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# WITHDRAWAL SHEET

## Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. cable (vax)	re: General Secretary Gorbachev's views on a US/USSR summit (1p)	3/4/87	P-1
2. cable (vax)	re: Argentina/Soviet Union/ US agriculture (1p)	3/1/87	P-1
3. cable (vax)	re: US/Soviet negotiating positions for LTA talks (2pp)	n.d.	P-1
4. memo	from J. Poindexter to D. Regan re: grain sales to the Soviet Union (2pp)	9/24/86	P-1, <del>P-5</del>
5. memo	from S. Danzansky to J. Poindexter re: grain sale to the Soviet Union (1p)	9/23/86	P-1, <del>P-5</del>
6. e-mail printout of cable info	from S. Danzansky to NSPAB re: FYI (2pp)	9/12/86	P-1
7. cable	from Sec of State to Am. Embassy Canberra re: letter from the President to PM Hawke (3pp)	8/29/86	P-1
8. cable	from Am. Embassy Canberra to Sec. of State re: Hayden on trade/defense linkage (3pp)	8/21/86	P-1
9. cable	from Am. Embassy Ottawa to Sec. of State re: Canadian reaction to subsidizes sales of wheat to Soviet Union (4pp)	8/11/86	P-1, <del>P-5</del>
10. report	re: Australian politics of wheat exports roils relations with US (5pp)	8/8/86	P-1
11. cable	from Am. Embassy Canberrrs to Sec. of State re: international democrat union meeting and communique (3pp)	8/8/86	P-1
12. memo	from Scott Sullivan to Peter Rodman, et al. re: EEP update (2pp)	8/8/86	P-1
COLLECTION: DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER: Soviet Union (Grain) [3 of 8] <span style="margin-left: 100px;">11 RAC Box 12</span> <span style="margin-left: 100px;"><del>Box 91819</del></span>			11/10/94

### RESTRICTION CODES

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- 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)]**

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- 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.

# WITHDRAWAL SHEET

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
13. e-mail	of forwarded cable from S. Sullivan to S. Danzansky re: Soviet Grain export subsidies (2pp)	n.d.	P-1
14. inter office memo (e-mail)	from S. Sullivan to P. Rodman, S. Danzansky and Tyrus Cobb (1p)	8/5/86	P-1
15. cable	from Am. Embassy Moscow to Sec. of State re: GOSA-GROPROM favors subsidized US grain sales (1p)	8/5/86	P-1
COLLECTION:			
DANZANSKY, STEPHEN I.: Files			db
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Soviet Union (Grain) [3 of 8] <sup>11</sup> RAC Box 12 <del>Box 91819</del>			11/10/94

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Grain (3 of 8)

Panzansky

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PAGE 01

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SINCERELY,  
CLAYTON YEUTTER  
-- END TEXT. ARMACOST

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TO RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 8660  
INFO RUFHGV/USMISSION GENEVA 4240

<SUBJ>SUBJECT: LETTER TO TRADEMINISTER ARISTOV FROM AMBASSADOR  
YEUTTER REGARDING U.S.-USSR GRAIN AGREEMENT

UNCLAS STATE 008538

GENEVA FOR USTR

E.O. 12356: N/A

TAGS: EAGR, ETRD, UR

SUBJECT: LETTER TO TRADEMINISTER ARISTOV FROM AMBASSADOR  
YEUTTER REGARDING U.S.-USSR GRAIN AGREEMENT

1. THIS IS AN ACTION MESSAGE.
2. PLEASE DELIVER THE FOLLOWING LETTER TO MINISTER  
OF FOREIGN TRADE ARISTOV. ORIGINAL TO FOLLOW BY POUCH.

-- BEGIN TEXT

DEAR MR. MINISTER:

UNDER THE TERMS OF THE FIVE-YEAR U.S.-USSR LONG TERM  
GRAIN AGREEMENT SIGNED IN 1983 THE SOVIET UNION IS  
OBLIGATED TO PURCHASE AND THE U.S. TO PROVIDE, AT  
LEAST FOUR MILLION METRIC TONS OF U.S. WHEAT AND AT  
LEAST FOUR MILLION TONS OF U.S. CORN FOR SHIPMENT  
DURING EACH YEAR OF THE AGREEMENT (OCTOBER 1 - SEPTEMBER  
30). UNFORTUNATELY, IN BOTH THE SECOND AND THIRD  
YEARS OF THE AGREEMENT, THE SOVIET UNION DID NOT MEET  
THE OBLIGATION IN WHEAT.

