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Ronald Reagan Library

Collection Name MATLOCK, JACK: FILES

Withdrawer

JET 5/5/2005

File Folder USSR-ECONOMY 1/10

FOIA

F06-114/7

Box Number 25

YARHI-MILO

2502

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9594	MEMO	GRAIN EMBARGO R 7/7/2008 NLRRF06-114/7	1	ND	B1
9595	CABLE	111631Z FEB 81 D 1/11/2008 NLRRF06-114/7	2	2/11/1981	B1 B3
9603	CABLE	131452Z FEB 81 R 5/7/2013 F2006-114/7	1	2/13/1981	B1
9601	CABLE	USSR/EASTERN EUROPE D 5/7/2013 F2006-114/7	2	3/23/1981	B1 B3
9596	PAPER	ADDENDUM USSR: COCOM CONTROLS PAR 5/7/2013 F2006-114/7	3	ND	B1 B3
9599	CABLE	161635Z APR 81 R 7/7/2008 NLRRF06-114/7	8	4/16/1981	B1
9602	CABLE	USSR D 5/7/2013 F2006-114/7	3	5/27/1981	B1 B3
9597	MEMO	RICHARD PIPES RE TASKING PLAN PAR 5/7/2013 F2006-114/7	1	7/20/1981	B3
9598	PAPER	SOVIET ECONOMIC AFFAIRS D 5/7/2013 F2006-114/7	23	ND	B1 B3

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

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

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FOIA

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2502

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9600	CABLE	011446Z SEP 81 <i>R 7/7/2008 NLRRF06-114/7</i>	2	9/1/1981	B1

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Secret

NATIONAL SECURITY COUNCIL

Cuba's really have no economic
choice:

a) either reform $\rightarrow$ liberalization
or

b) from investment $\rightarrow$ debt & demand

Maddox says (NYT, 10 II)

That Cuban embargo must be lifted

& adopt more liberal internal

policies as a condition. (Cuban

private plots - to produce 30%

of meat & 40% vegetables &

potatoes).

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NLRR 606-714/7 #9594

BY CN NARADATE 7/7/08

ITEM RETURNED
TO NISC

SECRETARIAT

IN APRIL 1987

Log #

6055
Pub Secret de la Cour des Échiquiers

ITEM RETURNED TO NISC SECRETARIAT IN APRIL 1987

Log # Pub: USSR: Impact of Economic CR 81-1004
Jan 81

ITEM RETURNED
TO NSC

SECRETARIAT

IN APRIL 1987

Log # Pub: USSR: Economics Issue Frank Leach
81-10009
81

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Department of State

Soviet Economics
INCOMING
TELEGRAM
6

PAGE 01 USNATO 00857 131508Z
ACTION EUR-12

9518

USNATO 00857 131508Z

INFO OCT-01 ADS-00 INR-10 SS-15 CIAE-00 EB-08 ICA-11
DOE-00 H-02 NSC-05 NSAE-00 COME-00 L-03 CSCE-04
DOE-10 TRSE-00 PM-07 PA-01 FRB-03 ACDA-12 SP-02
DOEE-00 SPRS-02 /108 W

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P 131452Z FEB 81
FM USMISSION USNATO
TO SECSTATE WASHDC PRIORITY 4982
AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
USMISSION GENEVA
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW

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DOD/ISA FOR ELLEN FROST
DEPT PASS DOE

PARIS FOR USOECD

BRUSSELS FOR USEC

E.O. 12065: NA
TAGS: NATO ECON UR EGEN
SUBJECT: ECONADS: SOVIETS INCREASE OIL PRICES TO
SMALLER COMECON COUNTRIES

1. BELOW IS TEXT OF ARTICLE RECEIVED FROM FRG AT
FEBRUARY 12TH ECONADS MEETING DISCUSSING INCREASES
IN OIL PRICES BY SOVIETS TO ITS SATELLITES.
BEGIN TEXT:

MOSCOW'S OIL FOR ITS SATELLITES MORE EXPENSIVE

PRICE INCREASE BY 27 PER CENT

ACCORDING TO THE CALCULATIONS OF DR. RAYMUND DIETZ
(VIENNA INSTITUTE FOR INTERNATIONAL ECONOMIC COMPARISONS)
THE SOVIET UNION INCREASED ITS OIL PRICE FOR THE SMALLER
COMECON COUNTRIES BY 27 PCT TO ABOUT 90 TRANSFER RUBLES
PER TON AS FROM 1 JANUARY 1981. THIS PRICE IS BASED
ON THE SO-CALLED GLIDING FORMULA FOR THE CALCULATION OF
INTRA-COMECON PRICES WHICH IS BASED ON THE AVERAGE WORLD
MARKET PRICE DURING THE FIVE YEARS FROM 1976 TO 1980.
THE HIGH RISE BY 27 PCT IS ATTRIBUTED TO THE FACT THAT
THE SECOND OIL PRICE SHOCK BY OPEC IN MID-1979 HAS NOW
ALSO BEEN TAKEN INTO CONSIDERATION. ON THE OTHER HAND,
THE PRICE INCREASE IN 1980 AMOUNTED TO ONLY 10.1 PCT AND
IN 1979 TO 16.1 PCT. SINCE THE SOVIET UNION HAS NOT
PUBLISHED ANY INFORMATION ON ITS OIL EXPORT PRICES DURING
THE PAST FOUR YEARS, THIS IS A PURELY THEORETICAL
CALCULATION. MOREOVER, THERE EXISTS NO UNIFORM PRICE
IN THE COMECON BUT IT VARIES ACCORDING TO COUNTRY. IT
IS ALSO OF GREAT IMPORTANCE WHICH GOODS THE EAST BLOC
COUNTRY CONCERNED SUPPLIES IN RETURN FOR THE OIL. IN THE
COMECON THERE IS STILL A BARTER TRADE GOING ON WHICH IS

SETTLED IN TRANSFER RUBLES. THE PRESENT PRICE WHICH
MOSCOW CHARGES TO THE SMALL EAST-EUROPEAN COUNTRIES FOR
ITS OIL LIES THEORETICALLY ABOUT 40 PCT BELOW THE WORLD
MARKET LEVEL.

HOWEVER, ONLY THE OIL QUANTITIES AGREED IN BILATERAL
AGREEMENTS ON A LONG-TERM BASIS ARE PAID FOR IN
TRANSFER RUBLES. ANY ADDITIONAL SUPPLIES HAVE TO BE
PAID FOR IN HARD CURRENCIES BY THE EAST-BLOC
COUNTRIES. BUT ALSO IN THESE CASES PAYMENTS ARE NOT
EFFECTIVELY MADE. IN MOST CASES MOSCOW DEMANDS FOR SUCH
OIL SUPPLIES EXCEEDING THE PLAN "HARD PRODUCTS", I.E.
PRODUCTS WHICH CAN ALSO BE SOLD IN THE WEST.

IN THE MEANTIME THE SOVIET NEWS AGENCY TASS EXPRESSED THE
VIEW THAT, CONTRARY TO REPORTS BY THE CIA, THE USSR
INTENDS TO INCREASE ITS OIL PRODUCTION AND TO MAINTAIN
ITS OIL EXPORTS AT THE PRESENT LEVEL. IN A CIA REPORT
IN 1977 THE VIEW HAD BEEN EXPRESSED THAT SOVIET OIL
PRODUCTION WOULD REACH ITS PEAK IN 1979 AND WOULD THEN
DECREASE.

LAST YEAR'S OIL PRODUCTION OF 603 MILLION TONS - WHICH
LEFT THE USSR AS THE LARGEST OIL PRODUCER OF THE WORLD -
WAS ACCORDING TO TASS SUFFICIENT TO MEET THE INCREASING
DOMESTIC REQUIREMENTS AND TO EXPORT LARGE QUANTITIES.
ACCORDING TO TASS THE USSR DOES NOT NEED ANY OIL FROM
ABROAD. IT HAS ENOUGH DOMESTIC RESERVES. ACCORDING
TO A COMMENT IN TASS BY JEVGENI KUSNETSOV, THE SOVIET
UNION CONTINUES TO BE THE ONLY INDUSTRIALIZED COUNTRY
OF THE WORLD WHICH IS NOT ONLY A SELF-SUPPLIER OF
ENERGY BUT CAN CONTINUE TO EXPORT LARGE QUANTITIES.
END TEXT. BENNETT

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BY KML NARA DATE 5/7/13

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FOIA(b)(1)

FOIA(b)(3)

ADDENDUMUSSR: COCOM ControlsA Historical Overview

The current program of export controls on trade with the USSR and other Communist countries goes back more than 30 years to November 1949, when the United States and six of the West European Allies formed an informal working group at the ministerial level to develop a multilateral approach to control of trade with the USSR and Eastern Europe. In January 1950 the arrangement was formalized with the establishment of a permanent organization, The Coordinating Committee (COCOM), to develop procedures for export controls and to serve as the forum of negotiation among the cooperating Western countries. Membership in COCOM was eventually extended to 14 countries comprising Japan and all the NATO signatories except Iceland.

COCOM as an organization has no basis in a formal treaty or charter and is not a part of any other international organization. It operates under a gentlemen's agreement using a rule of unanimity for all decisions. Thus, maintaining COCOM effectiveness requires that countries act in a spirit of compromise.

