

# Ronald Reagan Presidential Library Digital Library Collections

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**Collection:** Executive Secretariat, National  
Security Council: Country File

**Folder Title:**

USSR (07/29/1982-07/31/1982)

**Box:** RAC Box 23

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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

**Withdrawer**

KDB 11/23/2015

**File Folder** USSR (7/29/82-7/31/82)

**FOIA**

F03-002/5

**Box Number** 23

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264

| ID     | Doc Type | Document Description                                                                                                          | No of Pages | Doc Date  | Restrictions |
|--------|----------|-------------------------------------------------------------------------------------------------------------------------------|-------------|-----------|--------------|
| 170658 | MEMO     | N. BAILEY TO W. CLARK RE GRAIN STATEMENT OPTIONS                                                                              | 1           | 7/29/1982 | B1           |
| 170659 | MEMO     | L. PAUL BREMER TO W. CLARK RE GRAIN STATEMENT OPTIONS (INCL. ATTACHMENT)<br><b>R 4/8/2013 CREST NLR-748-23-1-2-9</b>          | 3           | 7/28/1982 | B1           |
| 170660 | MEMO     | N. BAILEY TO W. CLARK RE IMPLEMENTATION OF PRESIDENTIAL DECISION                                                              | 1           | 7/29/1982 | B1           |
| 170663 | MEMO     | L. PAUL BREMER TO W. CLARK RE PRESIDENTIAL DECISION ON US-SOVIET GRAINS AGREEMENT<br><b>R 4/8/2013 CREST NLR-748-23-1-4-7</b> | 1           | 7/28/1982 | B1           |
| 170665 | CABLE    | RE US-SOVIET GRAIN AGREEMENT (DRAFT W/EDIT)<br><b>R 4/8/2013 CREST NLR-748-23-1-5-6</b>                                       | 2           | 7/28/1982 | B1           |
| 170661 | MEMO     | COPY OF DOC #170660 (N. BAILEY TO W. CLARK RE IMPLEMENTATION OF PRESIDENTIAL DECISION)                                        | 1           | 7/29/1982 | B1           |

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

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

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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 concerning wells [(b)(9) of the FOIA]

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

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| ID     | Doc Type | Document Description                                                                                                                                | No of Pages | Doc Date  | Restrictions |
|--------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------|--------------|
| 170664 | MEMO     | COPY OF DOC #170663 (L. PAUL BREMER TO W. CLARK RE PRESIDENTIAL DECISION ON US-SOVIET GRAINS AGREEMENT)<br><b>R 4/8/2013 CREST NLR-748-23-1-4-7</b> | 1           | 7/28/1982 | B1           |
| 170666 | CABLE    | RE US-SOVIET GRAIN AGREEMENT (SAME AS DOC #170665, W/SAME EDIT)<br><b>R 4/8/2013 CREST NLR-748-23-1-5-6</b>                                         | 2           | 7/28/1982 | B1           |
| 170662 | MEMO     | COPY OF DOC #170660 (N. BAILEY TO W. CLARK RE IMPLEMENTATION OF PRESIDENTIAL DECISION)                                                              | 1           | 7/29/1982 | B1           |
| 170667 | CABLE    | STATE 212354                                                                                                                                        | 1           | 7/30/1982 | B1           |
| 170668 | CABLE    | MOSCOW 9243<br><b>R 4/8/2013 CREST NLR-748-23-1-7-4</b>                                                                                             | 1           | 7/30/1982 | B1           |
| 170669 | MEMO     | N. BAILEY TO W. CLARK RE LONG-TERM GRAINS AGREEMENT - DRAFT CABLES                                                                                  | 1           | 7/30/1982 | B1           |
| 170670 | MEMO     | BREMER TO CLARK RE LONG-TERM GRAINS AGREEMENT<br><b>R 4/8/2013 CREST NLR-748-23-1-9-2</b>                                                           | 1           | 7/28/1982 | B1           |

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|--------|----------|--------------------------------------------------------------------------------------------------------------------|-------------|-----------|--------------|
| 170672 | CABLE    | COPY OF DOC #170671, W/EDITS (RE EXTENSION OF SOVIET GRAIN AGREEMENT)<br><b>R 4/8/2013 CREST NLR-748-23-1-10-0</b> | 4           | 7/19/1982 | B1           |
| 170673 | CABLE    | RE EXTENSION OF SOVIET GRAIN AGREEMENT<br><b>R 4/8/2013 CREST NLR-748-23-1-11-9</b>                                | 4           | 7/27/1982 | B1           |
| 170671 | CABLE    | RE EXTENSION OF SOVIET GRAIN AGREEMENT<br><b>R 4/8/2013 CREST NLR-748-23-1-10-0</b>                                | 4           | 7/19/1982 | B1           |
| 170674 | CABLE    | RE EXTENSION OF SOVIET GRAIN AGREEMENT<br><b>R 4/8/2013 CREST NLR-748-23-1-12-8</b>                                | 3           | 7/27/1982 | B1           |
| 170675 | CABLE    | MOSCOW 9265<br><b>R 4/8/2013 CREST NLR-748-23-1-13-7</b>                                                           | 1           | 7/31/1982 | B1           |

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|-----------|-----------------------------|--------------|-----------------|-----------------|
|           | <i>Document Description</i> | <i>pages</i> |                 | <i>tions</i>    |

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170658 MEMO

1 7/29/1982 B1

N. BAILEY TO W. CLARK RE GRAIN STATEMENT  
OPTIONS

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

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## DEPARTMENT OF STATE

Washington, D.C. 20520

July 28, 1982

170659

MEMORANDUM FOR MR. WILLIAM P. CLARK  
THE WHITE HOUSE

DECLASSIFIED

SUBJECT: Grain Statement Options

3-748-23-1-2-9

BY/CBB

JE 11/23/15

We have been asked to provide comments on three options for the President's statement on the future of the long-term grains agreement (LTA) with the Soviet Union.

Although three options are given, there appear in fact to be only two options: a simple extension of the existing agreement followed by consultations on possible higher purchases, and a simple extension coupled with an effort to obtain a Soviet commitment to buy more than the 6 million-ton minimum specified in the agreement. Option three is an ambiguous reformulation of the first option.

From the foreign policy perspective, the implication that we will be selling larger quantities of grain to the Soviet Union should be played down because of the expected reaction of our allies. In any event, contacts with the Soviets on the extension should be below the Cabinet level. Similarly, the consultations, which are led by USDA, are handled at the Undersecretary level.

Accordingly, the following changes should be made:

- (a) In all options the first line should read "I have decided that the United States will propose..."
- (b) In the first option, the second sentence should begin as follows: "As the agreement provides, the Department of Agriculture is authorized to consult with the Soviet Union with respect to..."
- (c) In the second and third options, second sentence, "Secretary of Agriculture" should be changed to "Department of Agriculture."

The Department favors option one, which accurately expresses the purpose and scope of the consultations which would follow a simple extension. The second option is unrealistic because we cannot expect the Soviets to make the unilateral concession of committing themselves to higher purchases. In fact, we have failed in earlier consultations to obtain such a commitment. As mentioned above, option three is essentially the same as option one but as phrased could be subject to misinterpretation.

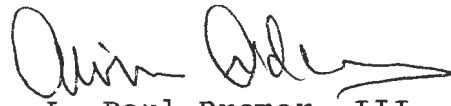
~~CONFIDENTIAL~~  
GDS: 7/28/88

3

~~CONFIDENTIAL~~

-2-

To allow for the possibility of an embarrassing Soviet rejection of our proposal, it is important that we offer the extension to them as soon as possible after the decision is made, and in any event as far as possible in advance of a public announcement. It is also very important to ensure advance notice to our allies. We have prepared game plans for handling the President's decision with both the allies and the Soviets.



L. Paul Bremer, III  
Executive Secretary

~~CONFIDENTIAL~~

GRAIN STATEMENT OPTIONS:  
-----

1. I have authorized the Secretary of Agriculture to propose an extension for one year of the existing grain agreement with the Soviet Union. I have further authorized the Secretary of Agriculture to consult with the Soviet Union, as normally conducted under the agreement, with respect to purchasing additional amounts of grain beyond those specified in the agreement.
2. I have authorized the Secretary of Agriculture to propose an extension for one year of the existing grain agreement with the Soviet Union. I have further authorized the Secretary of Agriculture to consult with the Soviet Union, as normally conducted under the agreement, with respect to raising the current minimum level for grain purchases beyond that which is specified in the agreement.
3. I have authorized the Secretary of Agriculture to propose an extension for one year of the existing grain agreement with the Soviet Union. I have further authorized the Secretary of Agriculture to consult with the Soviet Union, as normally conducted under the agreement, with respect to higher limits on purchases of additional amounts of grain beyond those specified in the agreement.



