for U.S.

investors in the USSR. The existing treaty provides for reciprocal exemption of a broader range of income than is typically exempted in such a treaty. Some of those exemptions are not likely to be retained in a new treaty, and some U.S. firms would thus become subject to tax in the USSR (and conversely). On the other hand, a new treaty would limit the new Soviet joint venture tax on remittances of profits from Soviet joint ventures to the U.S. participants.

From the Soviet perspective, there would seem to be more to lose in renegotiating the treaty, as we would have great difficulty in agreeing again to such unusual features as a two year exemption of their correspondents working in the United States. Nor could we accept their request to exempt Soviet employees in the United States from social security taxes.

Nevertheless, if they think it would be useful to discuss a new treaty, we are prepared to meet with them for that purpose and to try to arrive at a more modern agreement that will be mutually acceptable.

AMBASSADOR HILLS
MEMO

~~CONFIDENTIAL~~

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

November 29, 1989

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PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 2/26/24

MEMORANDUM FOR THE PRESIDENT

FROM: Carla A. Hills (CAH)

SUBJECT: Possible Trade Policy Action Plan Toward the Soviet Union, 1989-1991

To assist your preparation for the Summit, outlined below is a possible chronology of trade actions that could be taken with the Soviet Union. The outline is based on the assumption that you want to extend a helping hand to Secretary Gorbachev and encourage continued economic reform. It is also based on the view that most-favored-nation status and GATT membership are benefits that the Soviet Union should earn through economic reforms.

We could negotiate a commercial agreement as soon as possible, then proceed to the negotiation of an investment agreement. We could also begin immediately informal discussions on USSR observer status in the GATT. Specifically:

December 1989, the Malta Summit

o You could make four trade-related commitments:

1) to begin immediately negotiation of a bilateral commercial agreement -- a prerequisite to MFN;

2) to confer MFN status to the Soviet Union upon a) completion of a commercial agreement, and b) passage of a satisfactory emigration bill and its faithful implementation; [1]

3) to initiate informal discussions now with major GATT contracting parties to develop a consensus on the

---

[1] You should be prepared for a Soviet request that you commit to seek legislation repealing the Jackson-Vanik amendment to the 1974 Trade Act which makes MFN for the Soviet Union conditional on satisfactory emigration practices. If informal soundings of key members of Congress are favorable, you could indicate a willingness to support legislation repealing Jackson-Vanik provided that: a) a commercial agreement is successfully negotiated and, b) the Soviet Union passes and faithfully implements a new emigration law.

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conditions for Soviet observer status in the GATT -- action can be taken when the consensus is achieved;

4) to initiate an active dialogue with respect to the terms of a broad bilateral investment agreement, so that a decision can be made by the time you meet with Secretary Gorbachev next summer on whether to begin negotiating such an agreement.

First Half of 1990

- Conclusion of a commercial agreement which meets the requirements of the 1974 Trade Act. These requirements include a safeguard measure should imports from the Soviet Union injure U.S. producers, adequate intellectual property protection, and a commercial dispute mechanism. This will permit the grant of MFN to the Soviet Union.

- Examination by a bilateral working group of investment conditions in the Soviet Union and formulation of recommendations on the desirability of seeking an investment agreement, and on the nature of such an agreement and its terms.

- Establishment of an OECD working group to enter into a dialogue with the Soviet Union on economic and financial policy. A similar dialogue has been set up with Asian newly industrializing economies. Such a dialogue would be useful in educating the USSR about necessary economic reform and GATT mechanisms and would give the USSR entry into a respected international economic organization (a first step toward association with other organizations of the kind).

Summer of 1990 U.S.-Soviet Summit (if held)

- Signing of the commercial agreement (if not signed earlier).

- Announcement of a decision to negotiate an investment agreement (if analysis concludes it's desirable).

If the Congress appears receptive, and economic reforms continue, you could at that time also explore the repeal of the Jackson-Vanik amendment.

1991

- USSR is granted temporary GATT observership status contingent on continued economic reforms and a commitment not to politicize the GATT. (This could happen earlier if consensus has been achieved.)

- Investment agreement is signed (if negotiated).

JACKSON-VANIK REQUIREMENTS FOR GRANTING MFN TO THE SOVIET UNION

ISSUE

U.S. law imposes several prerequisites to granting MFN to the Soviet Union, including the negotiation of a commercial agreement containing specified elements intended to protect U.S. entrepreneurs.

TALKING POINTS

- As I have publicly indicated, I am prepared to work with Congress on a Jackson-Vanik waiver once emigration issues have been satisfactorily addressed.

- In the meantime, we could begin discussion of a commercial agreement, which is prerequisite under our law for granting MFN, so that it would be ready when the emigration provisions of Jackson-Vanik are satisfied.

BACKGROUND

Most favored nation status (MFN) means that a country receives favorable low-tariff treatment on its exports to the U.S. Most countries now receive this treatment. Certain communist countries, including the Soviet Union, are by law subject to higher rates of duty.

To grant MFN to the Soviet Union, the Trade Act of 1974 requires that the President must (1) waive annually, or determine that the Soviet Union complies with, the Jackson-Vanik provisions relating to freedom of emigration; and (2) conclude a commercial agreement containing the elements specified in the statute. Further, MFN treatment may be extended only so long as the Soviet Union is current on its lend-lease repayment obligations (as is now the case).

Waiver or Determination of Compliance. The President may waive Jackson-Vanik if (a) he determines and reports to Congress that a waiver will substantially promote freedom of emigration, and (b) he has received assurances that the emigration practices of the Soviet Union will "henceforth lead substantially to the achievement" of freedom of emigration. A waiver must be renewed annually. Until recently, this had been the case with Hungary.

Alternatively, the President may determine that the Soviet Union fully complies with the freedom of emigration requirements. This requires an initial report to Congress followed by reports submitted every six months for so long as MFN is granted stating that its immigration practices continue to comply. You recently made this determination for Hungary.

Commercial Agreement. The Trade Act requires the conclusion of an agreement protecting and promoting U.S. trade and commercial

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interests before extending MFN (as was done with Hungary in 1978 following its first annual waiver). Section 405 of the Trade Act requires that this agreement provide for: a 3-year renewable term, specific types of intellectual property protection, safeguard procedures for market disruption (damage from imports), termination for national security reasons, trade promotion and related activities, commercial dispute settlement, bilateral consultations to review the agreement's operation, and other appropriate commercial arrangements. The MFN provision of the agreement must terminate if the annual waiver is not renewed.

We have no reason to believe that the Soviets will have serious difficulty agreeing on the substance of the agreement required by law. Indeed, they may want an agreement covering items beyond those required by statute (e.g., investment provisions). However, subjects beyond those required are best addressed in a separate bilateral agreement not subject to Jackson-Vanik requirements. If an extended agreement is determined to be in our interests, it could be negotiated after the agreement required by statute, so as not to delay grant of MFN.

