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WITHDRAWAL SHEET

Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	from S. Danzansky to Colin Powell re: united lending to Soviet Bloc countries (1p)	7/7/88	P-5
2. memo	from S. Danzansky to C. Powell re: united lending to Soviet Bloc countries, page 1 (1p, partial)	6/30/88	P-5
3. memo	re: USSR new steps in agricultural reform (13 ² pp, partial)	5/-/88	P-1
4. NSC/S profile	re: USSR summit economics (1p)	1/28/88	P-1
5. letter	from William Verity (Sec. of Comm.) to C. Powell re: meetings with Soviet officials during summit (3pp)	1/28/88	P-1
6. memo	from Bruce Smart to W. Verity re: Gen. Sec. Gorbachev meeting with busines executives, Dec. 10th at 3pm. (10pp)	12/14/87	P-1
7. telegram	from USDOC to Am. Embassy Moscow re: Sec. Verity's meeting with chairman of Soviet Foreign Economic Commission (3pp)	12/-/87	P-1
8. telegram	from Sec. of State to all OECD capitals re: USSR and The GATT (4pp)	1/-/88	P-1 Folder 1
9. memo	from C. Powell to Cabinet, USTR, CEA, EPA, NASA, NSF re: managing the US-Soviet relationship (1p)	2/2/88	P-1 Folder 2
10. memo	from Rhett Dawson to Howard Baker, Ken Duberstein, C. Powell re: presidential approval on attached, with attachment (4pp)	2/1/88	P-1
11. memo	from S. Danzansky, Robert Dean, Fritz Ermarth to C. Powell re: managing the US-Soviet relationship, with attachment (4pp).	1/12/88	P-1
12. memo	from R. Dawson to C. Powell re: managing the US-Soviet relationship (2pp)	1/26/88	P-1
COLLECTION:			
DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER:			
Soviet Union [1 of 3]			11/10/94

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-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.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

4708
Add-on

*Somit
Kumar*

ACTION

July 7, 1988

MEMORANDUM FOR COLIN L. POWELL

FROM: STEPHEN I. DANZANSKY

SUBJECT: Untied Lending to Soviet Bloc Countries

In response to your July 3 note, I do not think you need to discuss the issue with Frank Carlucci. Defense appears to be safely reined in, and has accepted our fixes to its response to Senator Sasser (draft at Tab A). Defense is likely to be part of the interagency analytical effort, despite its time-tested preference for imposing capital controls.

R.P.
Rudy Parina and *Mike* Andricos concur.

RECOMMENDATION

That you sign the letter to Senator Sasser at Tab I of my June 30 memo.

Approve _____

Disapprove _____

Attachments

Tab A	Incoming from Senator Sasser
B	Your note of July 3, 1988

Prepared by: *S.P.F.*
Stephen P. Farrar



THE SECRETARY OF DEFENSE
WASHINGTON THE DISTRICT OF COLUMBIA

DRAFT

Honorable Jim Sasser
United States Senate
Washington, D.C. 20510

Dear Senator:

I share your concern that Soviet and Warsaw Pact borrowing practices in Western capital markets might result in additional pressures to increase NATO's defense budgets. I am also pleased the Senate decided to drop the restriction on appropriations contained in an early version of the Military Construction Appropriations Bill for FY 1989 (H.R. 4586).

Most of the actions called for in your letter and in the Senate Report on H.R. 4781 involve issues in several agencies, and some actions involve Presidential decisions in response to prior requests by Senate and House members on this subject. Following interagency consultations, I am informed that interested agencies are reviewing existing financial and trade data.

I can assure you Defense will play an active role with other agencies in reviewing the data and reaching a consensus on the national security aspects of these issues.