**National Security Council  
The White House**

283

Package #

5391

5

82 JU 29 P11:06

|                 | SEQUENCE TO | HAS SEEN | ACTION |
|-----------------|-------------|----------|--------|
| John Poindexter | _____       | _____    | _____  |
| Bud McFarlane   | _____       | _____    | _____  |
| Jacque Hill     | _____       | _____    | _____  |
| Judge Clark     | _____       | _____    | _____  |
| John Poindexter | 1           | J        | N      |
| Staff Secretary | _____       | _____    | _____  |
| Sit Room        | _____       | _____    | _____  |

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

**DISTRIBUTION**

cc: VP Meese Baker Deaver Other\_\_\_\_\_

**COMMENTS**

URGENT

KEYWORDS: EAST WEST ECONOMICS      GRAINS  
USSR

URGENT

SUBJECT: STATE COMMENTS RE GRAIN STATEMENT OPTIONS

ACTION:    PREPARE MEMO FOR CLARK                      DUE: 29 JUL 82 STATUS S    FILES

|            |                 |            |            |
|------------|-----------------|------------|------------|
| FOR ACTION | FOR CONCURRENCE |            | FOR INFO   |
| BAILEY     | NAU             | ROBINSON   | MCGAFFIGAN |
|            | PIPES           | DOBRIANSKY | MYER       |

COMMENTS

REF# 8222218                      LOG 8204453                      NSCIFID                      ( R / )

| ACTION OFFICER (S) | ASSIGNED    | ACTION REQUIRED                         | DUE         | COPIES TO |
|--------------------|-------------|-----------------------------------------|-------------|-----------|
| <i>Clark</i>       | <i>7/29</i> | <i>for decision</i>                     | <i>7/30</i> |           |
| <i>C</i>           | <i>7/30</i> | <i>No further action per Poundstone</i> |             |           |
|                    |             |                                         |             |           |
|                    |             |                                         |             |           |
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|-----------|---------------------------------------------------------------------------------|------------------------------|-----------------|---------------------------------|
| 170660    | MEMO<br><br>N. BAILEY TO W. CLARK RE IMPLEMENTATION<br>OF PRESIDENTIAL DECISION | 1                            | 7/29/1982       | B1                              |

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## DEPARTMENT OF STATE

Washington, D.C. 20520

8222316

July 28, 1982

5339 8  
170663

DECLASSIFIED

~~CONFIDENTIAL~~

NLRR 748-23-1-4-7

BY 6003 NARA DATE 11/23/5MEMORANDUM FOR MR. WILLIAM P. CLARK  
THE WHITE HOUSESUBJECT: Implementation of Presidential Decision on US-Soviet  
Grains Agreement

If the President decides to extend the US-Soviet Long-Term Grains Agreement (LTA) for one year, the Department of State recommends that this should be accomplished by an exchange of notes between U.S. Embassy Moscow and the Soviet Ministry of Foreign Affairs. This would be the quickest possible procedure and conceivably could be completed after the time the President makes his decision but before a public announcement is made. If so, we would avoid a possibly embarrassing Soviet rejection and could announce the President's decision and Soviet acceptance at the same time.

In addition, this would be the simplest procedure and would meet our foreign policy needs by avoiding even the appearance of negotiation.

Attached is a draft cable to Moscow containing the note we would propose to present to the Soviets. If the decision is for other than a simple extension, we would adjust the note accordingly.

  
L. Paul Bremer, III  
Executive Secretary

Attachment: Draft cable to Moscow

~~CONFIDENTIAL~~

GDS 7/28/82

170665

EUR/SOV:RHARMS  
S/S: 7/22/82

EUR:RBURT  
NSC:

EB:MCALINGAERT  
S/S:

DECLASSIFIED

IMMEDIATE

MOSCOW

NLRR 748-23.1.5-6  
BY KDB NARA DATE 11/23/05

E.O. 11652: GDS, 7/28/82 {BURT, RICHARD}

TAGS: UR,

SUBJECT: US-USSR GRAIN AGREEMENT

1. ~~CONFIDENTIAL~~ {ENTIRE TEXT}

2. THE PRESIDENT HAS DECIDED TO ~~SEEK~~ <sup>PROPOSE</sup> A ONE-YEAR EXTENSION OF THE LTA. WE HAVE CONCLUDED THAT THE MOST EFFICIENT WAY TO OBTAIN SOVIET AGREEMENT TO THIS EXTENSION WOULD BE THROUGH AN EXCHANGE OF NOTES IN MOSCOW.

2. ACTION REQUESTED: AT EARLIEST OPPORTUNITY, EMBASSY SHOULD PRESENT THE NOTE CONTAINED IN PARA {3} BELOW TO THE APPROPRIATE OFFICIAL IN THE MINISTRY OF FOREIGN AFFAIRS.

3. BEGIN TEXT OF NOTE:

----- THE EMBASSY OF THE UNITED STATES INVITES THE ATTENTION OF THE MINISTRY OF FOREIGN AFFAIRS OF THE UNION OF SOVIET SOCIALIST REPUBLICS TO THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS, SIGNED ON OCTOBER 20, 1975 AND EXTENDED ON AUGUST 5, 1981 FOR ONE YEAR UNTIL OCTOBER 1, 1982. THE EMBASSY PROPOSES THAT, IN ACCORDANCE WITH ARTICLE IX OF THE AGREEMENT, THE AGREEMENT BE FURTHER EXTENDED UNTIL SEPTEMBER 30, 1983.

S/S

RH

RB

MC

CONFIDENTIAL

~~CONFIDENTIAL~~

12

-----IF THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST  
REPUBLICS AGREES TO THIS PROPOSAL, WE PROPOSE THAT THIS  
NOTE AND THE MINISTRY OF FOREIGN AFFAIRS' CONCURRING  
REPLY SHALL CONSTITUTE AN AGREEMENT BETWEEN THE TWO  
GOVERNMENTS WHICH SHALL ENTER INTO FORCE UPON THE DATE  
OF THE MINISTRY'S REPLY.

END TEXT OF NOTE.

44

~~CONFIDENTIAL~~

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170661 MEMO

1 7/29/1982 B1

COPY OF DOC #170660 (N. BAILEY TO W. CLARK  
RE IMPLEMENTATION OF PRESIDENTIAL  
DECISION)

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Washington, D.C. 20520

8222316

July 28, 1982

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NLRR 748-2314-7

BY ICB NARA DATE 11/23/85MEMORANDUM FOR MR. WILLIAM P. CLARK  
THE WHITE HOUSESUBJECT: Implementation of Presidential Decision on US-Soviet  
Grains Agreement

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In addition, this would be the simplest procedure and would meet our foreign policy needs by avoiding even the appearance of negotiation.

Attached is a draft cable to Moscow containing the note we would propose to present to the Soviets. If the decision is for other than a simple extension, we would adjust the note accordingly.

  
L. Paul Bremer, III  
Executive Secretary

Attachment: Draft cable to Moscow

~~CONFIDENTIAL~~

GDS 7/28/82



170666

EUR/SOV:RHARMS  
7/22/82  
S/S:

EUR:RBURT  
NSC:

EB:MCALINGAERT  
S/S:

DECLASSIFIED

IMMEDIATE

MOSCOW

NLT 748-23-15-6  
BY LCDB TE 11/23/15

E.O. 11652: GDS, 7/28/82 (BURT, RICHARD)

TAGS: UR,

SUBJECT: US-USSR GRAIN AGREEMENT

1. ~~CONFIDENTIAL~~ (ENTIRE TEXT)

*PROPOSE*

2. THE PRESIDENT HAS DECIDED TO ~~SEEK~~ A ONE-YEAR EXTENSION OF THE LTA. WE HAVE CONCLUDED THAT THE MOST EFFICIENT WAY TO OBTAIN SOVIET AGREEMENT TO THIS EXTENSION WOULD BE THROUGH AN EXCHANGE OF NOTES IN MOSCOW.

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S/S  
RH  
RB  
MC

CONFIDENTIAL

14  
~~CONFIDENTIAL~~

12

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REPLY SHALL CONSTITUTE AN AGREEMENT BETWEEN THE TWO  
GOVERNMENTS WHICH SHALL ENTER INTO FORCE UPON THE DATE  
OF THE MINISTRY'S REPLY.

END TEXT OF NOTE.

