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File Folder	BACKGROUND BOOK: MEETING BETWEEN PRESIDENT REAGAN AND GENERAL SECRETARY GORBACHEV, DECEMBER 1987 (5)	**FOIA**	M08-125/5
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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
67254	BRIEFING PAPER	RE US-SOVIET TRADE ***R 6/10/2010 M125/5***	2	ND	B1
67255	BRIEFING PAPER	RE GRAIN TRADE	1	ND	B1
67256	BRIEFING PAPER	RE FISHERIES	1	ND	B1
67257	BRIEFING PAPER	RE TEXTILES	1	ND	B1
67258	BRIEFING PAPER	RE GORBACHEV'S LEADERSHIP ***R 6/10/2010 M125/5***	1	ND	B1
67259	BRIEFING PAPER	RE USSR: POLITICAL AND ECONOMIC REFORMS ***R 6/10/2010 M125/5***	1	ND	B1
67260	BRIEFING PAPER	RE RECENT TRENDS IN SOVIET FOREIGN POLICY ***R 12/9/2005 NLRRM03-1472 #16***	1	ND	B1

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US-SOVIET TRADE

- Bilateral trade looms small in overall picture -- never more than 1% of total US trade, 3-4% of Soviet trade. Nevertheless, Soviets major grain market, potentially large untapped market for US manufactured and consumer goods.

- Soviets consistently run trade imbalance in our favor, averaging $1.9 billion in recent years, on strength of grain sales. Surplus fell to $600 million in 1986 with drop in bilateral trade.

  -- In 1986, US exports were down 46% because of decline in sales of grain, manufactured goods, crude materials. US imports increased 44%.

  -- Little change in 1987, but imports from USSR are down.

- Major obstacles remain to signficant expansion in trade:

  -- Soviets face hard currency shortage, unwilling to risk heavy international borrowing needed to purchase items economic expansion would require. Also, Soviets produce hard-to-sell, low quality goods.

  -- Congressional mood distinctly anti-Soviet: Bills have been tabled to restrict bank credits further, ban imports of goods allegedly made by forced labor despite lack of evidence; for example, in last two sessions Congress failed to drop 37-year old ban on Soviet fur skins, despite Administration support for repeal.

  -- Administration policy and existing legislation ties trade to Soviet emigration: Jackson-Vanik Amendment prohibits official US-backed credits and withholds Most Favored Nation tariff treatment of Soviet exports; Stevenson Amendment imposes further barriers on official lending.

  -- On-going Soviet effort to acquire military-related technology undermines mutual trust.

- Administration policy since 1985 has been to seek expansion of mutually beneficial non-strategic trade

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consistent with our export controls and regulations, improvements in human rights/emigration, and demonstrated progress on other bilateral political issues.

- Soviets' bottom line: trade is a two-way street -- lack of possibilities for Soviet exports will "sharply reduce" prospects for purchase of US exports.

- Soviets want to expand trade with US, in many ways prefer to do business with American firms. But past sanctions and embargoes have caused Soviets to view US as unreliable supplier, caused them to turn increasingly to Western Europe, Japan.

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VI. SOVIET DEVELOPMENTS

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1. Gorbachev's Leadership
2. Political and Economic Reforms
3. Recent Trends in Soviet Foreign Policy

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GORBACHEV'S LEADERSHIP

I. GORBACHEV'S IMAGE HAS SUFFERED, BUT HE IS FULLY IN CHARGE

- He remains first among equals and has full authority to speak for the Politburo.
  - -- He is the regime's spokesman on the full range of international and national issues.
- He had to use harsh methods to oust one of his strongest supporters, Moscow party chief Yeltsin.
  - -- Yeltsin got out of line, and his punishment reflects regime concerns over unity.
  - -- Gorbachev's role in the ouster is unclear, but he must now reestablish a firm leadership image.

II. GORBACHEV HAS STRONG SUPPORT AT HIGHEST PARTY LEVELS

- Personnel moves this year have strengthened his hand.
  - -- He has support in the Politburo and Secretariat, the two leading organs of the party.
- Preparations are soon to begin for a party conference to be held in June of next year.
  - -- He intends to use this conference to get firmer control over lower party organs.