3/7

~~JDW~~
PSS
SID

I'm RELUCTANT TO
SIGN THIS IF DOD
IS OFF THE FARM &
FCC MAY BE ANSWERING
THE LTR TO HIM QUITE
DIFFERENTLY. Do I NEED
TO RAISE WITH FCC
& CLARIFY CURRENT
ADMIN position? IF SO
LET ME HAVE TPs.
Do you WANT TO DISCUSS?

Return to Danzansky
per CLP's note

Coordinate w/ SPF,
Perina & Andrusos

↑
NSC/S:

Return to SID per
CLM's note (for further
action)

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

June 30, 1988

ACTION

MEMORANDUM FOR COLIN L. POWELL

FROM: STEPHEN I. DANZANSKY *in for*

SUBJECT: Untied Lending to Soviet Bloc Countries

Senator Sasser has written you (Tab II) urging your cooperation with an interagency task force he has asked Secretary Carlucci to chair seeking to curb financial flows to the Soviet Bloc countries.

Sasser and many of his colleagues have been persuaded that untied lending by Western financial institutions (mainly in Europe and Japan) are increasing the defense burden of the United States. They passed a 97-0 resolution asking the President to raise the issue at Toronto. The Senate Appropriations Committee has included language in its report on the Defense appropriations bill calling for consultations with our allies and a report by September 30.

The Administration has strongly opposed the idea of restricting capital flows over the three years of intermittent Congressional interest in the subject. Such controls would undercut sharply the role of the United States in international financial markets. Moreover, there is little chance that our allies would agree to match our controls. At a recent hearing, however, Carlucci responded to a question by opining that a West German commercial bank loan of \$2.1 billion announced in May would damage our security interests.

I chaired an interagency meeting on Wednesday, June 29, to review the issue and agree on next steps. Treasury, State, and CIA experts agree that the Senators are working with erroneous data and that their policy prescription is incorrect. Defense appears unmoved from its longstanding position favoring controls. I have asked Treasury to chair a working group (including State, DOD, and CIA) to pull together existing data, organizing it to address specific points raised by Sasser and his colleagues. When that data is available, in the next three weeks or so, my group will then examine policy implications.

Rud
Rudy Perina and *Mike* Mike Andricos concur.

RECOMMENDATION

That you sign the letter to Senator Sasser at Tab I explaining the Administration's position opposing capital controls and assuring him that we will review this position in light of the latest data.

Approve _____

Disapprove _____

Prepared by:
Stephen P. Farrar

Attachments

Tab I Letter to Senator Sasser
Tab II Incoming from Sasser

THE WHITE HOUSE

WASHINGTON

Dear Senator Sasser:

Thank you for your letter of June 21, forwarding a copy of a letter you sent to Secretary Carlucci concerning the impact of untied commercial lending to the Soviet Union and other communist countries.

As you know, this Administration is very much concerned with the impact of our international economic policies on our national security. At the Versailles Economic Summit in 1982, we pressed for and obtained a commitment that financial relations with the Soviet Bloc would be conducted cautiously, on a sound economic basis, and on commercial terms. This position was reaffirmed at the Toronto Economic Summit.

The Administration has reviewed several times the question of whether to go beyond this broad prohibition against subsidized economic relations with the Soviet Bloc. You suggest that it may be necessary to control general purpose lending by Western banks to Bloc countries. We continue to believe that, absent a national emergency, such controls would be counterproductive and less likely than direct controls on goods to achieve intended results. However, we will keep the situation under review and examine closely the latest data on credit patterns.