44

~~CONFIDENTIAL~~

284/15

National Security Council  
The White House

RECEIVED

**SUSPENSE**

Package # 5339

82 JUL 30 P12: 58

|                 | SEQUENCE TO | HAS SEEN           | ACTION   |
|-----------------|-------------|--------------------|----------|
| John Poindexter | _____       | _____              | _____    |
| Bud McFarlane   | _____       | _____              | _____    |
| Jacque Hill     | _____       | _____              | _____    |
| Judge Clark     | _____       | _____              | _____    |
| John Poindexter | <u>1</u>    | <u>[Signature]</u> | _____    |
| Staff Secretary | _____       | _____              | _____    |
| Sit Room        | _____       | _____              | _____    |
| <u>BAILEY</u>   | <u>2</u>    | _____              | <u>A</u> |

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

DISTRIBUTION

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

Note time I received. Is this still what we want to do? Please check with Dean and Pipes again.

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170662 MEMO

1 7/29/1982 B1

COPY OF DOC #170660 (N. BAILEY TO W. CLARK  
RE IMPLEMENTATION OF PRESIDENTIAL  
DECISION)

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| Jacque Hill     | _____       | _____    | _____               |
| Judge Clark     | _____       | _____    | _____               |
| John Poindexter | _____       | _____    | _____               |
| Staff Secretary | _____       | _____    | _____               |
| Sit Room        | _____       | _____    | _____               |
| <u>ROBINSON</u> | _____       | _____    | _____               |
| I-Information   | A-Action    | B-Retain | D-Dispatch          |
|                 |             |          | N-No further Action |

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82 JUL 30 P12: 58

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| Bud McFarlane   | _____       | _____             | _____    |
| Jacque Hill     | _____       | _____             | _____    |
| Judge Clark     | _____       | _____             | _____    |
| John Poindexter | 1           | <i>[initials]</i> | _____    |
| Staff Secretary | _____       | <i>uw</i>         | _____    |
| Sit Room        | _____       | _____             | _____    |
| <i>BAILEY</i>   | 2           | _____             | <i>A</i> |

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**COMMENTS**

*Note time I received. Is this still what we want to do? Please check with Ivan and Pipes again.*

THE WHITE HOUSE  
WASHINGTON

Sailey's afc  
to advise  
if this is  
OBE  
or not,

OBE

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OF CLASSIFIED ENCLOSURES  
11/23/15 KOD

RECEIVED 29 JUL 82 10

TO CLARK

FROM BREMER

DOCDATE 28 JUL 82

URGENT

To Bailey

KEYWORDS: EAST WEST ECONOMICS  
USSR

GRAINS  
MEDIA

SUBJECT: PROPOSED DRAFT CABLE TO EMBASSY MOSCOW RE IMPLEMENTATION OF PRES  
DECISION ON US - SOVIET GRAINS AGREEMENT

ACTION: PREPARE MEMO FOR CLARK DUE: 30 JUL 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

BAILEY

NAU

ROBINSON

MCGAFFIGAN

PIPES

MYER

SIMS

Memo recommending  
approval of DOS  
suggestion

COMMENTS

REF# 8222316

LOG 8205391, 8205340 NSCIFID

( H / )

| ACTION OFFICER (S) | ASSIGNED | ACTION REQUIRED               | DUE | COPIES TO |
|--------------------|----------|-------------------------------|-----|-----------|
| Clark              | 4 7/29   | For Decision                  | 8/2 |           |
|                    | 2 7/31   | Noted by Poindexter w/comment |     |           |
| Bailey             | 5 7/31   | For further action            |     |           |
| Clark              | 4 8/3    | For Decision                  | 8/5 |           |
|                    | C 8/4    | BE per Bailey                 |     |           |

DISPATCH

W/ATTCH FILE PT (C)



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|-----------|-----------------------------------------------------|------------------------------|-----------------|---------------------------------|
| 170667    | CABLE<br><br>STATE 212354                           | 1                            | 7/30/1982       | B1                              |

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

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22

PAGE 01 MOSCOW 9243  
SIT496 DATE 08/10/82

DTG: 301356Z JUL 82 PSN: 025380  
TOR: 211/1359Z

ON AUGUST 2.  
HARTMAN

170668

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EOB:  
WHSR COMMENT:

MOSCOW 9243

DTG: 301356Z JUL 82 PSN: 025380

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE  
DE RUEHMO #9243 2111357  
O 301356Z JUL 82 ZFF-A  
FM AMEMBASSY MOSCOW

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BY 3748-23-1-7-4

BY 6013 NARA DATE 11/23/15

TO SECSTATE WASHDC NIACT IMMEDIATE 7259

~~C O N F I D E N T I A L~~ MOSCOW 09243  
E.O. 12065: GDS 7/30/88 (HARTMAN, A) DR-M  
TAGS: EAGR, ECON, ECSN, ELAB, UR  
SUBJECT: LONG-TERM GRAIN AGREEMENT--REACTION FROM  
MINISTRY OF FOREIGN TRADE  
REF: MOSCOW 9212, STATE 212138

1. ~~10~~ ENTIRE TEXT.)

2. AFTER SOME DELAY, AG COUNS ARRANGED A MEETING WITH P.I. SAKUN AND A. MELNIKOV, MINISTRY OF FOREIGN TRADE, (BOTH MEMBERS OF THE SOVIET DELEGATION TO THE REGULAR GRAIN CONSULTATIONS) TO INFORM THEM THE PRESIDENT IS CONSIDERING THE POSSIBILITY OF EXTENDING THE EXISTING LONG-TERM GRAINS AGREEMENT FOR ONE YEAR. THEY WERE ALSO TOLD THAT U.S. SIDE WOULD BE FORMALLY PROPOSING THIS IN AN EXCHANGE OF NOTES SOON.

3. SAKUN EXPRESSED THANKS FOR THE INFORMATION, BUT NOTED THAT WITH ALL THE PUBLICITY ABOUT THIS SUBJECT, IT COULD HARDLY BE CALLED FRESH NEWS TO THE SOVIET SIDE. BOTH SAKUN AND MELNIKOV PRESSED HARD FOR MORE INFORMATION ABOUT WHAT THE U.S. SIDE WOULD BE PROPOSING. THEY WANTED

MESSAGE (CONTINUED):

TO KNOW, AMONG OTHER THINGS, WHETHER THERE WOULD BE NEGOTIATIONS, OR A SIMPLE EXCHANGE OF NOTES TO EXTEND THE AGREEMENT. SAKUN THEN EXPRESSED HIS DISPLEASURE ABOUT THE WAY THE AMERICAN SIDE HAD BEEN PROCEEDING, ACTING AS IF AN EXTENSION WAS A UNILATERAL DECISION FOR ONLY THE U.S. SIDE TO MAKE. HE THEN POINTED OUT THAT A YEAR AGO AT THE VIENNA MEETINGS, THE U.S. SIDE SAID THAT NEGOTIATIONS FOR A NEW AGREEMENT WOULD BE STARTED SOON, BUT HE SAID, NOTHING HAS HAPPENED, AND WE ARE STILL WAITING.

4. SAKUN SAID HE WOULD PASS THE INFORMATION ABOUT THE U.S. DECISION TO MR. GORDEYEV, DEPUTY MINISTER OF FOREIGN TRADE, WHEN HE RETURNED FROM VACATION

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# WITHDRAWAL SHEET

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|-----------|-----------------------------------------------------|------------------------------|-----------------|---------------------------------|

170669 MEMO

1 7/30/1982 B1

N. BAILEY TO W. CLARK RE LONG-TERM GRAINS  
AGREEMENT - DRAFT CABLES

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

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## DEPARTMENT OF STATE

Washington, D.C. 20520

S/S 8222289

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170670

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July 28, 1982

NLR 748 23-1-9-2

~~SECRET~~

BY LCDB NARA DATE 11/27/85

MEMORANDUM FOR MR. WILLIAM P. CLARK  
THE WHITE HOUSE

Subject: Long-Term Grains Agreement

In connection with the pending decision by the President on the Long-Term Grain Agreement, attached are two sets of alternate cables for your urgent clearance.

At Tab 1 are cables to our allies and major grain producers which report a decision to extend the Agreement without higher minimums. At Tab 2 are alternate cables to the same addressees reporting a decision to extend the Long-Term Grains Agreement and increase the minimums.

Under separate cover we will forward to you a similar set of alternate cables to Moscow to report the President's decision.

Please advise us as soon as possible of the President's decision, with your clearance on the appropriate set of cables so that we may undertake requisite consultations with our allies.