Although the formal COCOM criteria state that items are to be embargoed only if they are designed for, principally used for, or critical in relation to implements of war, many of the items on the original COCOM list were oriented toward impeding Soviet industrial and technological development in general. For the most part, the embargo lists encompassed industrial equipment and raw materials that were either in short supply in Communist countries or were technologically superior to similar products made in those countries. Acquiescence by the COCOM membership in an expanded embargo was possible at least in part because several NATO members were engaged in an armed conflict in Korea and because commercial pressures for trade were still minimal.

The end of the Korean war, the reduction in East-West tensions after 1953, and growing commercial relationships with Communist countries quickly led to severe pressures within the West European COCOM membership to relax export controls. Major revisions were in 1954 and 1958 greatly reduced the number of items embargoed. Periodic COCOM List Reviews since then have followed a pattern: the United States proposes new items for the embargo list to protect emerging militarily significant technologies and their products and agrees as a quid pro quo to reduce controls on items of lesser significance.

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BY KML NARA DATE 5/7/13

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Controls have been cut back in three ways: 1) items have been removed from the embargo lists, 2) administrative procedures have been developed that permit individual COCOM members to authorize certain exports of items on the lists without having to seek COCOM approval, and 3) a body of case law has evolved providing nearly automatic approval by COCOM for certain types of requests for exceptions to the embargo. [redacted]

This erosion of controls continued unimpeded throughout the 1960s and 1970s. As in the 1950s, the impetus came from the European members of COCOM who sought the economic benefits from increased trade with the East and who argued that much of the embargo list was outdated and ineffective because of the economic growth and technical advances in Communist countries. By the mid-1960s, the pace of liberalization increased as the United States also began to take more of an interest in cultivating East-West trade--first with the USSR and Eastern Europe and most recently, with China. [redacted]

Accordingly, by the late 1970s COCOM controls had evolved from a broadly based embargo on industrial equipment and materials to one focused on military related equipment and certain advanced technologies and their products. Although new technologies have been added to the list of controlled items, effective control has been largely nullified by a proliferation of administrative procedures for unilateral approvals and the practice of pro forma approvals of exceptions requests in COCOM. [redacted]

Soviet Efforts to Circumvent COCOM

The Soviet leadership has traditionally given high priority and devoted large resources to the acquisition of Western technology by all means at its disposal. These include legal importation through open trade channels, scientific and technological exchanges, illegal diversion through trade channels that evade export controls, and classic clandestine acquisition through secret agents, industrial espionage, and communications intercepts. [redacted]

Soviet diversions fall into two categories. One is clandestine acquisition whereby the importing country is able to disguise its own involvement in the transaction, or the exporter misrepresents the item being exported. The other is in-place diversion whereby an overtly acquired item, approved for export, is transferred to a different end user or end use. [redacted]

Clandestine Acquisition: The Soviet clandestine effort places highest priority on weapons design and military production technologies that have military applications--that is, technologies associated with the production of semiconductors, computers, instrumentation, microprocessors essential to computer-controlled machine tools, and so forth. [redacted]

~~SECRET~~ [redacted]

~~SECRET~~

10

In-Place Diversion: The term usually refers to diversion of equipment or technology from a stated civilian end use to a military use. But the distinction between civilian and military end use is somewhat artificial. Because military production is built on a pyramid of basic civilian industrial capabilities, authorized civilian technology, installed in civilian industries, often is of substantial aid to military production.

Aside from this, we believe occasional diversions of US equipment and associated technology from authorized to unauthorized end uses do occur in the Soviet system. Although we know of only a few such instances, our end-use controls are an imperfect mechanism for limiting such diversions. Soviet authorities have strong motivation for treating diversion activities with absolute secrecy. Consequently, our ability to detect them is inherently severely restricted.

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 DE RUFHNA #2569/01 1061640
 O 161635Z APR 81
 FM USMISSION USNATO

TO SECSTATE WASHDC IMMEDIATE 6806

INFO AMEMBASSY BELGRADE 2821
 AMEMBASSY BERLIN 1085
 AMEMBASSY BUCHAREST 2269
 AMEMBASSY BUDAPEST 1986
 AMEMBASSY MOSCOW 9093
 AMEMBASSY PRAGUE 2137
 AMEMBASSY SOFIA 1955
 AMEMBASSY WARSAW 2317

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 NLRR F06-114/7 #9599
 BY CH NARA DATE 7/7/08

~~C O N F I D E N T I A L~~ SECTION 01 OF 03 USNATO 02569

E.O. 12065: RDS-1 04/16/91 (GLITMAN, MAYNARD) OR-E
 TAGS: NATO EAGR EGEN EEWT UR XH
 SUBJECT: (U) ECONADS: ECONOMIC DIRECTORATE PAPER
 "SOVIET AND EAST EUROPEAN AGRICULTURE--SUMMARY"
 (AC/127-WP/632)