THE UNITED STATES HAS FULLY MET ITS COMMITMENTS UNDER  
THIS AND OTHER AGREEMENTS RELATING TO AGRICULTURE  
AND WE ARE PLEDGED TO CONTINUE TO DO SO. IN THE 1970'S  
WE FULFILLED OUR OBLIGATIONS UNDER PREVIOUS AGREEMENTS  
EVEN THOUGH SUPPLIES HERE WERE SHORT AND CONSUMER  
FOOD PRICE INCREASES WERE POLITICALLY SENSITIVE.  
WE ARE DISTURBED OVER THE FACT THAT THE SOVIET UNION  
DOES NOT SEEM TO FEEL SIMILARLY BOUND TO MEET ITS  
VOLUNTARILY UNDERTAKEN OBLIGATIONS.

ALTHOUGH THE CONSIDERABLE OVERSUPPLY OF GRAIN IN THE  
WORLD HAS CREATED, AT THE PRESENT, A "BUYER'S MARKET,"  
THAT FACT IS IRRELEVANT IN THIS CASE. ARTICLE I OF  
THE AGREEMENT CLEARLY COMMITS THE SOVIET UNION TO  
PURCHASE CERTAIN MINIMUM AMOUNTS OF SPECIFIC KINDS  
OF GRAIN. THIS COMMITMENT IS NOT TIED TO PRICE.  
AND IT IS NOT DIMINISHED BY THE FACT THAT THE UNITED  
STATES UNILATERALLY WENT BEYOND THE LETTER OF THE  
AGREEMENT AND OFFERED THE SOVIET UNION A REDUCED PRICE  
THROUGH THE MECHANISM OF THE EXPORT ENHANCEMENT PROGRAM,  
THUS SLOWING OUR WILLINGNESS TO "GO THE EXTRA MILE."  
THOUGH THE TERMS OF THE AGREEMENT MAY BE DISADVANTAGEOUS  
TO THE SOVIET UNION IN YEARS WHEN GLOBAL SURPLUSES  
ARE AVAILABLE, CLEARLY IT IS ADVANTAGEOUS TO YOU TO  
HAVE ASSURED ACCESS WHEN SUPPLIES ARE SHORT. THAT,  
OF COURSE, WAS THE RATIONALE OF THE ORIGINAL AGREEMENT,  
AND IT IS AS VALID TODAY AS IT WAS A DECADE AGO.  
YOU MUST CERTAINLY APPRECIATE THAT ONE OF THE WORLD'S  
CERTAINTIES IS THE FACT THAT MARKET CONDITIONS EVENTUALLY

CHANGE.

AT A TIME WHEN THERE ARE SERIOUS EFFORTS UNDERWAY  
BY BOTH OF OUR GOVERNMENTS TO BUILD A MORE CONSTRUCTIVE,  
COOPERATIVE RELATIONSHIP BETWEEN OUR NATIONS, IT IS  
PARTICULARLY IMPORTANT FOR EACH OF US TO FULFILL EXISTING  
COMMITMENTS.

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## FACT SHEET: Long Term Grain Agreement (LTA)

### I. BACKGROUND

- o On August 25, 1983 the Soviets signed a 5-year agreement to purchase grain from private U.S. commercial sources at the rate of 9 million metric tons per year at the following minimum rate: wheat -- 4 million tons; corn -- 4 million tons. The agreement specified that the sales would be made at the "market price prevailing" and in accord with "normal commercial terms."
- o Although the Soviets had purchased a total of 8.5 million tons of grain during the FY ending September 30, 1986, they had purchased only .2 million tons of wheat. Seeing this development, you authorized extension of the Export Enhancement Program to include the Soviet Union, thereby extending a direct one-time USG subsidy to U.S. exporters to enable them to sell to the Soviet market.
- o On August 4, the USDA set the USG subsidy level at \$13, based upon its assessment of world market price. The Soviets did not buy. On August 25, as the world market price dropped, the USG subsidy was set at \$15 per ton, but still no sales. The LTA fiscal year ended on September 30, 1986 with the Soviets 3.8 million tons below the LTA specifications on wheat, having purchased from the Canadians and others at prices lower than the \$15 subsidy would have allowed.

### II. CURRENT SITUATION

- o Although the Soviets purchased close to the 9 million LTA total requirement in all grains (corn, wheat and soybeans), they did not fulfill their wheat quota. The U.S. has announced that it does not plan to extend or renew the offer.

### III. SOVIET POSITION

- o Because of ample world stocks, stringent Soviet quality demands and new harvests which depress grain prices already at 12 year lows, the LTA quota requirements are unenforceable in today's glutted market. The U.S. did not offer the "market price prevailing" and the Soviet Union was thus free to purchase from other sources to fulfill its requirements.