  
L. Paul Bremer, III  
Executive Secretary

## Attachments:

- Tab 1 - Cables reporting decision without higher minimums
- Tab 2 - Cables reporting decision with higher minimums

~~SECRET~~  
GDS 7/28/87

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|-----------|---------------------------------------------------------------------------------------|------------------------------|-----------------|---------------------------------|
| 170672    | CABLE<br><br>COPY OF DOC #170671, W/EDITS (RE EXTENSION<br>OF SOVIET GRAIN AGREEMENT) | 4                            | 7/19/1982       | B1                              |

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BY KOP NAR. DATE 11/27/15

7/19/82 EXT. 23036

EB/ORF:MCALINGAERT

USTR:DNELSON

USDA:DNVOVOTNY

EUR:TNILES

EB/ORF:MCALINGAERT

T:RAHERNE

IMMEDIATE ALL NATO CAPITALS, TOKYO IMMEDIATE

IMMEDIATE MOSCOW

EXDIS

EXDIS ALSO USEC FOR ACTION, USOEDC FOR INFO

E.O. 12065: GDS: 7/19/88 {CALINGAERT, MICHAEL}

TAGS: EAGR, ETRD, US, UR

SUBJECT: EXTENSION OF THE SOVIET GRAIN AGREEMENT

1. ~~FOR~~ - ENTIRE TEXT.

2. POSTS ARE REQUESTED TO INFORM APPROPRIATE HOST GOVERNMENT OFFICIALS {USEC - EC COMMISSION; USNATO AS APPROPRIATE; OTTAWA-FOR WHEAT BOARD, SEE SEPTTEL} AS SOON AS POSSIBLE THAT THE PRESIDENT WILL SHORTLY ANNOUNCE HIS DECISION TO OFFER TO THE USSR A SIMPLE ONE-YEAR EXTENSION OF THE US-SOVIET LONG-TERM GRAIN AGREEMENT {LTA}. POSTS SHOULD DRAW ON FOLLOWING POINTS IN DISCUSSIONS WITH HOST OFFICIALS:

-- THE PRESIDENT'S DECISION TO EXTEND, FOR THE SECOND TIME, THE PRESENT GRAIN AGREEMENT RATHER THAN NEGOTIATE A NEW ONE TAKES INTO ACCOUNT HIS COMMITMENT TO A FIRM POLICY ON POLAND. THE SITUATION THERE HAS NOT CHANGED, AND UNDER THE PRESENT CIRCUMSTANCES, IT WOULD NOT BE APPROPRIATE TO LIFT THE SANCTION HE ANNOUNCED LAST DECEMBER POSTPONING NEGOTIATIONS ON A NEW BILATERAL AGREEMENT.

-- THE ADMINISTRATION HAS BEEN UNDER SEVERE PRESSURE FROM AGRICULTURAL INTERESTS TO INCREASE THE MINIMUM LEVELS IN THE LTA TO CORRESPOND MORE CLOSELY TO THE HIGHER LEVELS OF GRAINS TRADE WITH THE SOVIETS WHICH HAVE DEVELOPED SINCE

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2

WE FIRST ENTERED INTO THE LTA IN THE MID-1970'S, AND TO REGAIN A FAIR SHARE OF THE SOVIET MARKET. {DURING THE EMBARGO WE LOST MARKET SHARE WHILE OTHER SUPPLIERS GAINED.} DESPITE THIS ECONOMIC RATIONALE, AND HIGH SOVIET IMPORT NEEDS, THE PRESIDENT HAS DECIDED TO FOREGO AN EXPANDED AGREEMENT, WHICH WAS PERCEIVED AS IMPORTANT BY LARGE SEGMENTS OF THE U.S. FARM COMMUNITY, NOW EXPERIENCING SERIOUS ECONOMIC DIFFICULTIES.

-- EXTENSION OF THE GRAIN AGREEMENT IS CONSISTENT WITH THE THRUST OF OUR ECONOMIC POLICY VIS-A-VIS THE USSR. OUR GRAIN SALES ARE NEITHER MADE WITH SUBSIDIZED CREDITS NOR DOES THE GRAIN TRADE CONTRIBUTE TO SOVIET TECHNOLOGICAL CAPABILITY OR HARD CURRENCY EARNINGS.

-- WE HAVE NEVER PROPOSED A GRAIN EMBARGO AS A POLISH SANCTION. ~~AND DO NOT ADVOCATE A BROADER POLICY OF ECONOMIC WARFARE AGAINST THE USSR.~~

-- EXTENDING THE AGREEMENT WITH THE USSR, RATHER THAN ALLOWING IT TO LAPSE, PRESERVES THE FRAMEWORK FOR US-SOVIET GRAINS TRADE, AND ALLOWS CONTINUED U.S. GOVERNMENT OVERSIGHT OF SOVIET PURCHASES. ~~IT PROVIDES A BASIS FOR CURRENT LEVELS OF TRADE AND FOR EXPANDING OUR OFFICIAL RELATIONS WITH THE USSR, AT SOME TIME IN THE FUTURE, SHOULD CIRCUMSTANCES AND SOVIET BEHAVIOR WARRANT.~~

-- WE WOULD ASK THAT YOU HOLD THIS INFORMATION IN CONFIDENCE PENDING PUBLIC ANNOUNCEMENT OF THE DECISION.

3. FOLLOWING IS BACKGROUND ON THE AGREEMENT AND QUESTIONS AND ANSWERS PREPARED FOR DEPARTMENT SPOKESMAN FOR YOUR USE ONCE THE DECISION HAS BEEN ANNOUNCED.

4. PRESS GUIDANCE: U.S.-SOVIET GRAIN AGREEMENT {UNCLASSIFIED UPON PUBLIC ANNOUNCEMENT}.

BACKGROUND: THE U.S.-SOVIET LONG-TERM GRAIN AGREEMENT {LTA}, WHICH ORIGINALLY COVERED THE 1976-81 PERIOD, WAS EXTENDED LAST AUGUST FOR A SIXTH YEAR, THROUGH SEPTEMBER 30, 1982. THE PRESIDENT HAS NOW DECIDED TO PROPOSE TO THE SOVIETS A SIMPLE EXTENSION OF THE AGREEMENT FOR A SEVENTH YEAR, WITH NO CHANGES IN ITS SUBSTANTIVE PROVISIONS. ARTICLE I OF THE AGREEMENT COMMITS THE SOVIETS TO PURCHASE AT LEAST SIX MILLION TONS OF U.S. GRAIN ANNUALLY {THREE MILLION TONS EACH OF WHEAT AND CORN}, AND ALLOWS THEM TO PURCHASE AN ADDITIONAL TWO MILLION TONS WITHOUT PRIOR CONSULTATIONS WITH THE U.S. GOVERNMENT. ARTICLE II GUARANTEES THESE EIGHT MILLION

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3

TONS AGAINST U.S. DISCRETIONARY CONTROLS. OTHER PROVISIONS PROVIDE FOR SEMIANNUAL CONSULTATIONS, SPACING OF PURCHASES, AND AN "ESCAPE CLAUSE" IN THE EVENT OF VERY SHORT SUPPLIES IN THE U.S. GRAIN SALES TO THE SOVIETS UNDER THE LTA ARE MADE BY THE PRIVATE TRADE AT PREVAILING MARKET PRICES.

EXCEPT DURING THE PERIOD OF THE PARTIAL GRAIN EMBARGO, WHICH APPLIED ONLY TO AMOUNTS ABOVE EIGHT MILLION TONS, THE U.S. HAS ALWAYS OFFERED THE SOVIETS ACCESS TO ADDITIONAL AMOUNTS OF U.S. GRAIN. FOR INSTANCE, FOR THIS AGREEMENT YEAR, THE SOVIETS HAVE BEEN AUTHORIZED TO PURCHASE UP TO 23 MILLION TONS OF U.S. GRAIN, OF WHICH THEY HAVE BOUGHT ABOUT 14 MILLION TONS. THE U.S. NOW SUPPLIES ABOUT 30% OF SOVIET GRAIN IMPORTS {COMPARED TO ABOUT 70 PERCENT BEFORE THE EMBARGO}. OTHER KEY SUPPLIERS ARE ARGENTINA, CANADA, AUSTRALIA AND THE EUROPEAN COMMUNITY. CANADA AND ARGENTINA ALSO HAVE LONG-TERM GRAIN AGREEMENTS WITH THE USSR.

#### 5. QUESTIONS AND ANSWERS

Q- WHAT DID THE PRESIDENT DECIDE ABOUT THE FUTURE OF THE US-SOVIET GRAIN AGREEMENT?