Soviet Concern. The Soviet Union has in the past objected to MFN being conditioned on satisfying Jackson-Vanik's emigration provisions. A 1972 Trade Agreement with them provided for "unconditional" MFN but never entered into force because of the passage of Jackson-Vanik in 1974. The Soviets will likely argue that they need more than a one year waiver, and preferably the repeal, of Jackson-Vanik.

Lend-Lease Condition. Under a 1972 Lend-Lease settlement agreement, the Soviet obligation to repay the $674 million balance on its debt is conditioned on its receiving MFN "no less favorable" than that provided in the 1972 Trade Agreement. They may claim that unless they get "unconditional" MFN they are not obligated to repay the balance. This point should be addressed in the commercial agreement negotiations.

The 1972 Trade Agreement. This Agreement is not a very useful starting point for new negotiations because its provisions are outdated and reflect neither changes in U.S. law nor current commercial practices.

FINANCIAL DIALOGUE
WITH SOVIETS

FINANCIAL DIALOGUE WITH SOVIETS

ISSUE

In answer to Soviet requests for more technical contacts and economic advice, we would establish a series of ad hoc intergovernmental consultations on financial and economic issues.

TALKING POINTS

- If you are interested, we are willing to begin informal bilateral consultations on financial issues and broad matters of economic poicy.

- This would build on the dialogue begun with Governor Greenspan's visit to the Soviet Union and the December 4-8 visit to the U.S. of Finance Minister Pavlov and Gosbank Chairman Gerashchenko.

- Perhaps Minister Pavlov and Chairman Gerashchenko could begin this exchange when they meet with members of my Cabinet next week. I think discussion on a broad range of issues would be useful to both sides.

- Specific subjects could include economic reform, financial markets and government finance. I also foresee discussion of broader areas, such as the relationship between domestic macroeconomic developments and the international arena, and how the exchange rate affects this relationship.

BACKGROUND

The Soviets have repeatedly requested greater access to Western knowledge of and experience in running a market-oriented economy. You have already indicated a willingness to provide such assistance and the Greenspan visit to Moscow and the Pavlov visit to Washington reflect this. The proposal here is to formalize the process that has already begun, without institutionalizing the relationship so as to provide greater flexibility.

We currently have a Joint Commercial Commission (JCC) with the Soviets, co-chaired on the US side by the Secretary of Commerce. It mainly discusses technical bilateral trade issues such as market information and visas for businessmen, and would be complemented by the proposed new consultations.

We see the principal point of contact for these discussions to be the respective finance ministries, but the broad agenda would require that other agencies be brought in on both sides on an ad hoc basis. This initiative would complement Chairman Boskin's proposal to help the Soviets establish a reliable economic statistical system, in that good data is a prerequisite to good policy.

CHAIRMAN GREENSPAN
MEMO

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04h. Memo	Alan Greenspan to Secretary Brady Re: U.S./Soviet Economic Issues (2 pp.)	11/29/89	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: USSR Collapse Files
Subseries: U.S. - Soviet Relations Chronological Files
WHORM Cat.:
File Location: USSR Collapse: U.S. - Soviet Relations Thru 1991 (November 1989)

Date Closed:	2/23/2009	**OA/ID Number:**	91117-007
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
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P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

IMPROVING SOVIET ECONOMIC STATISTICS

IMPROVING SOVIET ECONOMIC STATISTICS

Issue

The Soviets have serious deficiencies in their statistics and economic data. They have a strong interest in working with us to improve this.

Talking Points

-- We understand that the Soviet Union is actively interested in improving its economic statistics.

-- We agree that this is important. Accurate, objective economic statistics and analysis can provide vital information to policymakers, voters, and enterprises, particularly during a difficult transition such as perestroika.

-- The United States, which has considerable expertise in these areas, welcomes the opportunity to provide assistance.

- We would be willing to send a mission chaired by the Chairman of the Council of Economic Advisers and including representatives of our major economic and statistical agencies to provide technical and analytical advice.

- We will continue and expand current contacts between Soviet and American statistical agencies at a technical level on issues where our expertise would be useful.

Background

One important area in which the United States can assist the Soviet Union is in improving their statistics and economic analysis. This assistance should take the form of both technical and analytical advice. One natural and preexisting group to accomplish this task would be the EPC Working Group on Economic Statistics, Chaired by CEA Chairman Boskin and whose members include the Departments of Treasury, Commerce, Labor and OMB.

The Soviet Union is actively interested in improving its economic statistics. Meetings have been held or scheduled with the Departments of Commerce and Labor. The OECD is responding to a request for assistance from the Soviet Union and the cooperation was discussed at the recent OECD Economic Policy Council meetings chaired by Chairman Boskin.

Though plentiful, current Soviet statistics are of extremely poor quality. Statistics are used to audit economic performance and guide plans. Rewards and penalties are based on performance,

which encourages falsified reporting. Private sector employment and output is underreported. The Soviet Union has little experience in survey techniques, since most statistics are based on comprehensive counts of state enterprises. To avoid price controls, enterprises often reclassify products as new goods, even when little has changed. Prices do not reflect scarcity, nor do the price statistics adjust for goods which are unavailable.

The U.S. statistical agencies have considerable expertise in areas which would be valuable to the Soviets, particularly as they restructure their economy and become more market-oriented. The Labor and Commerce Departments have expertise in survey techniques, which will become increasingly important as less of the economy is controlled by the state. The Commerce Department could also advise on the implementation of National Income and Product Accounts. Current Soviet accounting is based on "net material product" which has numerous conceptual flaws. The Labor Department is currently organizing a conference on the information needs of policymakers in an economy shifting from centralized control to a free-market orientation.

The most difficult problem is the need to establish a system of statistics that is independent of politics.

AGRICULTURAL TRADE AND COOPERATION

AGRICULTURAL TRADE AND COOPERATION

ISSUE: The Soviets have an inefficient and antiquated agricultural system and are in great need of technical assistance. We can help them and ourselves by expanding technical cooperation and opportunities for U.S. exports.

TALKING POINTS:

-- We want to expand agricultural trade and can offer technical cooperation and exchanges in addition to export support.

-- We would like to extend or renegotiate a new long-term grain agreement (LTA).

-- We could expand our list of subsidized commodities for the Soviet Union, to meet unusual consumption requirements.

-- We may be able to sell an additional 50,000 to 75,000 metric tons of butter in 1990.

-- We could explore the possibility of Soviet participation in export credit guarantee programs, which would facilitate financing for agricultural trade. Soviet participation would require Presidential waiver of the Jackson-Vanik amendment.

-- As we make progress on expanding trade, we can then begin technical and educational changes. For example:

    -- Farm visits for U.S. and Soviet farmers;
    -- Science and technology agreements;
    -- Seminars on agribusiness;
    -- Exchange programs for agricultural students;
    -- Contacts between farmers' cooperatives.

BACKGROUND:

Agricultural Development: Human capital development under the US-USSR Agreement on Cooperation in the Field of Agriculture.