1. ~~(CONFIDENTIAL - ENTIRE TEXT.)~~

2. BELOW IS TEXT OF SUMMARY WHICH WILL BE INCORPORATED
 INTO THE PREVIOUS REPORT "SOVIET AND EAST EUROPEAN
 AGRICULTURE" (AC/127-WP/632) OF FEBRUARY 25TH, 1981. IT
 WILL BE PLACED ON THE AGENDA OF AN EARLY MEETING OF THE
 ECONOMIC COMMITTEE. ONCE APPROVED, IT WILL BE
 ADDED TO THE MAIN DOCUMENT, AC/127-WP/632 (REVISED).
 THIS LATTER DOCUMENT WILL INCORPORATE COMMENTS
 FROM DELEGATIONS TO UP-DATE THE PAPER. ACTION
 REQUESTED: COMMENTS/GUIDANCE ON SUMMARY BELOW.

3. BEGIN TEXT OF SUMMARY:

SOVIET AND EAST EUROPEAN AGRICULTURE

SUMMARY

SIT:
 EOB: ECON,EURE,EEUR,WEUR,STEARMAN,DEPOL
 WHSR COMMENTS:

PAGE 01

USMISSION USNATO 2569
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DTG:161635Z APR 81
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PSN:027423
 CSN:HCE798

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THE 1980 HARVESTS

ADVERSE WEATHER DURING THE GROWING AND HARVESTING SEASONS IN THE CARPATHIAN AREAS OF POLAND, CZECHOSLOVAKIA AND THE WESTERN UKRAINE WERE IMPORTANT FACTORS AFFECTING AGRICULTURAL PERFORMANCE BUT TWO BAD HARVESTS IN SUCCESSION ARE NOT WHOLLY ATTRIBUTABLE TO CLIMATIC CONDITIONS. AGRICULTURE IS DEPENDENT ON THE SUCCESSFUL FUNCTIONING OF INTER-RELATED ELEMENTS: LAND, TRANSPORT, STORAGE FACILITIES, MACHINERY AND LABOUR IN ALL OF WHICH PROBLEMS ABOUND.

SOVIET GRAIN IMPORTS ARE DESTINED PRIMARILY FOR THE LIVESTOCK SECTOR AND INCREASINGLY CONSIST OF MAIZE AND SOYA. DESPITE THE IMPOSITION OF US GRAIN EXPORT RESTRICTIONS FOLLOWING THE SOVIET INVASION OF AFGHANISTAN, THE USSR MANAGED TO IMPORT 30.5 MILLION TONNES OF CEREALS DURING THE JULY 1979-JUNE 1980 MARKETING YEAR FROM DIVERSE SOURCES AS AUSTRALIA AND CANADA (WHICH AGREED TO KEEP THEIR EXPORTS WITHIN TRADITIONAL LEVELS), ARGENTINA (WHICH FAILED TO COMPLY WITH US REQUESTS TO LIMIT GRAIN SALES) AND THROUGH TRANS-SHIPMENT VIA SOME EAST EUROPEAN COUNTRIES. NEEDS WILL BE EQUALLY AS GREAT IN 1980 - 1981 AND, EVEN WITH THE CONTINUATION OF US MEASURES, SOVIET IMPORTS ARE LIKELY TO BE AROUND 30 MILLION TONNES.

PRESENT EXPENSES OF CULTIVATED SURFACES ARE INEFFICIENT,
BUT A REDUCTION IN ACREAGE IS UNATTRACTIVE. AS

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THE RESULTING LOSSES IN OUTPUT WOULD NOT BE
SUFFICIENTLY OFFSET BY GAINS IN PRODUCTIVITY.
BT