A. THE PRESIDENT HAS DECIDED TO PROPOSE TO THE SOVIET UNION A SIMPLE ONE-YEAR EXTENSION OF THE CURRENT GRAIN AGREEMENT, THROUGH SEPTEMBER 30, 1983. ~~WE DO NOT KNOW WHAT THE SOVIET RESPONSE WILL BE.~~

Q. WILL THERE BE ANY CHANGES TO THE AGREEMENT?

A. THE DECISION WAS MADE TO SEEK AN EXTENSION OF THE AGREEMENT AS IS, WITH NO CHANGES IN ITS SUBSTANTIVE PROVISIONS. THE MINIMUM ANNUAL SOVIET PURCHASE REQUIREMENT WILL REMAIN AT 6 MILLION TONS ANNUALLY {3 MILLION TONS EACH OF WHEAT AND CORN} WITH THE POSSIBILITY THAT THE SOVIETS MAY PURCHASE AN ADDITIONAL 2 MILLION TONS WITHOUT CONSULTATIONS WITH THE US GOVERNMENT. PURCHASES ABOVE 8 MILLION TONS WOULD CONTINUE TO REQUIRE CONSULTATIONS.

Q. ARE THERE ANY PLANS TO OFFER THE SOVIETS MORE THAN 8 MILLION TONS OF GRAIN FOR THE COMING YEAR?

A. IF THE SOVIETS AGREE TO THE EXTENSION, WE WOULD EXPECT TO CONTINUE TO HOLD SEMIANNUAL CONSULTATIONS WITH THEM AS REQUIRED BY THE AGREEMENT. AS USUAL, AT THE

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~~CONFIDENTIAL~~

4

FIRST ROUND OF THE 1982/83 CONSULTATIONS, WE WOULD EXPECT TO DISCUSS THE POSSIBILITY OF ADDITIONAL SOVIET PURCHASES.

Q. WHEN WOULD YOU EXPECT TO HOLD THESE CONSULTATIONS?

A. UNDER THE AGREEMENT, CONSULTATIONS CAN BE HELD AT THE REQUEST OF EITHER SIDE AT ANY TIME. ONCE THE EXTENSION HAS BEEN AGREED TO, THE DEPARTMENT OF AGRICULTURE WILL BE AUTHORIZED TO ENTER INTO CONSULTATIONS ON ADDITIONAL GRAIN SALES TO THE USSR.

Q. HOW MUCH GRAIN HAVE THE SOVIETS BOUGHT THIS YEAR? DO YOU EXPECT THEM TO BUY MORE SOON?

A. SO FAR IN THE SIXTH AGREEMENT YEAR (OCTOBER 1981-SEPTEMBER 1982) THE SOVIETS HAVE BOUGHT CLOSE TO 14 MILLION TONS OF US GRAIN. IT IS HARD TO PREDICT FUTURE SOVIET BUYING INTENTIONS, BUT WE EXPECT THAT NEW PURCHASES MIGHT BEGIN TOWARD THE END OF THE SUMMER.

Q. HOW DOES THE DECISION TO PROPOSE AN EXTENSION OF THE GRAIN AGREEMENT AFFECT THE ADMINISTRATION'S POLAND POLICY?

A. IN RESPONSE TO SOVIET INVOLVEMENT IN THE REPRESSION IN POLAND, LAST DECEMBER THE PRESIDENT IMPOSED A NUMBER OF ECONOMIC SANCTIONS AGAINST THE USSR, INCLUDING POSTPONING NEGOTIATIONS ON A NEW LONG-TERM AGREEMENT. THE SITUATION IN POLAND HAS NOT IMPROVED AND THE SANCTION STILL STANDS. THE AGREEMENT WILL NOT BE RENEGOTIATED. WE ARE MERELY CONTINUING THE EXISTING AGREEMENT ON A SHORT-TERM BASIS. WE DID NOT INCLUDE A GRAIN EMBARGO IN THE SANCTIONS ANNOUNCED LAST DECEMBER, ~~NOR DO WE ADVOCATE A BROADER POLICY OF ECONOMIC WARFARE AGAINST THE USSR.~~

Q. HOW DO YOU EXPECT OUR EUROPEAN ALLIES TO REACT TO THE EXTENSION OF THE US-SOVIET GRAIN AGREEMENT IN LIGHT OF THE RECENT DECISION ON THE PIPELINE LICENSES?

A. THE EXTENSION OF THE GRAIN AGREEMENT IS CONSISTENT WITH OUR POLAND-RELATED POLICIES, INCLUDING THE RECENT DECISION ON THE PIPELINE. THE GRAIN TRADE DOES NOT CONTRIBUTE TO SOVIET HARD CURRENCY EARNINGS AS WOULD THE PIPELINE--IN FACT, THE SOVIETS NOW SPEND A CONSIDERABLE PROPORTION OF THEIR FOREIGN EXCHANGE ON FOOD IMPORTS. NOR DO GRAIN IMPORTS ADVANCE SOVIET TECHNOLOGICAL CAPABILITY. WE THINK THE EUROPEANS DO UNDERSTAND THAT A SIMPLE EXTENSION OF THE GRAIN AGREEMENT WITHOUT HIGHER PURCHASES LEVELS IS CONSISTENT WITH OTHER U.S. POLICIES ON EAST-WEST TRADE. MOREOVER, IT IS USEFUL TO NOTE THAT THE EUROPEANS ALSO SELL GRAIN TO THE SOVIET UNION.

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5

Q. WHAT WILL HAPPEN IF THE SOVIETS REFUSE TO EXTEND THE AGREEMENT?

A. IN THAT CASE, THE AGREEMENT WOULD SIMPLY LAPSE AND THE SOVIETS WOULD BE FREE TO PURCHASE GRAIN IN THE U.S. MARKET ON THE SAME BASIS AS ANY OTHER CUSTOMER, AS WE TOLD THE SOVIETS DURING THE MAY, 1982 CONSULTATIONS UNDER THE PRESENT AGREEMENT.

Q. SECRETARY BLOCK HAS LOBBIED HARD FOR A NEW AGREEMENT WITH INCREASED MINIMUM PURCHASE AMOUNTS. IF THE SITUATION IN POLAND IMPROVES, WOULD THE U.S. SEEK A NEW AGREEMENT?

A. WE CERTAINLY HOPE THAT THE SITUATION THERE DOES IMPROVE BUT THE DECISION TODAY DOES NOT ADDRESS WHAT WE WOULD DO IF THE SITUATION IN POLAND "IMPROVES".

Q. WHY DID THE ADMINISTRATION CHOOSE TO EXTEND THE AGREEMENT AS IS, RATHER THAN SEEK AN AGREEMENT WITH HIGHER PURCHASE LEVELS?

A. THE DECISION ON THE GRAIN AGREEMENT WAS TO SEEK TO KEEP US-SOVIET GRAIN TRADE ON THE SAME BASIS AS IT IS NOW. THE AGREEMENT PROVIDES FOR MINIMUM ANNUAL SOVIET PURCHASES OF 6 MILLION TONS, AND THE OPPORTUNITY EXISTS TO SELL SUBSTANTIAL ADDITIONAL QUANTITIES, AS WE HAVE DONE IN THE PAST.

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NLRR 748-23-1-11-9

EB/0FP/FPD:MAPETERS:JS  
 7/27/82 EXT. 22124  
 EB/0RF:MCALINGAERT

BY 1608 NARA DATE 11/23/15

EB/0FP/FPD:BRFURNESS  
 EUR:TNILES  
 USTR:DNELSON

EB/0RF:MCALINGAERT  
 EA/ANZ:BBAAS  
 ARA/SC:SSMITH

IMMEDIATE OTTAWA, CANBERRA IMMEDIATE, BUENOS AIRES IMMEDIATE

EXDIS

E.O. 12065: GDS: 7/27/88 {CALINGAERT, MICHAEL}

TAGS: ETRD, EAGR, UR, US

SUBJECT: EXTENSION OF US-SOVIET GRAIN AGREEMENT

1. ~~FOR~~ AS SOON AS POSSIBLE, POSTS ARE REQUESTED TO INFORM APPROPRIATE HOST GOVERNMENT OFFICIALS, INCLUDING WHEAT OR GRAIN BOARD HEADS, THAT THE PRESIDENT WILL SHORTLY ANNOUNCE HIS DECISION TO SEEK A SIMPLE ONE-YEAR EXTENSION OF THE US-SOVIET GRAIN AGREEMENT. POSTS MAY DRAW ON THE FOLLOWING BACKGROUND AND PRESS GUIDANCE IN DISCUSSIONS WITH HOST GOVERNMENT OFFICIALS. PLEASE ASK THAT THIS INFORMATION BE KEPT CONFIDENTIAL UNTIL THE PUBLIC ANNOUNCEMENT IS MADE.