The purpose of this initiative is to aid Soviet development of human capital through the exchange of agricultural leaders and specialists. This exchange would occur under the existing US-USSR Agreement on Cooperation in the Field of Agriculture. Some specifics:

-- Farm visits will allow young and mid-career farmers to live and work with American farm families, and give Soviet participants first hand experience in U.S. farm operation and how U.S. farmers live, work, and make decisions.

-- Business particums are the agribusiness equivalent of the farm visit, with Soviet participants gaining real world business experience.

-- University short courses will orient Soviet professionals to the basics of the U.S. agribusiness system. They can last from a week to several months.

-- Farmer and specialist exchanges will bring Soviets to a number of farms and institutes to provide an overview of various American practices.

-- Student exchanges will allow English-speaking Soviet undergraduate students of agricultural sciences to attend U.S. universities for one or two semesters. Graduate student education targets a relatively small number of agricultural economists at the Ph.D level for further training in the U.S. for a period of about one year. Their education would focus on the principles of market economics. The strength of this program is that it targets those Soviets most likely to influence Soviet agricultural policy for many years.

-- Contact and exchanges between farmers' cooperatives will allow U.S. cooperatives to develop working relationships with Soviet cooperatives and fledgling farmers' unions.

LONG TERM GRAIN AGREEMENT AND EXPORT ENHANCEMENT PROGRAM (EEP):

U.S. wheat is currently being under-priced in the Soviet market by $15 to $20 per metric ton from other origins, especially by subsidized European wheat from the United Kingdom and France. The United States has more than adequate supplies to cover its usual wheat trade with the USSR this year, but lack of a new EEP authority will make further sales impossible. Such a lack would also undermine the credibility of U.S. hopes to continue the Soviet commitment to take a minimum annual quantity of U.S. wheat. Another factor of special near-term importance for the negotiations will be to offer, on or before December 6 meetings, the Soviets additional EEP coverage for their wheat purchases during the last phase of the existing LTA.

MFN TREATMENT:

Because of a large continuing trade deficit vis-a-vis the United States, Soviet officials have long held that their purchases of U.S. grain were necessarily being minimized in favor of other origins, such as the European Community, with whom they have a very positive trade balance. Existing U.S. imports of Soviet goods are mainly limited to raw materials, but MFN status might allow them to develop more sales of manufactured items now being imported by the U.S. from other industrialized countries.

EXPORT CREDIT GUARANTEES:

These programs provide U.S. financial institutions a guarantee from the Commodity Credit Corporation (CCC) that a foreign buyer's bank will pay over a period of up to three years (GSM-102) or from four to seven years (GSM-103). The Soviet Union's payment record on previous CCC direct sales has been good; the country is likely a better credit risk than many in CCC's portfolio. However, there is no clear evidence that the USSR needs credit to support its purchases of most agricultural commodities from the U.S. The $5.5 billion of fiscal 1990 resources for the combined programs is also already fully earmarked; that level stretches USDA's administrative capacity. Providing a significant program level for the USSR would require both an increase in the global program ceiling, and increased staff resources to handle it.

DIRECT SALES BY THE COMMODITY CREDIT CORPORATION:

CCC acquires surplus commodities, such as dairy products, under the domestic price support program. This surplus is used to supply the U.S. school lunch program and other domestic feeding programs. Quantities in excess of domestic needs can be sold for export.

POSSIBLE SOVIET ASSOCIATION WITH OECD

Possible Soviet Association with the OECD

Issue:

The Soviets have expressed an interest in establishing a relationship with the OECD in order to obtain technical advice on issues relevant to their economic reform process. The United States supports these efforts.

Talking Points:

-- The United States welcomes Soviet interest in exploring some form of relationship with the OECD.

-- We supported the recent OECD Council approval for expert level contacts between Soviet officials and the OECD Secretariat.

-- We understand that a Soviet team of experts plans to meet with OECD staff in January.

-- We believe that the OECD could be a very useful source of technical advice as the Soviet Union seeks to make its economy more market-oriented.

-- As the USSR progresses toward having a more market-oriented economy, the United States would be willing to consider closer and more regular contacts with the OECD.

Background:

The Organization for Economic Cooperation and Development (OECD) is an organization of mainly industrial countries in the non-communist world whose political systems are democratic and whose economic systems are basically open and market oriented. While the OECD does offer an opportunity for providing technical help to the USSR and other state planning countries to make the difficult transition toward open and market-related economies, these countries at present have political and economic systems which greatly differ from those of present OECD members. Any country interested in actually joining the OECD would de facto have to adhere to fundamental market-oriented practices.

The Soviets first made known their interest in working with the OECD at an informal meeting with OECD officials in June 1989. Subsequent to that meeting, they proposed that a group of Soviet experts visit the OECD for five to ten days in January 1990 in order "to make a more thorough study of the structure and functioning of the OECD" and to have "more detailed information on the workings of the Committees of the Organization". For example, the Soviets want technical advice on such issues as national income accounting, statistics, trade and industry, and the environment. There has been no indication of Soviet interest in closer association with the OECD at this time.

The United States and other OECD members have supported a cautious, step by step approach to requests from the Soviet Union and East European countries for contacts with the OECD. Other OECD member countries have made clear that recently approved contacts with the Soviet Union should not create the presumption of any future formal Soviet association with the OECD.

The OECD has established relationships with a few non-members. Yugoslavia is a special case. It has had a special status with the OECD for 28 years which allows it to attend meetings of the OECD Council and subsidiary bodies with the exception of some restricted meetings. However, a recent Yugoslav inquiry about full membership was dismissed as being premature.

There have also been some contacts with the newly industrializing economies (NIEs) of Asia. Thus far these contacts have been limited to specific substantive issues covered by subsidiary OECD committees and to seminars involving OECD staff, nationals from those economies, and government and academic personnel. OECD staff have had contacts with Polish officials, and plan to hold a seminar on Polish reforms in early December.

Assuming that progress is being made on the transition of the Soviet economy to a more open and market-oriented system, it may be possible to strengthen Soviet ties with the OECD. For example, seminars such as those planned with Poland and the NIEs could be held. The OECD could also prepare special technical reports on various aspects of Soviet reforms. If appropriate at some future date, the Soviets could consider asking for an invitation to observe the work of a specific committee or working party, if it were interested in joining the liberalizing activities of that committee.

SOVIET PARTICIPATION IN GATT

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SOVIET UNION AND THE GATT

ISSUE

Over the past three years, the Soviet Union has expressed interest to us, and in various international fora, in closer association with the GATT. This issue may be raised during your meetings.

TALKING POINTS

- USG continues to support USSR economic reform efforts and wants to extend a hand to encourage closer bilateral economic and trade relations.

- A decision on Soviet GATT membership would be most appropriate after reforms have progressed, when the GATT contracting parties can better judge whether the Soviet trade system conforms with GATT principles.

- In the meantime, we believe that Soviet GATT observership might help focus Soviet reform efforts, provided that the GATT Contracting Parties can agree on the terms.

- Accordingly, we can initiate informal discussions now with key GATT members to develop a consensus on the conditions for Soviet observer status in the GATT. Action can be taken when the consensus is achieved.