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IN

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UTS2736

DE RUFHNA #2569/02 1061644

O 161635Z APR 81

FM USMISSION USNATO

TO SECSTATE WASHDC IMMEDIATE 6807

INFO AMEMBASSY BELGRADE 2822

AMEMBASSY BERLIN 1086

AMEMBASSY BUCHAREST 2270

AMEMBASSY BUDAPEST 1987

AMEMBASSY MOSCOW 9094

AMEMBASSY PRAGUE 2138

AMEMBASSY SOFIA 1956

AMEMBASSY WARSAW 2318

C O N F I D E N T I A L SECTION 02 OF 03 USNATO 02569

MOREOVER, ABOUT HALF OF AGRICULTURAL LAND IS CONSIDERED POOR IN SOIL NUTRIENTS AND THE CURRENT AVERAGE ANNUAL APPLICATION OF 25 KILOGRAMMES IS VASTLY INADEQUATE TO ACHIEVE GOOD RESULTS. PHOSPHATE FERTILIZERS ARE PARTICULARLY CRUCIAL BECAUSE OF THEIR PROPERTIES OF REGENERATING THE NITROGEN CONTENT IN SOIL. SHORTAGES RESULTING FROM THE US EMBARGO ON PHOSPHATE EXPORTS TO THE USSR HAVE BEEN SOMEWHAT ALLEVIATED BY DELIVERIES FROM MOROCCO, WHICH IS THE PRINCIPAL SUPPLIER AT 2 MILLION TONNES OF PHOSPHATE ROCK ANNUALLY, AND FROM JORDAN AND SWEDEN.

GRAIN STORAGE

STORAGE CAPACITY IS ESPECIALLY RELEVANT IN CONSIDERING THE HANDLING OF GRAIN IMPORTS. TOTAL STANDARD STORAGE IS ESTIMATED AT 300 MILLION TONNES, WHICH IS INSUFFICIENT FOR ACCOMMODATING NECESSARY VOLUMES. DRYING FACILITIES CAN SATISFY ONLY 57 PCT OF PRESENT REQUIREMENTS AND, AS AT LEAST 60 PCT OF THE CROP USUALLY NEEDS DRYING, IN A PARTICULARLY WET YEAR AS 1980, A GREAT PROPORTION OF THE HARVEST WILL NOT BE PROCESSED IN TIME. CONTROLLED COOL TEMPERATURE STORAGE FOR THE ENTIRE SOVIET UNION CAN ACCOMMODATE 1.3 MILLION TONNES

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PAGE 01

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OF MEAT OR ROUGHLY THE EQUIVALENT OF ONE MONTH'S PRODUCTION. ALTHOUGH SUFFICIENT ON A MONTH-TO-MONTH BASIS, THE SITUATION MAY BECOME STRAINED IN THE EVENT OF INCREASED MEAT IMPORTS.

TRANSPORTATION

THE DEFICIENCIES IN THE SOVIET TRANSPORTATION SYSTEM APPLY NOT JUST TO THE DEPLORABLE STATE OF RURAL ROADS, BUT TO SHORTAGES OF VEHICLES, FREIGHT CARS AND SPARE PARTS AS WELL. FARM MACHINERY IS ALSO IN SHORT SUPPLY AND MUCH IS OUT-DATED AND INEFFICIENT. BREAKDOWNS FREQUENTLY OCCUR DURING PEAK HARVEST TIMES AND, AS TRAINED MECHANICS ARE NOT ALWAYS AVAILABLE, THE FARMERS THEMSELVES MUST COMPLETE REPAIRS, THEREBY COMPOUNDING INEFFICIENCY.

LABOUR

THE STEADY RURAL MIGRATION TO THE CITIES AND THE FALL-OFF IN POPULATION GROWTH PRESENT PROBLEMS FOR MAINTAINING THE NUMBERS EMPLOYED IN AGRICULTURE. TWO POSSIBLE ALTERNATIVES FOR OVERCOMING THIS SHORTAGE AND BOOSTING FLAGGING LABOUR PRODUCTIVITY GAINS ARE GREATER MECHANIZATION AND APPLICATION OF ADVANCED TECHNOLOGY, AND THE IMPROVEMENT OF RURAL LIFE TO RETAIN AND ATTRACT LABOUR.

INVESTMENT

A 2 PCT INCREASE OVER THE 1980 FIGURE OF 36.2 BILLION RUBLES IS SCHEDULED FOR AGRICULTURAL INVESTMENT DURING 1981 BRINGING IT TO 37.3 BN. R. THIS REPRESENTS A CONTRACTION FROM 27 PCT TO 26.6 PCT OF TOTAL CAPITAL INVESTMENT AND SUGGESTS THAT AGRICULTURE IS BEING OVERTAKEN BY COMPETING ECONOMIC PRIORITIES.

AGRICULTURAL POLICIES

THE REGIME HAS ATTEMPTED SEVERAL ADMINISTRATIVE POLICIES, SHORT OF FULL-FLEDGED REFORMS TO STREAMLINE THE SYSTEM AND ELIMINATE DUPLICATION AND WASTE. THE CONSOLIDATION OF LARGER AGRO-INDUSTRIAL UNITS WAS DESIGNED FUNDAMENTALLY TO PROMOTE COOPERATION, CONCENTRATION AND INTEGRATION IN CERTAIN AGRICULTURAL BRANCHES. THE CURRENT STATE OF SOVIET AGRICULTURE OBLIGES THE REGIME TO GRANT CONCESSIONS TO THE PRIVATE PLOTS AND SUBSIDIARY FARMS, DESPITE THE PREVAILING TENDENCY TOWARD CENTRALIZATION. ALTHOUGH USING ONLY 3 PCT OF TOTAL CULTIVATED LAND, THE PRIVATE PLOTS PROVIDE ABOUT 25 PCT OF GROSS AGRICULTURAL PRODUCTION.