Sincerely,

The Honorable Jim Sasser
United States Senate
Washington, D.C. 20510

ROBERT C. BYRD, WEST VIRGINIA
WILLIAM PROXMIRE, WISCONSIN
DANIEL K. INOUE, HAWAII
ERNEST F. HOLLINGS, SOUTH CAROLINA
LAWTON CHILES, FLORIDA
J. BENNETT JOHNSTON, LOUISIANA
QUENTIN N. BURDICK, NORTH DAKOTA
PATRICK J. LEAHY, VERMONT
JIM SASSER, TENNESSEE
DENNIS DECONCINI, ARIZONA
DALE BUMPERS, ARKANSAS
FRANK R. LAUTENBERG, NEW JERSEY
TOM HARKIN, IOWA
BARBARA A. MIKULSKI, MARYLAND
HARRY REID, NEVADA

MARK O. HATFIELD, OREGON
TED STEVENS, ALASKA
LOWELL P. WEICKER, JR., CONNECTICUT
JAMES A. MCCLURE, IDAHO
JAKE GARN, UTAH
THAD COCHRAN, MISSISSIPPI
ROBERT W. KASTEN, JR., WISCONSIN
ALFONSE M. D'AMATO, NEW YORK
WARREN RUDMAN, NEW HAMPSHIRE
ARLEN SPECTER, PENNSYLVANIA
PETE V. DOMENICI, NEW MEXICO
CHARLES E. GRASSLEY, IOWA
DON NICKLES, OKLAHOMA

FRANCIS J. SULLIVAN, STAFF DIRECTOR
J. KEITH KENNEDY, MINORITY STAFF DIRECTOR

2. steps

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510-6025

June 21, 1988

JUN 23 1988

LTG. Colin Powell, USA
Assistant to the President for
National Security Affairs
Old Executive Office Building
Washington, D. C. 20506

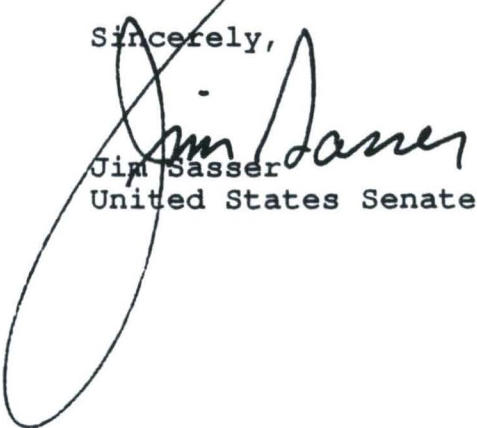
Dear General Powell:

Attached is a letter I have sent to Secretary of Defense Frank Carlucci urging that an interagency task force be created to deal with the issue of untied loans and other financial practices by our allies which are detrimental to the security of the West.

I hope you will fully cooperate with such a task force and lend your full support to seeking an end to practices which increase the defense burdens of the United States.

Thank you for your consideration of this matter.

Sincerely,



Jim Sasser
United States Senate

Enclosure

United States Senate

WASHINGTON, DC 20510

June 21, 1988

Honorable Frank Carlucci
Secretary of Defense
The Pentagon
Washington, D.C. 20301

Dear Mr. Secretary:

I would like to follow-up on the recent actions taken by the Senate and members of the House concerning the serious national security dimensions of Western financial flows to the Soviet Union, and other Warsaw Pact nations, Cuba, Vietnam, Libya, and Nicaragua. As you know, on June 15 the Senate passed 96-0 a resolution calling on the President to consult with allied leaders on this issue at the Toronto Economic Summit. A bipartisan group of House members also sent a letter to the President urging specific action on untied loans. We are awaiting word that such consultations have been undertaken at both the Head of State and Finance Minister levels.

My colleagues and I are pleased that you share the view that untied, general purpose lending by Western banks to adversary nations increases the defense burden of the NATO Alliance. This particular kind of undisciplined lending practice cannot be justified from either a national security or commercial perspective. There is little doubt that the billions of dollars in annual untied lending to the Soviet Bloc (mainly by the commercial banks of allied countries)--estimated to total almost \$20 billion in 1986 alone--is damaging vital U.S. security interests. It is also likely that the U.S. effort to counter the harmful consequences of Soviet diversion of Western borrowings is resulting in multi-billion dollar annual costs in additional and potentially unnecessary U.S. defense spending.