BACKGROUND

GATT Contracting Party Status: The USG, and other GATT contracting parties, have in the past opposed Soviet initiatives to associate with the GATT as premature, in light of the present incompatibility of the Soviet economic system with the market-based mechanisms of the GATT. We have taken care to distinguish this position from our support for Soviet efforts to reform their economy and for closer U.S.-Soviet bilateral commercial relations.

The GATT functions as a compact among its 96 contracting parties providing for a balance of rights and obligations and reciprocal market access for the associated countries. The Soviet economic and trade system does not, as yet, respond to market-driven prices, which are the basis for the application of GATT obligations, such as national treatment, reliance on tariffs, avoidance of subsidies, etc. Thus, in past discussions, the USG and other major GATT members (e.g., EC, Canada, Japan, the Nordics, Switzerland, etc.) have agreed that Soviet association with the GATT, even as an observer, would confer no reciprocal benefits on the contracting parties, thus disrupting the balance of benefits and commitments that holds the GATT together. Indeed, when the Soviet representatives requested participation in the Uruguay

Classified by: Mary R. Ed
Declassify on: OADR

Round, only the Communist GATT members, India, and a few small LDCs were willing to consider it.

Observer Status: Recently, the focus of Soviet efforts to associate with the GATT appears to have shifted from membership to obtaining observer status. Observer status is conferred by consensus of the Contracting Parties, and does not require the observer country to undertake any GATT obligations or to support GATT objectives. Observers do not pay dues, but enjoy full access to GATT meetings, documents, member representatives, and Secretariat officials. They are permitted to address GATT meetings on issues involving their interests.

Because the rights conferred by GATT observership far exceed the obligations, in April 1986, the GATT contracting parties declared a moratorium on admitting new observers pending the development of objective eligibility criteria. Subsequently, it was decided that no new observers should be admitted until after completion of the Uruguay Round in December of 1990. At that time, the GATT would be better able to redefine the observership institution within the new structure, rules and mission of the expanded GATT.

Currently, 19 countries have applied for and received observer status in the GATT, including four non-market economies. Of these four, the only significant country is the PRC, which received observer status at a time when it was perceived to be well on the road to reform.

The rights conferred by observership status on the Soviets would allow them to influence GATT work through their presence and participation. Some U.S. officials and foreign representatives have expressed concern that this could undercut their countries' trade policy objectives during the closing months of the Uruguay Round, and could politicize the GATT, as well. Moreover, bringing the Soviet Union into GATT, even as an observer, is essentially irreversible since the GATT has no current mechanism for withdrawing access once it has been granted.

For these reasons, we should defer consideration of Soviet GATT membership (or accession) until more significant reforms have been taken. However, recent events in Eastern Europe may be causing certain contracting parties (e.g., certain EC member states) to reconsider the timing and advisability of observership status. Therefore, we could indicate to the Soviets that we will initiate now informal discussions with the major GATT contracting parties to develop a consensus on the conditions for Soviet observer status. Action can be taken when the consensus is achieved. (Note: Even if the Soviets were to obtain observer status before the end of the Uruguay Round, they would not be able to participate in the Round.)

COORDINATION ON
EXPORT CONTROLS

MULTILATERAL COORDINATION OF EXPORT CONTROLS

ISSUE

The United States coordinates our national security export controls with our NATO allies, Japan and Australia to keep militarily useful technology out of the weapons arsenal of the Warsaw Pact. Recent events in Eastern Europe and the Soviet Union have led many to question the continued need for this barrier to high technology trade. Indeed the tension among our allies on this subject may jeopardize the close cooperation and coordination we have enjoyed thus far.

TALKING POINTS

- The United States coordinates our export controls with the members of COCOM. All COCOM members enforce similar export control systems.
- COCOM members must give their unanimous concurrence to all high technology exports to your country.
- COCOM members include virtually all sources of advanced Western technology, so there is no advantage in approaching other COCOM members separately.
- While all COCOM members are encouraged by the steps you have taken to reform the Soviet economy, and by the events in Eastern Europe, there is unanimous agreement that it would be premature to dismantle the multilateral export control system.
- I am prepared to suggest significant reforms to the heads of state of the other COCOM governments as you take concrete steps to reduce your military threat to the United States and to our allies. However, these reforms will only occur in response to you actions.

BACKGROUND

The United States coordinates our national security export controls with the multilateral organization called the Coordinating Committee for Multilateral Export Controls (COCOM). COCOM is comprised of the U.S., our NATO allies (except for Iceland), Japan, and Australia.

COCOM has two jobs. It defines the types of technology which are subject to multilateral control. It also reviews specific export cases to the Soviet Union or to other Bloc destinations.

COCOM operates on the basis of consensus - each member country has a veto. Any decision to add to or delete from the list of controlled technology must receive unanimous agreement. Similarly, any decision to approve a specific export must receive unanimous concurrence.

Recently, the principle of consensus has come under attack because the U.S. is viewed by our allies as being unwilling to eliminate unnecessary and outdated controls. The allies have accused us of using our veto to block efforts to reform the control list. While the U.S. has publically supported efforts to focus on truly significant technology, the results have been mixed.

The controversy over reforming the list presents a dilemma for U.S. export control authorities. On the one hand, refusal to agree to reasonable reform proposals may create such frustration among the allies that it may jeopardize the future of the organization. On the other hand, severe reforms may allow the export of sophisticated technology and long-lived industrial assets that could eliminate the tactical and strategic advantage of our high tech weapons systems.

A good example is telecommunications. A modern telecommunications system is a vital element of a competitive industrial economy. U.S. support of economic development in Eastern Europe and in the Soviet Union would ordinarily include support of selling advanced telecommunications equipment. However, state-of-the-art optical fiber systems make intelligence gathering very difficult, and they enhance the command and control capability of the Warsaw Pact forces.

The U.S. will soon face the difficult decision of whether to approve such a sale to the Soviet Union. Refusal will further frustrate our allies, and will be taken as bad faith. Approval will open the possibility of unlimited high technology exports to the Bloc.

Recent events in Eastern Europe will only exacerbate this problem. A number of our allies are already questioning the strategic rationale underlying the multilateral export control system. The question has been raised as to whether we need export controls if the Warsaw Pact disintegrates.

The greatest pressure for reform will probably come from Chancellor Kohl as he tries to move the Federal Republic of Germany toward reunification with the German Democratic Republic. Export controls may be seen as an impediment to reunification and the re-industrialization of East Germany.

The U.S. will have to show great flexibility if we want to preserve the multilateral export control system.

SOVIET MEMBERSHIP IN IMF/WB

SOVIET MEMBERSHIP IN THE IMF AND WORLD BANK

Issue:

Gorbachev may ask you about the U.S. position on Soviet membership in the IMF and World Bank.