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AS THE PLOTS SUPPLEMENT SCARCITIES AND AS THE RATE
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TO SECSTATE WASHDC IMMEDIATE 6808

INFO AMEMBASSY BELGRADE 2823
AMEMBASSY BERLIN 1087
AMEMBASSY BUCHAREST 2271
AMEMBASSY BUDAPEST 1988
AMEMBASSY MOSCOW 9095
AMEMBASSY PRAGUE 2139
AMEMBASSY SOFIA 1957
AMEMBASSY WARSAW 2319

C O N F I D E N T I A L SECTION 03 OF 03 USNATO 02569

OF CAPITAL INVESTMENT REQUIRED TO PRODUCE RETURNS IS LOW, THE GOVERNMENT, OF LATE, HAS TAKEN A MORE TOLERANT POSITION.

-CLN ACCOUNT OF AGRICULTURAL SUBSIDIES, WHICH AVERAGED 20 BILLION RUBLES DURING 1976-1980, A PRICING STRUCTURE HAS EVOLVED WHICH DOES NOT VALIDLY REFLECT ACTUAL COSTS AND PROFITS. AGRICULTURAL WAGE INCREASES, ACCRUING THROUGH HIGHER PROCUREMENT PRICES HAVE NOT BEEN ACCOMPANIED BY GREATER LABOUR PRODUCTIVITY, WHILST SUBSIDIZED RETAIL PRICES HAVE KEPT SALARIES OF INDUSTRIAL WORKERS DEPRESSED. THE REGIME REMAINS COMMITTED TO STABLE CONSUMER PRICES AND THE REDUCTION OF SUBSIDIES ENTAILING CONSEQUENT INCREASES MIGHT PROVE UNDESIRABLE IN THE LIGHT OF RECENT POLISH EVENTS.

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1981 - 1985 FIVE YEAR PLAN

THE RECENTLY ANNOUNCED TARGETS FOR THE NEXT 5 YEAR PLAN 1981-85, REVEAL AMBITIOUS GOALS FOR GRAIN AND MEAT PRODUCTION: ANNUAL AVERAGES OF 238-243 MILLION TONNES OF GRAIN AND 17-17.5 MILLION TONNES OF MEAT. THE TARGET FOR GRAIN APPEARS OPTIMISTIC CONSIDERING THAT THE PAST TWO HARVESTS OF 179 AND 189.2 MILLION TONNES FALL

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PAGE 01

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FAR SHORT OF THE ANNUAL AVERAGE TARGETS OF 215-220
MILLION TONNES ESTABLISHED FOR THE TENTH 5 YEAR PLAN.

SOVIET AND EAST EUROPEAN ASPIRATIONS FOR AGRICULTURAL
SELF-SUFFICIENCY AND INTEGRATION APPEAR REMOTE.
PRESENT TRADE IN AGRICULTURAL PRODUCE IS PARTLY LINKED
TO SOVIET ENERGY DELIVERIES, AS IN THE CASE OF
HUNGARY AND ROMANIA. PROSPECTS ARE FURTHER
RETARDED, NOT SIMPLY THROUGH THE OBVIOUS INFLUENCE
OF WEATHER, BUT ALSO THROUGH THE COMBINED EFFECTS
OF ORGANIZATION, INFRASTRUCTURE AND THE SHEER INERTIA
OF SOCIALIZED AGRICULTURE.

END TEXT.

GLITMAN

BT,LCLCL

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*****C O N F I D E N T I A L*****E COPY

MEMORANDUM

NATIONAL SECURITY COUNCIL

April 20, 1981

TO: JAMES LILLEY

Jim:

I have constructed my remarks around the theme of negotiations with the USSR because this is the most burning issue in our relations at this moment and also because it is a convenient peg on which to hang our charges.

If desired, however, I could prepare a more philosophical piece which would address itself to the Communist threat in general.

It all depends on what message the President wishes to get across. (Incidentally, I could not find the "inordinate fear of Communism" phrase in Carter's Notre Dame speech!)

Richard Pipes *RP*

Soviet Union

President Brezhnev and other Soviet leaders have been urging my Administration to enter with their government into immediate negotiations on all levels, including the summit. Negotiations are certainly a desirable thing, but they are a means, not an end in themselves. To be useful, negotiating parties must enter them in good faith and with a firm resolve to observe their commitments. Unfortunately, we perceive neither such good will nor such resolve on the part of the Soviet Government.