Accordingly, we expect that the Department of Defense will immediately establish and lead an interagency task force dealing with the impact of various types of Western credit flows on alliance security, with priority focus on the issue of untied lending, including Soviet borrowing in the international securities market (e.g. issuing of bonds, notes, etc.). Once the President has approved U.S. positions in the area of alliance financial security, the allies should engage in a quick collection of data and study of this important issue area. The results of the study should be publicly available prior to the annual meetings of the

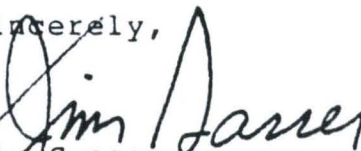
International Monetary Fund and the World Bank, traditionally held at the end of September. By the time of the IMF/World Bank meetings in Berlin, the allies should have also concluded a formal agreement to phase-out untied, general purpose lending to Warsaw Pact countries, Cuba, Vietnam, Libya, and Nicaragua in favor of a return to disciplined, specific purpose lending to these countries.

Should the Administration decide against conducting a comprehensive alliance study on the impact of Western security of credit flows to adversary nations and ending untied, general purpose lending, then the Senate will be compelled to again examine legislative measures against offending banks of alliance countries until the problem is corrected.

I would appreciate being kept informed periodically of progress toward these objectives. I sincerely hope that the Department and other government agencies will undertake this alliance action expeditiously and with the intensity of other defense burden-sharing issues.

With kind regards.

Sincerely,


Jim Sasser
United States Senator

cc: Honorable George Shultz
Honorable James Baker
Honorable Colin Powell

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Dunzansley

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WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

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Table

The 1969 and 1988 Collective Farm Charters: Changes and Additions

	<u>1969 Charter</u>	<u>1988 Draft Charter</u>
<u>Private Plots</u>		
Changes	Plots may be up to 0.5 hectares including land occupied by buildings; there are specific limits on the number of livestock that may be kept. Plot holders may own houses, farm buildings, productive livestock, small implements. Farm gives assistance.	Farms decide size and allocation of plots and norms for keeping livestock. In addition to items on the earlier list, plot holders may own hothouses. Farm gives every possible assistance.
Additions		Plots are designated part of socialist agricultural production. Additional plots, hayfields, and pasture may be allocated to workers and residents in return for production of livestock products. Farms have the right to allocate collective orchards and truck gardens to rural workers in multi-story housing.
<u>Labor Organization and Pay</u>		
Changes	Farms establish guaranteed pay for farm work. Farms decide organization of production. Farms assign land, equipment, and buildings to production units.	Pay depends on gross income from production and marketing. Collective contracts are the main form of labor organization. Family and personal contracts are also used.

UNCLASSIFIED

A farm member's application to leave the farm must be "considered."

A member has the right to leave upon written application.

Farm Decisionmaking

Changes

Land may not be rented or sold.

Land may be leased to individuals, other farms, enterprises and organizations.

Farms' net income is to be spent on taxes, other payments to the state, increasing capital assets and various bonus and other intrafarm funds.

Farms make the required payments to the state and repay loans. Farms may spend remaining income as they see fit.

Additions

Farms have the right to acquire resources in wholesale and retail trade.

A farm's working capital cannot be taken from it.

Farms may use members' property for production.

Farms may enter into international trade relations.

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12-8-87--Final

GUEST LIST
SECRETARY VERITY'S LUNCHEON IN HONOR OF
VLADIMIR M. KAMENTSEV
CHAIRMAN OF THE USSR STATE FOREIGN ECONOMIC COMMISSION
December 8, 1987
11:45 a.m.
The Secretary's Dining Room