Talking Points:

- o The obligations and responsibilities of IMF membership require that countries pursue market-oriented policies.
  - As you know, your country has the world's largest centrally planned economy. Your economy does not permit market forces to play a significant role in the allocation of resources, and as you acknowledge, is in need of drastic reform.
  - The ruble is not convertible. The recent ruble devaluation does not apply to the bulk of trade and payments transactions and Soviet exchange rate policy does not support effective balance of payments adjustment.
  - Significant restrictions on payments and capital also affect virtually all transactions with East Europe.
  - We understand you have severe deficiencies in your statistical data base. We are prepared to work with you in improving your statistical gathering, but major improvements are needed before you could meet the IMF's requirements.
- o We welcome perestroika. We recognize that Fund membership could demonstrate Western support for perestroika and aid this process.
- o But perestroika remains in its infancy. Until far more fundamental reforms are implemented, the Soviet economy will remain incompatible with the market orientation of the Fund and Bank and not be positioned to support a growing world economy.
- o Soviet membership could also fundamentally alter the technical character of these institutions and undermine their ability to fulfill their central roles in the global economy, including in the strengthened debt strategy.
- o For these reasons, we continue to oppose Soviet membership in the Fund and Bank at this time. However, fundamental progress towards creating a more market-oriented environment could pave the way down the road for eventual Soviet membership.

Background: IMF membership is a prerequisite for World Bank membership. Hence, the paper is written in terms of the Fund. The IMF Articles are designed to support multilateral efforts to promote economic and financial stability and an open world economy. Consistent with this, there are a number of responsibilities and obligations a country must fulfill to become a member of the IMF.

- A country must direct policies towards the objective of stable and orderly economic growth.

- Members must follow policies compatible with effective payments adjustment and that avoid gaining unfair competitive advantage.

- They should avoid restrictions on payments and transfers for current international transactions.

- The member must furnish the Fund with the detailed data deemed necessary on a timely basis. They must also submit economic performance and policies to IMF surveillance.

We do not believe that the Soviet Union is able, at the present time, to meet the obligations and responsibilities of membership for the reasons discussed above (see talking points). You should also be aware that the U.K., Germany, Japan, Canada, and France remain opposed to Soviet membership in the Fund and Bank.

Additionally, broader economic and political judgments must be taken into account in weighing Soviet membership.

- The IMF and World Bank have served U.S. foreign economic policy interests throughout the world. For example, the Fund has been actively engaged in playing its role in the U.S.-led debt strategy. Soviet membership would compromise our ability to use the Fund to serve these interests.

- The IMF and World Bank are based on weighted voting. The U.S. holds roughly 19 percent of the Fund's voting power and since key decisions require an 85-percent voting majority, we have veto power on such matters (i.e. quota increase, gold sales, amending the Fund's charter). We might need to cede substantial voting power and lose our veto to accommodate Soviet membership. Rough IMF calculations suggest a Soviet voting share of 6 to 7 percent -- such a voting share would make them #2 or #3 in the Fund.

- Soviet participation in the Fund and Bank could politicize these institutions and change their focus. The Soviet Union would likely be entitled to have their own chair on the Executive Boards of the Fund and Bank. Soviet membership might raise the prospect of an East European voting bloc in the IMF.

The IMF's experience with Eastern European members -- Poland, Hungary, Yugoslavia, and Romania -- has on the whole been poor. Romania was recently in arrears to the IMF, though it has since repaid, and has been unwilling for years to allow the IMF to conduct normal surveillance operations. Yugoslavia, despite years of Fund programs since 1979, has not been able to solve its problems and is presently experiencing hyperinflation. Hungary, the most successful of the East European countries, has had a number of programs over the years and performed successfully under them, including making significant structural reforms. But it has recently fallen out of compliance with its latest Fund program. Poland joined the IMF in 1986 and the former government was unable to make any progress in tackling its massive imbalances.

SOVIET WWI DEBT
TO U.S.

USSR WORLD WAR I DEBT TO THE U.S.

ISSUE: President Gorbachev may ask you to accelerate a settlement of Soviet debts owed to the U.S. from World War I, in order to allow the USSR to have access to U.S. capital markets and to improve economic ties.

SUGGESTED TALKING POINTS:

- Satisfactory settlement of loans made by the United States to the Kerensky Government would remove existing impediments to improved economic ties between our countries.

- For our part, we need to weigh the impact of a debt settlement with you on debts owed to our government by other countries.

BACKGROUND

The U.S. Government has had technical level talks with the Soviets on ways to settle our claims against pre-Bolshevik loans to the Kerensky government and against Czarist bonds and expropriated private property. The Soviets repudiated that debt after coming to power in November 1917.

The initial amount claimed by the U.S., excluding interest, is about $300 million. That includes $187 million in loans to the pre-Bolshevik Kerensky government. The United States claim, with interest, is about $1.5 billion. President Roosevelt and Soviet Foreign Minister Litvinov agreed to a partial settlement of U.S. private claims in 1933. They also discussed a dollar range for payment of the Kerensky debts, but were unable to reach final agreement.

In the absence of USSR payment/settlement of its World War I debt to the U.S., the Soviets effectively are barred from entering U.S. capital markets by the Johnson Debt Default Act of 1934. That statute makes it a crime for any person or entity in this country to make a loan to or buy the securities of a country in default on its official obligations to the United States. The Act does not apply to countries that are members of the IMF and the World Bank. A debt settlement would remove this impediment to increased economic and financial interaction.

At the last round of negotiations, the Soviets repeatedly expressed an interest in improving economic ties with the United States, including gaining access to U.S. credit markets. A recent newspaper article maintains that the Soviets have already begun discussions with some New York banks about floating bonds in this country. This would appear to be part of a larger Soviet strategy to improve and expand financial ties with the West. The Soviets have recently floated bonds in Swiss markets. Apparently, they are also conducting claims settlement negotiations with France and Switzerland. A representative of a large German bank recently told a Treasury official that his bank is extremely interested in the outcome of the claims negotiations with the United States.

There is no explicit U.S. legal provision enabling the President to agree to accept less than full repayment of official debts. In discussions with other debtor countries, the U.S. consistently

has maintained that the absence of such an explicit provision prevents the President from forgiving existing debts. Doing so for the Soviets may, therefore, pose problems for our debt strategy for developing countries.

Should we accede to a generous agreement with the Soviets, we could face serious pressure from every country to which we have outstanding loans to accept less than full payment. That pressure could be especially acute from countries such as Egypt, Morocco, Pakistan, the Philippines, and Poland. Commercial banks may also pressure the United States to share the burden of debt reductions that they have been urged to consider, resulting in likely delays in completing commercial bank packages with major debtors.

Treasury/IDN
Treasury/GI
11/29/89

GORBACHEV LETTER
TO MITTERAND

GORBACHEV LETTER

INFO

Mitterand

Dear Mr. President,

Addressing you in your capacity as President of the 15th Annual Summit of Industrialized Countries being held in Paris the 15th and 16th of July, and, through you, the other participants at this meeting, I would like to give you some ideas on the key problems of the world economy which influence all countries without exception.

Interdependence, while helping to overcome the division of the world, considerably increases the risk of clashes of interests and of an explosion of contradictions.