III. HE IS A SKILLED CONSENSUS POLITICIAN

- He has built a coalition of forces, united on the need for reform but differing on its pace.
  - -- Some of key figures in the regime have shown uneasiness over moving too fast.
  - -- Gorbachev has to accommodate these elements.
  - -- He will periodically slow the pace to reestablish his consensus.
- He appears to have a strong tactical sense; knows when to try to force progress and when to regroup.
  - -- He appears to be regrouping at present, but will probably move forward on reform issues again soon.

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USSR: POLITICAL AND ECONOMIC REFORMS

I. POLITICAL REFORMS: STRENGTHENING THE HAND OF THE REGIME

- Both political and economic reforms are intended to strengthen the USSR and make it more competitive.
  - -- Changes such as openness and "democratization" are regarded as means to reach these objectives.
- They can also be used to expose opponents of reform and force them from office, and Gorbachev is doing just that.
- Gorbachev is trying to give the Soviet public a greater sense of having a stake in developments in society.
  - -- Recent months have shown, however, that there are limits on how far and fast the regime is willing to go in this; conservative opponents have recently shown their strength.
- The challenge for Gorbachev is to make major political changes without weakening control by communist party.

II. ECONOMIC REFORMS: STRENGTHENING ECONOMIC POTENTIAL

- Gorbachev's comprehensive reform program seeks to quicken growth and make the USSR technologically competitive in the 21st century.
- Key program elements, including price reform, more autonomy for enterprises, and less central planning, were agreed to last summer. Main problem now is implementation.
- Stiff resistance remains. Party fears loss of power, bureaucrats fear loss of jobs, management is confused, and workers are unconvinced of benefits.
- At the elite level, recent demotion of the outspoken reformist Yeltsin shows strains are developing as Gorbachev's program enters implementation phase.
- At the popular level, the immediate problem for the regime is to improve living standards, especially food availability. Otherwise the public will not support a program of hard work and sobriety.
- Reform will be a lengthy process, liable to get bogged down but also bearing the potential to engender real change.

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RECENT TRENDS IN SOVIET FOREIGN POLICY

- The most striking feature of Soviet foreign policy under Gorbachev has been a willingness to rethink past positions. While Soviet diplomacy has become more active and flexible, however, many of the objectives and priorities of Soviet policy remain basically unaltered. The combination has made the USSR, so far, a more effective challenger of Western interests. Whether it can become a more cooperative partner remains to be seen.

- In some areas -- e.g., arms control -- the results have been significant. In other areas, such as regional conflicts, we have yet to see dramatic shifts.

  -- Arms Control: Soviets now accept U.S. concepts--such as zero INF, deep reductions in strategic weapons, and on-site inspections--which were previously denounced by Soviet leaders as unrealistic and one-sided.

  -- Human Rights: Soviets now accept the legitimacy of western concerns about human rights and its central role in East-West relations. Much, of course, remains to be done.

  -- Regional Conflicts: While the substance of Soviet policies has not changed, "new thinking" has resulted in more sophisticated and active Soviet diplomacy around the globe.

    - Gorbachev's 1986 Vladivostok speech covered Asian and Pacific issues;

    - His recent Murmansk speech was aimed at the Nordic states;

    - Soviet initiatives in the Middle East include the opening to Israel and emphasis on a Middle East peace conference; and

    - They are trying to expand ties with South America (as Shevardnadze's recent trip demonstrates).

  -- Multilateral Diplomacy: International bodies such as the UN have assumed more importance under Gorbachev.

OPPORTUNITIES AND CHALLENGES

- Gorbachev's self-professed goal is to create a stable and predictable international environment in which he can concentrate on domestic economic reform. This has opened up new opportunities for furthering U.S. objectives, such as achieving equitable and verifiable arms reductions.

- Just as importantly, Gorbachev seeks to improve the Soviet image abroad so as to foster a more favorable hearing for Soviet positions. This poses new challenges at a time when U S. diplomacy is being affected by severe budget cuts.

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