2. THE U.S.-SOVIET LONG-TERM GRAIN AGREEMENT (LTA), WHICH ORIGINALLY COVERED THE 1976-81 PERIOD, WAS EXTENDED LAST AUGUST FOR A SIXTH YEAR, THROUGH SEPTEMBER 30, 1982. THE PRESIDENT HAS NOW DECIDED TO PROPOSE TO THE SOVIETS A SIMPLE EXTENSION OF THE AGREEMENT FOR A SEVENTH YEAR, WITH NO CHANGES IN ITS SUBSTANTIVE PROVISIONS. ARTICLE I OF THE AGREEMENT COMMITS THE SOVIETS TO PURCHASE AT LEAST SIX MILLION TONS OF U.S. GRAIN ANNUALLY (THREE MILLION TONS EACH OF WHEAT AND CORN), AND ALLOWS THEM TO PURCHASE AN ADDITIONAL TWO MILLION TONS WITHOUT PRIOR CONSULTATIONS WITH THE U.S. GOVERNMENT. ARTICLE II GUARANTEES THESE EIGHT MILLION TONS AGAINST U.S. DISCRETIONARY CONTROLS.

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2

OTHER PROVISIONS PROVIDE FOR SEMIANNUAL CONSULTATIONS, SPACING OF PURCHASES, AND AN "ESCAPE CLAUSE" IN THE EVENT OF VERY SHORT SUPPLIES IN THE U.S. GRAIN SALES TO THE SOVIETS UNDER THE LTA ARE MADE BY THE PRIVATE TRADE AT PREVAILING MARKET PRICES.

EXCEPT DURING THE PERIOD OF THE PARTIAL GRAIN EMBARGO, WHICH APPLIED ONLY TO AMOUNTS ABOVE EIGHT MILLION TONS, THE U.S. HAS ALWAYS OFFERED THE SOVIETS ACCESS TO ADDITIONAL AMOUNTS OF U.S. GRAIN. FOR INSTANCE, FOR THIS AGREEMENT YEAR, THE SOVIETS HAVE BEEN AUTHORIZED TO PURCHASE UP TO 23 MILLION TONS OF U.S. GRAIN, OF WHICH THEY HAVE BOUGHT ABOUT 14 MILLION TONS. THE U.S. NOW SUPPLIES ABOUT 30% OF SOVIET GRAIN IMPORTS (COMPARED TO ABOUT 70 PERCENT BEFORE THE EMBARGO. OTHER KEY SUPPLIERS ARE ARGENTINA, CANADA, AUSTRALIA AND THE EUROPEAN COMMUNITY. CANADA AND ARGENTINA ALSO HAVE LONG-TERM GRAIN AGREEMENTS WITH THE USSR.

### 3. QUESTIONS AND ANSWERS

Q. WHAT DID THE PRESIDENT DECIDE ABOUT THE FUTURE OF THE US-SOVIET GRAIN AGREEMENT?

A. THE PRESIDENT HAS DECIDED TO PROPOSE TO THE SOVIET UNION A SIMPLE ONE-YEAR EXTENSION OF THE CURRENT GRAIN AGREEMENT, THROUGH SEPTEMBER 30, 1983. WE DO NOT KNOW WHAT THE SOVIET RESPONSE WILL BE.

Q. WILL THERE BE ANY CHANGES TO THE AGREEMENT?

A. THE DECISION WAS MADE TO SEEK AN EXTENSION OF THE AGREEMENT AS IS, WITH NO CHANGES IN ITS SUBSTANTIVE PROVISIONS. THE MINIMUM ANNUAL SOVIET PURCHASE REQUIREMENT WILL REMAIN AT 6 MILLION TONS ANNUALLY (3 MILLION TONS EACH OF WHEAT AND CORN) WITH THE POSSIBILITY THAT THE SOVIETS MAY PURCHASE AN ADDITIONAL 2 MILLION TONS WITHOUT CONSULTATIONS WITH THE US GOVERNMENT. PURCHASES ABOVE 6 MILLION TONS WOULD CONTINUE TO REQUIRE CONSULTATIONS.

Q. ARE THERE ANY PLANS TO OFFER THE SOVIETS MORE THAN 8 MILLION TONS OF GRAIN FOR THE COMING YEAR?

A. IF THE SOVIETS AGREE TO THE EXTENSION, WE WOULD EXPECT TO CONTINUE TO HOLD SEMIANNUAL CONSULTATIONS WITH THEM AS REQUIRED BY THE AGREEMENT. AS USUAL, AT THE FIRST ROUND OF THE 1982/83 CONSULTATIONS, WE WOULD EXPECT TO DISCUSS THE POSSIBILITY OF ADDITIONAL SOVIET PURCHASES.

Q. WHEN WOULD YOU EXPECT TO HOLD THESE CONSULTATIONS?

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A. UNDER THE AGREEMENT, CONSULTATIONS CAN BE HELD AT THE REQUEST OF EITHER SIDE AT ANY TIME. ONCE THE EXTENSION HAS BEEN AGREED TO, THE DEPARTMENT OF AGRICULTURE WILL BE AUTHORIZED TO ENTER INTO CONSULTATIONS ON ADDITIONAL GRAIN SALES TO THE USSR.

Q. HOW MUCH GRAIN HAVE THE SOVIETS BOUGHT THIS YEAR? DO YOU EXPECT THEM TO BUY MORE SOON?

A. SO FAR IN THE SIXTH AGREEMENT YEAR (OCTOBER 1981-SEPTEMBER 1982) THE SOVIETS HAVE BOUGHT CLOSE TO 14 MILLION TONS OF US GRAIN. IT IS HARD TO PREDICT FUTURE SOVIET BUYING INTENTIONS, BUT WE EXPECT THAT NEW PURCHASES MIGHT BEGIN TOWARD THE END OF THE SUMMER.

Q. HOW DOES THE DECISION TO PROPOSE AN EXTENSION OF THE GRAIN AGREEMENT AFFECT THE ADMINISTRATION'S POLAND POLICY?

A. IN RESPONSE TO SOVIET INVOLVEMENT IN THE REPRESSION IN POLAND, LAST DECEMBER THE PRESIDENT IMPOSED A NUMBER OF ECONOMIC SANCTIONS AGAINST THE USSR, INCLUDING POSTPONING NEGOTIATIONS ON A NEW LONG-TERM AGREEMENT. THE SITUATION IN POLAND HAS NOT IMPROVED AND THE SANCTION STILL STANDS. THE AGREEMENT WILL NOT BE RENEGOTIATED. WE ARE MERELY CONTINUING THE EXISTING AGREEMENT ON A SHORT-TERM BASIS. WE DID NOT INCLUDE A GRAIN EMBARGO IN THE SANCTIONS ANNOUNCED LAST DECEMBER NOR DO WE ADVOCATE A BROADER POLICY OF ECONOMIC WARFARE AGAINST THE USSR.

Q. HOW DO YOU EXPECT OUR EUROPEAN ALLIES TO REACT TO THE EXTENSION OF THE US-SOVIET GRAIN AGREEMENT IN LIGHT OF THE RECENT DECISION ON THE PIPELINE LICENSES?

A. THE EXTENSION OF THE GRAIN AGREEMENT IS CONSISTENT WITH OUR POLAND-RELATED POLICIES, INCLUDING THE RECENT DECISION ON THE PIPELINE. THE GRAIN TRADE DOES NOT CONTRIBUTE TO SOVIET HARD CURRENCY EARNINGS AS WOULD THE PIPELINE--IN FACT, THE SOVIETS NOW SPEND A CONSIDERABLE PROPORTION OF THEIR FOREIGN EXCHANGE ON FOOD IMPORTS. NOR DO GRAIN IMPORTS ADVANCE SOVIET TECHNOLOGICAL CAPABILITY. WE THINK THE EUROPEANS UNDERSTAND THIS DISTINCTION, AND WILL RECOGNIZE THAT A SIMPLE EXTENSION OF THE GRAIN AGREEMENT WITHOUT HIGHER PURCHASES LEVELS IS CONSISTENT WITH OTHER U.S. POLICIES ON EAST-WEST TRADE. MOREOVER, IT IS USEFUL TO NOTE THE EUROPEANS ALSO SELL GRAIN TO THE SOVIET UNION.

Q. WHAT WILL HAPPEN IF THE SOVIETS REFUSE TO EXTEND THE AGREEMENT?

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A. IN THAT CASE, THE AGREEMENT WOULD SIMPLY LAPSE AND THE SOVIETS WOULD BE FREE TO PURCHASE GRAIN IN THE U.S. MARKET ON THE SAME BASIS AS ANY OTHER CUSTOMER, AS WE TOLD THE SOVIETS DURING THE MAY, 1982 CONSULTATIONS UNDER THE PRESENT AGREEMENT.

Q. SECRETARY BLOCK HAS LOBBIED HARD FOR A NEW AGREEMENT WITH INCREASED MINIMUM PURCHASE AMOUNTS. IF THE SITUATION IN POLAND IMPROVES, WOULD THE U.S. SEEK A NEW AGREEMENT?