Soviet Invitees

** V. M. KAMENTSEV	Chairman of the USSR State Foreign Economic Commission
S.A. SITARYAN	First Deputy Chairman State Planning Committee (Gosplan)
A. AGENBEGYAN	Academician Secretary, Economic Department, Academy of Sciences
Y. M. PRIMAKOV	Director, Institute of World Economics and International Relations
** Y.G. KUTOVOY	Minister-Counselor, USSR Embassy, Washington
** U.A. ZNAMENSKIY	First Deputy Chief of Section, USSR State Foreign Economic Commission
O.V. KOZHEVNIKOV	Minister (Commercial) and Trade Representative of the USSR in the USA, Washington
N.V. ZINOVYEV	Chief, Administration for Trade with the Countries of the Americas, Ministry of Foreign Trade
A. V. MELNIKOV	Deputy USSR Trade Representative in the USA
I. KOZAK	Interpreter
N. Tihomarev	Interpreter (name to be confirmed)

**Did not attend due to last minute Summit requirements

UNCLASSIFIED

115020 21-1

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C. WILLIAM VERITY (host)	Secretary of Commerce
RICHARD E. LYNCH	Secretary of Agriculture
ALLEN WALLIS	Under Secretary of State for Economic Affairs
MICHAEL B. SMITH	Deputy U.S. Trade Representative
S. BRUCE SMART	Under Secretary of Commerce for International Trade
ROBERT W. DEAN	Special Assistant to the President for International Programs and Technology Affairs, National Security Council
STEPHEN DANZANSKY	Special Assistant to the President for International Economic Affairs, National Security Council
EDWIN L. DALE, JR.	Counselor to the Secretary of Commerce
GERALD J. MCKIERNAN	Chief of Staff to the Secretary of Commerce
J. MICHAEL FARREN	Deputy Under Secretary for International Trade
LOUIS F. LAUN	Assistant Secretary of Commerce for International Economic Policy
FRANKLIN J. VARGO	Deputy Assistant Secretary of Commerce for Europe
GALINA PENDILL	Interpreter

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Soviet Trade With West Fell 4.6% in 9 Months As Moscow Cut Imports

Reuters

MOSCOW — The Soviet Union's trade volume with the West fell by 4.6 percent in the first nine months of last year as Moscow cut back its purchases of Western goods, Tass said Friday.

The agency said that trade with Western countries from January to September of 1987 totaled 20.7 billion rubles (\$34.6 billion), down 1 billion rubles from the first nine months of 1986.

Foreign analysts said the Soviet Union apparently was cutting back imports of Western goods because of reduced revenues from the raw materials it exports, especially oil.

Tass also reported that oil output was 624 million metric tons (686.4 million short tons) for the year, 7 million tons more than the official output target.

The figures indicated that the Soviet Union was running a merchandise trade deficit with the West of about 300 million rubles for the nine months, which analysts said showed an improvement.

They noted that for all of 1986, the deficit with the West was 2.72 billion rubles.

Tass said the Soviet Union imported 10.5 billion rubles of goods over the nine months, while exports totaled 10.2 billion rubles. Exports had grown by about 550 million rubles over the same period a year earlier, it said.

Analysts said imports had been depressed by greater pressure to use Soviet technology instead of importing it from the West, as well as the recent reorganization of the Soviet trade administration to adjust to changes under the Soviet leader, Mikhail S. Gorbachev.

The Soviet Union has recently abolished its Ministry of Foreign Trade and a related state committee, and created a new Ministry of Foreign Economic Relations to take their place.

"The whole trade apparatus is being reorganized, and it's having an effect," a foreign analyst said. "No one in the West is willing to sign contracts."

Tass said on Jan. 23 that the volume of Soviet trade with all countries had decreased by about 2.2 percent in all of last year.

West Germany remained the Soviet Union's biggest trading partner in the West in the nine months. But Tass said trade with Bonn from January to September was 3.7 billion rubles, down by 600 million rubles from a year earlier.

Soviet imports from West Germany amounted to about 2 billion rubles over the nine months, Tass said.

Finland was the second largest trading partner, followed by Italy, France and Japan.

Soviet Union Danyansky

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