Traditionally, to resolve the economic contradictions between countries it sufficed to find an equilibrium based on strictly national interests. Today, however, such an equilibrium would be precarious if one tried to base it on anything other than the universal interests of mankind.

Achieving a real equilibrium and making interdependence stable can only result from complementary measures. An objective process of structuring a coherent world economy means that the multilateral economic partnership must be placed on a new level in qualitative terms.

We observe with interest the efforts being made by the seven most developed countries of the West to coordinate macro-economic policy. With coordination we believe it is possible to make world economic processes more predictable, and such predictability is an important condition for guaranteeing international economic security.

In regard to economic security, what we have in mind primarily is setting down bases for stable, nonideological and mutually advantageous joint projects and for joint development.

Like other countries, the Soviet Union seeks to carry out the tasks involved in adapting its domestic economy to a newly emerging structure of the international division of labor. Our perestroika is inseparable from our policy of participating fully in the world economy. That approach, part of the new political philosophy, is also determined by our direct economic interest. But it is clear as well that the rest of the world can only gain from an opening to the rest of the world of a market like the Soviet market. Of course, mutual advantage presupposes mutual responsibility and respect for the rights of all participants in internationl economic relations.

There remains no lack of contradictions in this area. Nevertheless, the area of common or converging interests of states is sufficiently broad and can serve as a basis for interaction. Proof of this is evident in the positive changes in the economic relations between the Soviet Union and many of the western countries, in the understandings reached in Vienna on the "second basket" on cooperation in Europe, and by the establishment of relations between the EC and COMACON.

However, multilateral East/West cooperation on global economic problems is clearly lagging behind the development of bilateral and regional ties. This situation does not seem justified considering the weight of our countries in the world economy and our responsibility in its rational and efficient functioning for the sake of the well-being of all peoples and of the world community as a whole.

The Soviet Union favors constructive interaction, free of prejudices, aimed at accomplishing these tasks by means of common efforts. We are seeing points of convergence and complementarity in the approaches of parties to global problems, in particular the settlement of Third World debt. It does not matter who gets credit for the best initiative. The essential thing is that there be a real possibility to contribute together to taking practical and effective measures for settling the debt issue.

We are in favor of collective assistance for development, of coordinating the actions of debtors and creditors, of donors and those receiving multilateral assistance. This can become one of the significant, concrete guarantees for equal and responsible participation of developing countries in the world economy.

Approaches are also being studied to reach a consensus on ways of ensuring stable development of all states on the basis of finding safe ecological underpinnings for the united world economic edifice being built today.

Another problem we have in common is tied to the strengthening trend toward integration being seen in various regions of the world. We hope this development goes in the direction of a universal partnership. Today, life itself is destroying -- gradually and painfully, but destroying nonetheless -- the old obstacles artificially placed between different economic systems. Even though each system still has its traditional features, each has borrowed much from the others, and is using similar management tools.

It is becoming urgent that we agree on a methodology for [omission of word from Fr. text] harmonizing economic processes, a methodology universally acceptable and usable. It could also include a search for procedures to establish various mechanisms for global macro-economic coordination.

We are ready to engage in a constructive dialogue on these questions. To get it started, we could establish professional contacts in various areas, for example in the form of meetings of government experts. The important thing is to find from the outset a common economic language, to exchange information on a reciprocal basis, including on questions regarding economic development indicators, the regulation of lines of credit and aid to the Third World, and to work so that we may have a compatible statistical methodology as a starting point for collaboration.

I hope these thoughts will be useful for the participants of the Paris Summit and that the results of this meeting will go in the direction of finding an equilibrium of economic interests nationally, regionally and globally.

With my respects,

M. Gorbachev

July 14, 1989

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 29, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: TIMOTHY E. ~~D~~DEAL/ROBERT ~~W~~ BLACKWILL

SUBJECT: Malta Meeting: Economic Issues

Secretary Brady has sent the President a memorandum with various attachments regarding U.S.-Soviet economic relations (Tab A). This is in response to the President's invitation to Brady at the November 28 meeting to forward his suggestions on how to handle economic issues at Malta.

In fact, it mostly duplicates the President's briefing books. Phil

Brady's memo breaks no new ground. The President's briefing books contain detailed material on virtually all these issues. We assume, however, that you will wish to forward the paper to the President -- or at least have it on hand in Malta. In any event, at tomorrow's cabinet meeting the President should thank Brady and the other Cabinet officers for their quick response.

Concurrence by: Condi Rice. CR

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments
Tab I Memo to the President
Tab A Memo from Secretary Brady

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THE PRESIDENT HAS SEEN
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THE WHITE HOUSE
WASHINGTON

November 29, 1989

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ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT BS for

SUBJECT: Your Telephone Call to President Mitterrand, November 30, 1989

Purpose

To consult with Mitterrand before your meeting with Gorbachev.

Background

When you and Mitterrand spoke by telephone on November 17, you agreed to a one-hour telephone conversation before your departure for Malta. Talking points are attached at Tab A.

Mitterrand has just sent you a letter, dated November 27 (translation attached at Tab B), telling you that he looks forward to seeing you in Brussels December 4 and also in Saint-Martin for your December 16 meeting. The letter is otherwise a brief review of developments in Eastern Europe and the challenges they pose to the West. He stresses, as did Chancellor Kohl, the need for encouraging change in ways that do not destabilize the "strategic equilibrium."

Mitterrand will want to brief you on the November 18 EC Summit, which he convened to spur the Community toward increased action in support of democratic change in Eastern Europe. As he will be meeting Gorbachev in Kiev on December 6, he will be particularly eager to compare notes.

RECOMMENDATION

That you draw on the talking points at Tab A for your call to Mitterrand.

cc: Vice President
Chief of Staff

Attachments
Tab A Points to be Made
Tab B Mitterrand Letter of November 27, 1989

Lebanon — syrians — move to wipe out Aun.

~~CONFIDENTIAL~~
Declassify on: OADR

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9619

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 29, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT D. BLACKWILL RDB

FROM: ROBERT L. HUTCHINGS RLH

SUBJECT: The President's Telephone Call to President Mitterrand, November 30, 1989

At Tab I is a memorandum from you to the President noting the background to the call and attaching talking points for his use. A translation of Mitterrand's November 27 letter to the President is attached at Tab B.

RECOMMENDATION

That you sign the memorandum for the President at Tab I.

Attachments
Tab I Memorandum for the President
Tab A Points to be Made
Tab B Mitterrand Letter of November 27, 1989

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2006
By CAP NARA, Date 4/9/2012

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POINTS TO BE MADE FOR TELEPHONE CONVERSATION WITH PRESIDENT MITTERRAND

-- I look forward to seeing you in Brussels on December 4 and to our December 16 meeting in the Caribbean.

-- Thank you for your message of November 27. It is helpful in preparing for some of the major issues that will arise in my meetings with Gorbachev.

-- It is immensely reassuring to confirm once again that we are thinking very much along the same lines.

-- Let me lay out for you some of the points I plan to make with Gorbachev and some of the issues I expect he will raise. I would welcome any thoughts or suggestions you have.