The Soviet Union is signatory to the United Nations Charter and the Helsinki Final Accords in which it has solemnly pledged to respect the sanctity of international frontiers and to refrain from interfering in the internal affairs of other sovereign states. It has repeatedly violated these principles on which the civilized world order must rest. It has invaded Afghanistan and today even refuses to discuss the withdrawal of its troops from there. It now threatens Poland, using as justification a self-proclaimed doctrine which allegedly gives the Soviet Union the right to prevent any communist country from altering its system of government. We believe, and by virtue of its treaty commitments, the Soviet Government is bound to believe, that the people of Poland are free to change their institutions. We cannot and will not recognize the right of the Soviet Union to preserve by force a given political or social system in any other country. Such a "right", if generally adopted, would transform the world into a jungle.

Nor can we concede the Soviet Union the right to subvert non-Communist countries by the use of military surrogates and the support of terrorists. Much of the time such activity is carried out in the name of the high-sounding principle of "national liberation". In fact, the forces supported by Moscow in the Third World are invariably minorities which, unable to come to power in any other way, strive to impose their will on the majority by violence or the threat of violence. In Africa alone, in recent years subversive actions carried out in the name of "national liberation" have created millions of refugees who live on the edge of starvation.

No less disturbing is the relentless Soviet military buildup. The Soviet Union continues to enhance all its forces at a frenetic pace, in spite of arms limitation agreements, in spite of the woeful state of its economy which cries out for shifting resources to the civilian sector. With a Gross National Product one-half of ours, the Soviet Union outspends us year after year on military budgets: according to current production plans, its military industries will grow at an even more accelerated pace throughout the 1980s. In the past 15 years, while we have refrained from developing new intercontinental ballistic missiles, hoping for a corresponding restraint on the part of Moscow, the Soviets have developed and deployed no fewer than four such systems -- and, as if this were not enough, they are designing

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a number of new ones for future deployment. The Soviet Navy has acquired global capabilities. Given that, unlike us, the Soviet Union can reach almost all its allies and raw materials by land, we can only conclude that the mission of the Soviet Navy is offensive. The same holds true of Warsaw Pact armies which are steadily upgraded to attain greater firepower and mobility to make them yet more capable of offensive operations against NATO. It is difficult to square these programs with professions of peace and urgent calls for negotiations.

If the Soviet Government is earnest about negotiations, it ought to demonstrate its good faith by observing treaties already signed and desisting from threats and violence. It will find us responding promptly and favorably to such evidence.

(Drafted by Richard Pipes)

~~SECRET~~ [redacted]

INTELLIGENCE COMMUNITY STAFF

by hand 20
7/20

CIA ✓

20 July 1981

Professor Richard Pipes
Room 368
Old EOB

Dear Richard,

Thank you for agreeing in our telephone conversation of today to look at the revised Tasking Plan. An opportunity to receive your comments on its basic thrust this week, before Friday noon, will be much appreciated. I will call your secretary for an appointment or she may reach me on [redacted]

[redacted]

FOIA(b)(3)

Intelligence Community
Staff

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WS 7/16/02

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INFORMATION

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BY KML NARA DATE 5/7/13

3. USSR: CONTINUING PROBLEMS IN INDUSTRY AND AGRICULTURE

The long-term economic slowdown in the USSR continues amid signs of an unprecedented third consecutive grain harvest failure. Soviet consumers can expect even greater shortages of food and manufactures, while industry will have to continue to grapple with increasing supply bottlenecks.

* * *

Soviet industrial output increased only 3.4 percent during the first six months of 1981, compared with the 4.1 percent planned rate for the year. Improvement in labor productivity, which was to account for 90 percent of increased output, again failed to meet the target. Productivity problems reflect supply disruptions, the failure to commission new and more efficient equipment on schedule, and other obstacles to better worker performance.

Energy continues to present a major problem despite the better than planned performance of the natural gas industry. Oil output has generally leveled off during the last 12 months. Nonetheless, the Soviets may still attain their scaled-down 1981 target of 12.2 million b/d average output. Coal production continues to be unsatisfactory, frustrating attempts to substitute coal for oil in electricity generation (which also was below the planned annual rate). Meanwhile, the Soviets are struggling to maintain steel output at last year's level. (No target for steel was published for 1981.)

The consumer sector continues to be at a distinct disadvantage in the competition for scarce resources, with ominous implications for workers' incentives and productivity. The much advertised plan for light industrial output to grow faster than heavy industrial production is failing. The light industry sector's 3-percent growth was below both its target and the actual performance of heavy industry. The construction of new housing also continues to lag. Reflecting poor harvests in 1979 and 1980, per capita output of meat and milk products is falling for the second straight year. Reports of market shortages continue to spread.