A. WE CERTAINLY HOPE THAT THE SITUATION THERE DOES IMPROVE BUT THE DECISION TODAY DID NOT ADDRESS WHAT WE WOULD DO IF THE SITUATION IN POLAND "IMPROVES".

Q. WHY DID THE ADMINISTRATION CHOOSE TO EXTEND THE ARGUMENT AS IS, RATHER THAN SEEK AN AGREEMENT WITH HIGHER PURCHASE LEVELS?

A. THE DECISION ON THE GRAIN AGREEMENT WAS TO SEEK TO KEEP US-SOVIET GRAIN TRADE ON THE SAME BASIS AS IT IS NOW. THE AGREEMENT PROVIDES FOR MINIMUM ANNUAL SOVIET PURCHASES OF 6 MILLION TONS, AND THE OPPORTUNITY EXISTS TO SELL SUBSTANTIAL ADDITIONAL QUANTITIES, AS WE HAVE DONE IN THE PAST.

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NLRR 748-23-1-10-0

BY KDB NARA DATE 11/23/05

EB/0FP/FPD:MAPETERS/BRFURNESS  
 7/19/82 EXT. 23036  
 EB/0RF:MCALINGAERT

USTR:DNELSON  
 USDA:DNVOOTNY  
 EUR:TNILES

EB/0RF:MCALINGAERT  
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IMMEDIATE ALL NATO CAPITALS, TOKYO IMMEDIATE

IMMEDIATE MOSCOW

EXDIS ALSO USEC FOR ACTION, USOECD FOR INFO

E.O. 12065:GDS: 7/19/88 {CALINGAERT, MICHAEL}

TAGS: EAGR, ETRD, US, UR

SUBJECT: EXTENSION OF THE SOVIET GRAIN AGREEMENT

1. ~~{C}~~ - ENTIRE TEXT.

2. POSTS ARE REQUESTED TO INFORM APPROPRIATE HOST GOVERNMENT OFFICIALS {USEC - EC COMMISSION; USNATO AS APPROPRIATE; OTTAWA-FOR WHEAT BOARD, SEE SEPTEL} AS SOON AS POSSIBLE THAT THE PRESIDENT WILL SHORTLY ANNOUNCE HIS DECISION TO OFFER TO THE USSR A ONE-YEAR EXTENSION OF THE US-SOVIET LONG-TERM GRAIN AGREEMENT {LTA}. WE WILL SEEK AGREEMENT WITH THE SOVIETS ON HIGHER PURCHASE LEVELS IN THE EXTENDED AGREEMENT. POSTS SHOULD DRAW ON FOLLOWING POINTS IN DISCUSSIONS WITH HOST OFFICIALS:

-- THE PRESIDENT'S DECISION TO EXTEND, FOR THE SECOND TIME, THE PRESENT GRAIN AGREEMENT RATHER THAN NEGOTIATE A NEW FRAMEWORK TAKES INTO ACCOUNT HIS COMMITMENT TO A FIRM POLICY ON POLAND. THE SITUATION THERE HAS NOT CHANGED, AND UNDER THE PRESENT CIRCUMSTANCES, IT WOULD NOT BE APPROPRIATE TO LIFT THE SANCTION HE ANNOUNCED LAST DECEMBER POSTPONING NEGOTIATIONS ON A NEW BILATERAL AGREEMENT.

-- THE ADMINISTRATION HAS DECIDED TO INCREASE THE MINIMUM LEVELS IN THE EXTENDED LTA TO CORRESPOND MORE CLOSELY TO THE

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HIGHER LEVELS OF GRAINS TRADE WITH THE SOVIETS WHICH HAVE DEVELOPED SINCE WE FIRST ENTERED INTO THE LTA IN THE MID-1970'S, AND TO REGAIN A FAIR SHARE OF THE SOVIET MARKET. DURING THE EMBARGO WE LOST MARKET SHARE WHILE OTHER SUPPLIERS GAINED.

-- EXTENSION OF THE GRAIN AGREEMENT IS CONSISTENT WITH THE THRUST OF OUR ECONOMIC POLICY VIS-A-VIS THE USSR. OUR GRAIN SALES ARE NEITHER MADE WITH SUBSIDIZED CREDITS NOR DOES THE GRAIN TRADE CONTRIBUTE TO SOVIET TECHNOLOGICAL CAPABILITY OR HARD CURRENCY EARNINGS.

-- WE HAVE NEVER PROPOSED A GRAIN EMBARGO AS A POLISH SANCTION AND DO NOT ADVOCATE A BROADER POLICY OF ECONOMIC WARFARE AGAINST THE USSR.

-- EXTENDING THE AGREEMENT WITH THE USSR PRESERVES THE FRAMEWORK FOR US-SOVIET GRAINS TRADE, AND ALLOWS CONTINUING U.S. GOVERNMENT OVERSIGHT OF SOVIET PURCHASES.

-- WE WOULD ASK THAT YOU HOLD THIS INFORMATION IN CONFIDENCE PENDING PUBLIC ANNOUNCEMENT OF THE DECISION.

3. FOLLOWING IS BACKGROUND ON THE AGREEMENT AND QUESTIONS AND ANSWERS PREPARED FOR DEPARTMENT SPOKESMAN FOR YOUR USE ONCE THE DECISION HAS BEEN ANNOUNCED.

4. PRESS GUIDANCE: U.S.-SOVIET GRAIN AGREEMENT {UNCLASSIFIED UPON PUBLIC ANNOUNCEMENT}.

BACKGROUND: THE U.S.-SOVIET LONG-TERM GRAIN AGREEMENT {LTA}, WHICH ORIGINALLY COVERED THE 1976-81 PERIOD, WAS EXTENDED LAST AUGUST FOR A SIXTH YEAR, THROUGH SEPTEMBER 30, 1982. THE PRESIDENT HAS NOW DECIDED TO PROPOSE TO THE SOVIETS A SIMPLE EXTENSION OF THE AGREEMENT FOR A SEVENTH YEAR, WITH NO CHANGES IN ITS SUBSTANTIVE PROVISIONS. ARTICLE I OF THE AGREEMENT COMMITS THE SOVIETS TO PURCHASE AT LEAST SIX MILLION TONS OF U.S. GRAIN ANNUALLY {THREE MILLION TONS EACH OF WHEAT AND CORN}, AND ALLOWS THEM TO PURCHASE AN ADDITIONAL TWO MILLION TONS WITHOUT PRIOR CONSULTATIONS WITH THE U.S. GOVERNMENT. ARTICLE II GUARANTEES THESE EIGHT MILLION TONS AGAINST U.S. DISCRETIONARY CONTROL. OTHER PROVISIONS PROVIDE FOR SEMIANNUAL CONSULTATIONS, SPACING OF PURCHASES, AND AN "ESCAPE CLAUSE" IN THE EVENT OF VERY SHORT SUPPLIES IN THE U.S. GRAIN SALES TO THE SOVIETS UNDER THE LTA ARE MADE BY THE PRIVATE TRADE AT PREVAILING MARKET PRICES.

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EXCEPT DURING THE PERIOD OF THE PARTIAL GRAIN EMBARGO, WHICH APPLIED ONLY TO AMOUNTS ABOVE EIGHT MILLION TONS, THE U.S. HAS ALWAYS OFFERED THE SOVIETS ACCESS TO ADDITIONAL AMOUNTS OF U.S. GRAIN. FOR INSTANCE, FOR THIS AGREEMENT YEAR, THE SOVIETS HAVE BEEN AUTHORIZED TO PURCHASE UP TO 23 MILLION TONS OF U.S. GRAIN, OF WHICH THEY HAVE BOUGHT ABOUT 14 MILLION TONS. THE U.S. NOW SUPPLIES ABOUT 30 PERCENT OF SOVIET GRAIN IMPORTS {COMPARED TO ABOUT 70 PERCENT BEFORE THE EMBARGO}. OTHER KEY SUPPLIERS ARE ARGENTINA, CANADA, AUSTRALIA AND THE EUROPEAN COMMUNITY. CANADA AND ARGENTINA ALSO HAVE LONG-TERM GRAIN AGREEMENTS WITH THE USSR.

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Q: WHAT WOULD YOU EXPECT THE NEW PURCHASE LEVELS TO BE?

A: WE DON'T KNOW WHAT THE NEW LEVELS WOULD BE BUT THEY WILL CORRESPOND MORE CLOSELY TO ACTUAL TRADE LEVELS, WHICH HAVE BEEN WELL ABOVE THE CURRENT 6 MILLION TON MINIMUM.