DECLASSIFIED
PER E.O. ~~12958,~~ 13526
~~AS AMENDED~~
2008.0766.MR
CAP 10/13/2012

U.S.-SOVIET RELATIONS

-- I plan to lay out my own vision of U.S.-Soviet relations -- where they are now, and where I would like them to go.

-- I will explain what I mean by moving "beyond containment."

-- We now have an opportunity to move toward an entirely new kind of relationship of enduring cooperation, in which the Soviet Union is fully integrated into the international community of states.

-- We want to end the cycle of cooperation and conflict -- good times followed by bad -- that have burdened U.S.-Soviet relations for forty years.

-- I will tell him that perestroika and "new thinking" give us a chance to succeed where our predecessors have failed.

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Declassify on: OADR

- o Perestroika can create the openness inside the USSR that makes it a good and reliable partner.
- o "New thinking" has meant willingness on Moscow's part to address some of the root causes of East-West conflict.

-- I will assure him that the U.S. wants perestroika to succeed and that we believe it can succeed.

-- Gorbachev will want to know what the U.S. is prepared to do to help. I will hear him out and see what can be done to facilitate trade and investment, bearing in mind there are economic and strategic obstacles.

-- I will explore his thinking on Soviet economic reform and what role he would like to see the USSR play in the international financial institutions.

-- There will also be a lot to discuss on regional issues. In addition to many particular points, I will raise with him our general concerns over Soviet behavior.

-- I will tell him that we need to move beyond crisis management and begin a true process of crisis prevention.

EASTERN EUROPE

-- On Eastern Europe, I want to stress that Western and Soviet interests are not incompatible. In many ways they coincide.

-- I will reassure him that neither we nor our Allies will exploit problems for unilateral advantage. We share his interest in peaceful, orderly change.

-- As you put it, we do not want to change the "strategic equilibrium" in ways that threaten Soviet security.

-- I will note in particular, as the EC did at the November 18 summit you convened, that we do not seek to dismember the Warsaw Pact.

-- And I will say that what has been happening, due in large part to perestroika and Soviet "new thinking," shows the way to a better future for all of us.

-- I will of course want to hear his views of these changes, and how he relates them to Soviet policy and interests.

THE GERMAN QUESTION

-- This is probably the most delicate issue we will touch on.

-- I certainly won't be drawn into any "understanding" with Gorbachev on change in the GDR or the future of Germany.

-- My stress will be on self-determination, first of all in the GDR. The GDR needs free elections, so that the people there can express themselves on their own future.

-- I will assure him there is no blueprint or timetable for German reunification.

-- And I will tell Gorbachev that the Federal Republic has the full understanding and support of its Allies, beginning with the United States.

ARMS CONTROL

-- As you know, we are working hard to ensure that this does not become an arms control meeting.

-- We will not be drawn into the details of ongoing negotiations, and we certainly will not make any unilateral deals over the heads of our allies. No surprises!

-- I do want to talk with him about our general approach and philosophy -- where we want to go, and why, and where we do not want to go.

  - o We want to keep the spotlight on our CFE proposal and not be pulled into some new gambit.
  - o On the strategic side, we will focus on ways to restructure our forces that strengthen stability at lower levels.

-- I will express concern at the continuing Soviet strategic modernization program and stress my determination to keep our own strategic deterrent up to date.

-- I will press hard on eliminating chemical weapons.

-- And I will stress again the need for a demilitarization of Soviet policy in all areas: this is the key to moving "beyond containment" to fundamentally new U.S.-Soviet, and East-West, relationship.

Dear Mr. President, Dear George,

To continue the telephone conversations which we have had recently and which I value greatly, I would like to share my thoughts on current events.

As everyone says, the evolution of the situation in Eastern Europe is speeding up. While Poland and Hungary began progressive reforms, events in East Germny moved with extreme rapidity. The same is true of Bulgaria. Now the political situation in Czechoslovakia shows a great desire for liberty. Tomorrow, one must hope, the Romanian people will put an end to an inhuman regime.

This poses a series of difficult problems for the West and especially the European Community. How to bring rapid, sufficient, and appropriate aid to the East European countries embarked on democritization? The action undertaken on behalf of Poland and Hungary as a result of the July Group of Seven Summit is a first response, but the effort must be increased. The EC is preparing to do so. The European Council will decide to do so in Strasbourg.

How should one encourage democritization in Eastern and Central Europe, particularly in the GDR, without provoking a modification of the strategic equilibrium for which the Soviet Union is not ready?

These are the questions which led me to convoke the chiefs of state and government of the European Community at the Elysee Palace on November 18.

The public declarations which I made at the end of this meeting reflect the substance and climate of our discussions. I thus will not repeat them.

I would like, nevertheless, to emphasize the unanimity which the participants showed in evaluating the the current situation.

Each of our governments is very aware of the role which the EC can and must play in the definition of a new European equilibrium, as soon as the EC has reinforced its own cohesion.

In this context, no one ignores the importance of maintaining the Atlantic Alliance and of seeing to it that European-American relations are as confident and rich as possible. You know my commitment in that regard.

I thus look forward to meeting you in Brussels on December 4 and in Saint Martin on December 16, when we can in a less formal way continue our exchange of views.

I beg you to accept, Mr. President, the expression of my highest consideration and my best wishes.

/S/ Francois Mitterrand

~~CONFIDENTIAL~~
NSC/S PROFILE

RECORD ID: 8909858
RECEIVED: 06 DEC 89 16

TO: PRESIDENT

CHRON FILE

FROM: EVANS, C
SCOWCROFT
BATES, D

DOC DATE: 29 NOV 89
SOURCE REF:

KEYWORDS: USSR EMIGRATION
ECONOMICS



PERSONS: DUBININ, YURIY V

SUBJECT: DOBRYNIN VIEW ON CODIFYING SOVIET EMIGRATION LAWS

ACTION: NOTED BY PRES DUE DATE: 09 DEC 89 STATUS: C

STAFF OFFICER: NONE LOGREF:

FILES: PA NSCIF: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		BLACKWILL
		DEAL
		DYKE
		RICE
		RODMAN

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 2/23/09

COMMENTS: _____

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OPENED BY: NSJWF CLOSED BY: NSJWF DOC 1 OF 1

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THE PRESIDENT HAS SEEN

9858

THE WHITE HOUSE

WASHINGTON

November 29, 1989 1989 NOV 30 AM 8:53

Coopie — May Thanks C B / 11-30

MEMORANDUM FOR THE PRESIDENT

THROUGH DAVID BATES
AND GENERAL SCOWCROFT

FROM COOPER EVANS

SUBJECT Dobrynin's Views on Codifying Soviet Emigration Laws

The purpose of this memorandum is to convey to you recent observations of Mr. Dobrynin, Assistant to President Gorbachev for US-USSR Relations, related to Jackson-Vanik and your December meeting with President Gorbachev.