The likelihood of a third consecutive harvest failure has to be alarming to the Soviet leadership. Record imports of grain to support the livestock sector and of meat will help alleviate shortages, but at great cost--perhaps as much as 50 percent of hard currency export earnings this year. More importantly, it puts on center stage the failure of the Brezhnev regime to deliver on its promise to improve consumer welfare and raises questions about the program's future viability.

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E.O. 12065: GDS 9/1/87 (MCCALL, SHERROD B.) OR-M
TAGS: PINR, UR
SUBJECT: CENTRAL COMMITTEE LETTER ON FOOD SITUATION
REFS: (A) MOSCOW 10981, (B) MOSCOW 12115

1. (C - ENTIRE TEXT)

2. DEPARTMENT WILL HAVE SEEN AUGUST 31 AP REPORT
OF AN UNUSUAL PRIVATE LETTER (DATED AUGUST 13)
ISSUED BY COMMUNIST PARTY LEADERSHIP TO PARTY
MEMBERS WARNING OF PARTICULARLY DIFFICULT AGRI-
CULTURAL CONDITIONS THIS YEAR AND ADVISING PARTY
MEMBERS OF THE URGENT NEED TO CONSERVE FOOD.
ACCORDING TO THE AP STORY, THE DOCUMENT, WHICH
LIKENS CLIMATIC CONDITIONS THIS YEAR TO THOSE IN
1972 AND 1975 (YEARS OF EXCEPTIONALLY POOR HARVESTS),
HAS BEEN READ OUT IN RECENT DAYS TO MEETINGS OF PARTY
MEMBERS AT A NUMBER OF MOSCOW WORKPLACES. AP CORRES-
PONDENT WHO WROTE THE STORY TELLS US THAT HE HAS NO
ADDITIONAL DETAILS TO ADD.

3. THIS LETTER APPEARS TO BE RELATED TO -- AND IS
PERHAPS A WATERED-DOWN VERSION OF -- THE
UNPUBLISHED CENTRAL COMMITTEE DECREE ON CONSERVA-
TION OF BREAD REPORTED IN REFS A AND B. ACCORDING
TO OUR SOURCES, THE CENTRAL COMMITTEE DECREE CON-
TAINS INSTRUCTIONS FOR WAGING A "SAVE BREAD" CAMPAIGN
ON A NUMBER OF FRONTS AS WELL AS MEASURES FOR THE
RATIONING OF BREAD IN SMALL TOWNS TO PREVENT ITS

SIT: POSS NOTE VP
EOB: PIPES POATS
WHSR COMMENTS:

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USE AS LIVESTOCK FODDER. WE HAVE ALSO HEARD REPORTS THAT DIRECTORS OF MOSCOW FOOD STORES HAVE BEEN INSTRUCTED TO ORDER SALES CLERKS TO OBSERVE LONG-STANDING (BUT USUALLY NOT ENFORCED) PURCHASE LIMITS ON KEY FOOD COMMODITIES (2 KILOGRAMS OF BREAD PER PERSON PER PURCHASE; 2 KILOS SAUSAGE/PERSON/PURCHASE; 2 KILOS MEAT/PERSON/PURCHASE; 1/2 KILO MILK-BASED BUTTER/PERSON/PURCHASE). THE PURPOSE OF THESE MEASURES IS, ACCORDING TO SOURCES, DESIGNED TO PREVENT NON-MUSCOVITES FROM RAIDING MOSCOW FOOD SUPPLIES. (COMMENT: EMBASSY OFFICER HAS ALREADY ENCOUNTERED AN INSTANCE OF ENFORCEMENT OF THE BUTTER RESTRICTION. WE WILL BE CHECKING ENFORCEMENT OF THE OTHER LIMITS. END COMMENT.)

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4. THE MEASURES, AS WELL AS THE ON-GOING PRESS CAMPAIGN TO SAVE BREAD, REFLECTS WHAT APPEARS TO BE A GROWING LEVEL OF ANXIETY ON THE PART OF THE REGIME THAT THE NATION'S FOOD SITUATION MAY DETERIORATE IN THE FACE OF WHAT APPEARS TO BE A THIRD CONSECUTIVE POOR HARVEST. THE LETTER TO PARTY MEMBERS IS A WAY OF PREPARING THE POPULATION FOR THIS CONTINGENCY WITHOUT UNDULY ALARMING IT. WE NOTE IN THIS CONNECTION THAT, ACCORDING TO THE AP STORY, THE LETTER IMPLIES THAT THE GOVERNMENT WILL BUY FOOD ABROAD OR USE RESERVES AS A SAFETY NET FOR THE FOOD SUPPLY. MATLOCK
BT

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