Q. HOW MUCH GRAIN HAVE THE SOVIETS BOUGHT THIS YEAR? DO YOU EXPECT THEM TO BUY MORE SOON?

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Q. HOW DOES THE DECISION TO PROPOSE AN EXTENSION OF THE GRAIN AGREEMENT AFFECT THE ADMINISTRATION'S POLAND POLICY?

A. IN RESPONSE TO SOVIET INVOLVEMENT IN THE REPRESSION IN POLAND, LAST DECEMBER THE PRESIDENT IMPOSED A NUMBER

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OF ECONOMIC SANCTIONS AGAINST THE USSR, INCLUDING POSTPONING NEGOTIATIONS ON A NEW LONG-TERM AGREEMENT. THE SITUATION IN POLAND HAS NOT IMPROVED AND THE SANCTION STILL STANDS. THE AGREEMENT WILL NOT BE RENEGOTIATED. WE DID NOT INCLUDE A GRAIN EMBARGO IN THE SANCTIONS ANNOUNCED LAST DECEMBER, NOR DO WE ADVOCATE A BROADER POLICY OF ECONOMIC WARFARE AGAINST THE USSR.

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NLRR 748-23-1-12-8

EB/OFPP/FPD:MAPETERS:JS  
 7/27/82 EXT. 22124  
 EB/ORF:MCALINGAERT

BY 16013 NARA DATE 11/23/15

EB/OFPP/FPD:BRFURNESS  
 EUR:TNILES  
 USTR:DNELSON

EB/ORF:MCALINGAERT  
 EA/ANZ:BBAAS  
 ARA/SC:SSMITH

IMMEDIATE OTTAWA, CANBERRA IMMEDIATE, BUENOS AIRES IMMEDIATE

EXDIS -

E.O. 12065: GDS: 7/27/88 {MCALINGAERT, MICHAEL}

TAGS: ETRD, EAGR, UR, US

SUBJECT: EXTENSION OF US-SOVIET GRAIN AGREEMENT

1. ~~FOR~~ AS SOON AS POSSIBLE, POSTS ARE REQUESTED TO INFORM APPROPRIATE HOST GOVERNMENT OFFICIALS, INCLUDING WHEAT OR GRAIN BOARD HEADS, THAT THE PRESIDENT WILL SHORTLY ANNOUNCE HIS DECISION TO SEEK A ONE-YEAR EXTENSION OF THE US-SOVIET GRAIN AGREEMENT. WE WILL SEEK AGREEMENT WITH THE SOVIETS ON HIGHER PURCHASE LEVELS IN THE EXTENDED AGREEMENT. POSTS MAY DRAW ON THE FOLLOWING BACKGROUND AND PRESS GUIDANCE IN DISCUSSIONS WITH HOST GOVERNMENT OFFICIALS. PLEASE ASK THAT THIS INFORMATION BE KEPT CONFIDENTIAL UNTIL THE PUBLIC ANNOUNCEMENT IS MADE.

2. THE U.S.-SOVIET LONG-TERM GRAIN AGREEMENT {LTA}, WHICH ORIGINALLY COVERED THE 1976-81 PERIOD, WAS EXTENDED LAST AUGUST FOR A SIXTH YEAR, THROUGH SEPTEMBER 30, 1982. THE PRESIDENT HAS NOW DECIDED TO PROPOSE TO THE SOVIETS A SIMPLE EXTENSION OF THE AGREEMENT FOR A SEVENTH YEAR, WITH NO CHANGES IN ITS SUBSTANTIVE PROVISIONS. ARTICLE I OF THE AGREEMENT COMMITS THE SOVIETS TO PURCHASE AT LEAST SIX MILLION TONS OF U.S. GRAIN ANNUALLY {THREE MILLION TONS EACH OF WHEAT AND CORN}, AND ALLOWS THEM TO PURCHASE AN ADDITIONAL TWO MILLION TONS WITHOUT PRIOR CONSULTATIONS WITH THE U.S. GOVERNMENT. ARTICLE II GUARANTEES THESE

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EIGHT MILLION TONS AGAINST U.S. DISCRETIONARY CONTROLS. OTHER PROVISIONS PROVIDE FOR SEMIANNUAL CONSULTATIONS, SPACING OF PURCHASES, AND AN "ESCAPE CLAUSE" IN THE EVENT OF VERY SHORT SUPPLIES IN THE U.S. GRAIN SALES TO THE SOVIETS UNDER THE LTA ARE MADE BY THE PRIVATE TRADE AT PREVAILING MARKET PRICES.

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RECEIVED 29 JUL 82 10

TO CLARK

FROM BREMER

DOCDATE 28 JUL 82. 41

KEYWORDS: EAST WEST ECONOMICS

GRAINS

USSR

SUBJECT: 2 ALTERNATE CABLES TO ALLIES & MAJOR GRAIN PRODUCERS FOR CLEARANCE  
PENDING PRES DECISION ON LONG TERM GRAIN AGREEMENT

ACTION: PREPARE MEMO FOR CLARK DUE: 30 JUL 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

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# WHITE HOUSE SITUATION ROOM

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PAGE 01      MOSCOW 9265      DTG: 310902Z JUL 82 PSN: 026893  
SIT613      DATE 08/10/82      TOR: 212/1335Z

DISTRIBUTION: REPT /001

TO DESCRIBE SITUATION AS IT IS TODAY, NAMELY THAT WE HAVE PROPOSED AN EXTENSION OF THE AGREEMENT. WE CAN GO ON TO SAY THAT WE STAND READY TO SELL THE AMOUNTS FORESEEN IN THE AGREEMENT WITHOUT PUTTING TOO MUCH EMPHASIS ON THE NECESSITY OF AN AGREEMENT TO DO EVEN THAT. HARTMAN

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EOB:

WHSR COMMENT: RED TAG

MESSAGE ANNOTATIONS:

MOSCOW 9265

DTG: 310902Z JUL 82 PSN: 026893

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MESSAGE:

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DE RUEHMO #9265 212090Z  
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NLRR 748-23-113-7  
BY KDB NARA DATE 11/23/15

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FOR UNDERSECRETARY EAGLEBURGER FROM HARTMAN

E.O. 12065: GDS 07/31/88 (HARTMAN, ARTHUR A.) OR-M

TAGS: EEWT, US, UR, ETRD

SUBJECT: US STATEMENTS ON GRAIN AGREEMENT

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. UNLESS DEPARTMENT HAS SOME INFORMATION I AM UNAWARE OF, I URGE GREATER CAUTION IN DISCUSSING GRAIN AGREEMENT EXTENSION. SECRETARY BLOCK IS BEING QUOTED AS SAYING THAT WE HAVE EXTENDED THE AGREEMENT. THE SOVIETS HAVE AS YET GIVEN NO REPLY TO OUR PROPOSAL THAT THE AGREEMENT BE EXTENDED. WE SEEM TO BE ASSUMING THAT THE SOVIET GRAIN SITUATION IS SO BAD THAT THEY WILL ACCEPT ANYTHING WE PROPOSE. I HAVE RE-READ THE AGREEMENT AND I FRANKLY SEE VERY LITTLE BEYOND THE MAINTENANCE OF THE FORM OF OUR GRAIN TRADING RELATIONSHIP THAT SOVIETS GET OUT OF ITS EXTENSION.

3. THE PRESENT SITUATION IS THAT WE ARE THE RESIDUAL SUPPLIER. IT LOOKS AS THOUGH THE WORLD OUTSIDE THE U.S. CAN SUPPLY MOST OF THE SOVIET

MESSAGE (CONTINUED):

NEEDS ALTHOUGH PERHAPS NOT IN EVERY CATEGORY. GRAIN IS FUNGIBLE AND THEREFORE THE SOVIETS MAY ASSUME THAT THEY CAN GET GRAIN NO MATTER WHAT WE DO. IN ANY CASE THEY HAVE UNDOUBTABLY READ OUR POLITICAL SITUATION AS NO OBSTACLE TO THEIR BUYING WITH OR WITHOUT AN AGREEMENT.

4. GIVEN THIS SITUATION AND THE PUBLIC STATEMENTS IN THE U.S. THAT WE HAVE "EXTENDED" THE AGREEMENT TO MEET THE DESIRES OF THE AMERICAN FARMER, WE ARE PRESENTING A TEMPTING TARGET FOR THE SOVIETS TO THINK THAT THEY CAN DO SOME DOMESTIC POLITICAL DAMAGE BY LETTING THE AGREEMENT LAPSE. THEREFORE I RECOMMEND THAT DEPARTMENT CAUTION BOTH PRESIDENT AND SECRETARY BLOCK ON THEIR TRIP TO IOWA THIS WEEKEND

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