At a social gathering shortly after the recent meeting of the Joint US-USSR Economic Commission, Soviet Ambassador Dubinin commented on Soviet codification of emigration laws. He made the following points:

* The Soviet Union recognizes how important codification is to the US.

* The **Supreme Soviet has begun the process of codification.**

* President **Gorbachev attaches a very high priority** to adoption of the necessary legislation.

* The legislative process should be **completed in December 1989.**

On hearing these remarks, Mr. Dobrynin took Dwayne Andreas aside and privately made the following points, asking that they be relayed to me:

* He, Dobrynin, was worried about the codification prospects. He commented approximately as follows:

"We in the Soviet Union also have hard-liners' just as you have in the US. They resist President Gorbachev's urging that the emigration rules be codified at once. They take the position that the US is pushing too hard, that there is much other important business before the Supreme Soviet, some of critical priority. I am **afraid we may not be able to complete codification in December in spite of President Gorbachev's best efforts."**

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PER E.O. 13526
2009-0940-MR
SCS 4/22/13

* Dobrynin suggested that perhaps the best way for both sides to proceed would be for you to be prepared to announce something along the following lines at the December meeting:

  - That you have received the strongest assurances from President Gorbachev that emigration policies are being codified and that the process will soon be completed.

  - That you believe and trust President Gorbachev on this point and are now prepared to waive Jackson-Vanik.

* Finally, Dobrynin stated that following such a statement by President Bush the Soviet hard-liners will have lost their principal argument and codification would follow promptly.

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NSC/S PROFILE

RECORD ID: 8909613
RECEIVED: 29 NOV 89 14

CHRON FILE

TO: BATES, D

FROM: SCOWCROFT

DOC DATE: 29 NOV 89
SOURCE REF:

KEYWORDS: USSR
MALTA

SUMMIT

PERSONS:

SUBJECT: PRES MTG W/ CABINET ON NOV 30 RE SUMMIT W/ GORBACHEV

ACTION: SCOWCROFT SGD MEMO DUE DATE: 02 DEC 89 STATUS: C

STAFF OFFICER: HUTCHINGS LOGREF:

FILES: WH NSCIF: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		BLACKWILL
		HUTCHINGS
		RICE

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cop NARA, Date 2/23/09

COMMENTS: _____

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OPENED BY: NSRLG CLOSED BY: NSJWD DOC 2 OF 2

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9613

THE WHITE HOUSE
WASHINGTON

November 29, 1989

MEMORANDUM FOR DAVID Q. BATES, JR.

FROM: BRENT SCOWCROFT

SUBJECT: The President's Meeting with the Cabinet, November 30, 1989

At Tab A are talking points for the President's use in his meeting with the Cabinet. They outline what he hopes to achieve from his meeting with Gorbachev and invite suggestions or words of caution.

Attachment
Tab A Points to be Made

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2006
By SAP NARA, Date 1/9/2012

cc: Vice President
Chief of Staff

~~CONFIDENTIAL~~
Declassify on: OADR

~~CONFIDENTIAL~~

TAB A

~~CONFIDENTIAL~~ ~~CONFIDENTIAL~~

POINTS TO BE MADE WITH THE CABINET
ON THE MALTA MEETING

-- Before leaving for Malta, I wanted to have an opportunity to discuss with you how I view my meeting with Gorbachev and what I hope to achieve.

-- Let me first say a special word of thanks to Nick Brady and the other Cabinet officers who offered their ideas on U.S.-Soviet economic relations.

-- You will be hearing from Jim Baker, Nick Brady, and Dick Cheney on different aspects of our relations with the Soviet Union.

-- There will be time for discussion and comment after each of them speaks. At those times, I would be interested in knowing what advice or words of caution you have for me.

-- As I keep telling the press, this is not a formal summit. But with so much happening in the Soviet Union and Eastern Europe, I want to sit down with Gorbachev -- face to face -- and probe his thinking.

-- I hope to get a better understanding of how Gorbachev views the challenges of perestroika -- especially the serious economic and nationalities problems -- and to reaffirm our support for the process of Soviet reform.

-- The entire range of issues on the U.S.-Soviet agenda is also up for discussion, but I expect the conversation to focus primarily on the U.S.-Soviet relationship, the momentous events taking place in Eastern Europe, and on regional affairs.

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PER E.O. 13526
2010-2821-MR
SCS 11/17/11

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Declassify on: OADR

-- Arms control will undoubtedly come up but will not be the central focus of this meeting, and I do not expect to get into the details of any of the ongoing negotiations. I do want to talk to him about our general approach and philosophy -- where we want to go in arms control, and why.

-- I will take this opportunity to discuss the extraordinary changes taking place in Eastern Europe but will make it clear that we are not negotiating the future of Europe.

-- I will urge him to continue the restraint that he has demonstrated as events have unfolded.

-- He must understand that any reversal of this policy by the Soviet Union in Eastern Europe would have serious consequences for U.S.-Soviet relations.

-- The German Question is probably the most delicate issue we will touch on. I certainly won't be drawn into any "understanding" with Gorbachev on change in the GDR or the future of Germany.

-- My stress will be on self-determination, first of all in the GDR. The GDR needs free elections, so that the people there can express themselves on their own future.

-- I will assure him there is no blueprint or timetable for German reunification.

-- As tensions in Europe diminish as a result of reform in Eastern Europe based on Western values, we hope to see a dramatically improved security environment -- and

~~CONFIDENTIAL~~

obviously we want to take advantage of those changes to help with our budget deficit.

-- But we must do nothing which would undermine the postwar framework of peace in which change is now taking place.

-- I also intend to raise a number of regional issues with Gorbachev. He needs to understand that we are disappointed in Soviet behavior in the Third World which is out of step with "new thinking" and the generally good state of U.S.-Soviet relations.

-- I will impress upon him that continued arms shipments by the Soviet Union and its allies to Afghanistan, Central America, Cambodia, Ethiopia and the Middle East are destabilizing.

-- I will stress again the need for a demilitarization of Soviet policy in all areas: this is the key to moving "beyond containment" to fundamentally new U.S.-Soviet, and East-West, relationship.

-- Now, let me turn to Jim Baker for his thoughts on the meeting.

~~CONFIDENTIAL~~ 9613

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

November 29, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

SIGNED

THROUGH: ROBERT D. BLACKWILL RB

FROM: ROBERT L. HUTCHINGS RLH

SUBJECT: The President's Meeting with the Cabinet, November 30, 1989

At Tab I is a memorandum from you to David Bates attaching talking points for the President's meeting with the Cabinet. They lay out his objectives for his meeting with Gorbachev and invite last-minute words of advice or caution -- which, as Bates suggested, should be offered during the presentations by Secretaries Baker, Brady, and Cheney.

CR
Condi Rice concurs.

RECOMMENDATION

That you sign the Tab I memo to Bates forwarding talking points for the President's use.

DECLASSIFIED
PER NSC WAIVER, August 6, 2010
By SAP NARA, Date 8/9/2012

Attachments
Tab I Memorandum for Bates
Tab A Points to be Made

~~CONFIDENTIAL~~
Declassify on: OADR