IV. U.S. POSITION

- o The Soviet Union at the time of the LTA was in need of a dependable supply of grain and the U.S. agreed to provide that dependable supply. By adding the subsidy to meet market price, the U.S. showed its good faith in attempting to abide by the terms of the contract and the Soviets had no business imposing new standards and quality demands merely because today there exists a buyers market.
  
- o The purpose of any LTA is to provide a steady source of supply and demand at a price established within the limits of reason. It is not meant to set exact standards and specifications other than the broad requirements for performance.

## THE WHITE HOUSE

WASHINGTON

IV. U.S. POSITION

- o The Soviet Union at the time of the LTA was in need of a dependable supply of grain and the U.S. agreed to provide that dependable supply. By adding the USG subsidy to meet market price, the U.S. showed its good faith in attempting to abide by the terms of the contract and the Soviets had no business imposing new standards and quality demands merely because today there exists a buyers market.
  
- o The purpose of any LTA is to provide a steady source of supply and demand at a price established within the limits of reason. It is not meant to provide a blue-~~print~~ print of standards and specifications other than the broad requirements for performance. *cross*

Grann (3048)  
Panzansky

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T.S.:  W (1)

THE WASHINGTON POST

# U.S. Sweetens Wheat Offer; Soviets Still Cool

*Republican Senator Says Bigger Subsidy 'Demeans the Process Further'*

By Ward Sinclair  
Washington Post Staff Writer

The Reagan administration has sweetened its controversial offer to sell wheat to the Soviet Union at subsidized rates, but Moscow apparently is showing little interest in making a deal.

After U.S. wheat prices increased in August, making the grain less competitive on the world market, the administration last week increased the bonus it is offering the Soviets from \$13 per metric ton to \$15.

The subsidized-sale decision—controversial here and abroad since its announcement last month—showed signs yesterday of backfiring politically against the White House, as a key Republican senator renewed his criticism.

Sen. Richard G. Lugar (R-Ind.), chairman of the Foreign Relations Committee, said he thought the Soviets' refusal to buy had become embarrassing to the administration and that the increased subsidy "demeans the process further."

President Reagan, under intense pressure from Senate Majority Leader Robert J. Dole (R-Kan.) and other congressional Republicans, rejected the advice of senior administration officials and approved the subsidy plan as a way of helping economically troubled American farmers sell more surplus wheat.

Lugar, who after the initial announcement had charged that the subsidy scheme was intended to bolster GOP election fortunes in the wheat states, repeated his criticism Tuesday.

"I did not think it was a good idea . . . I think it is even more embarrassing in the fact that we put the offer on the table a month ago and the Soviets have ignored it," Lugar said.

Trade sources continued to express surprise that the Soviets have not accepted the U.S. offer, which is good until Oct. 1, when the third year of a five-year grain trading agreement with Moscow expires.

The Soviets are committed under the pact to buy 4 million metric tons of wheat annually, a goal they missed last year and are far from meeting this year.

"Everyone thought the Agriculture Department must have had some kind of commitment from the Soviets before the subsidy announcement was made," one trade source said.

"Otherwise, if they don't sell the grain, it creates intense political pressure on the Republicans just a month before the election," the source added.

Despite the increased subsidy, other factors may be influencing the Soviets' reluctance to buy U.S. wheat at the low price offered by Reagan, trade analysts said yesterday.

They said a key factor affecting the United States, as well as other grain exporters, is a set of stricter sales rules announced by the Soviets in July.

One change would allow the Soviets to

reject outright any grain shipment at the point of delivery. Another would withhold 5 percent of the payment until shipment quality was determined.

According to Richard Fritz, a markets analyst for U.S. Wheat Associates, a farmer-financed export promotion organization, "The trade would not accept these kinds of conditions." Analysts said that major export firms are talking with the main Soviet trading agency in an effort to clarify the rules.

The original White House decision to subsidize sales to Moscow also elicited much criticism from U.S. allies who are major players in the world wheat market. Angry appeals by Australia and Canada, which rely heavily on wheat sales to the Soviets, were rejected by the administration.

U.S. trade frustrations were intensified this week with recurring reports that Canada had made a major new sale of wheat to the Soviets, probably at rates lower than the subsidized price offered by Reagan.

A Canadian embassy official would not confirm rumors yesterday of a sale of 2.5 million tons of wheat to the Soviets. "We have a long-term agreement with the Soviets and we sell to them all the time . . . We don't know why there's all the excitement," the official said.

Grain (30+8)  
Pahzansky

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SUBJECT: SURPLUS SUGAR SALE TO CHINA

1. USDA PRESS RELEASE: QUOTE: USDA SELLS SURPLUS SUGAR TO CHINA. WASHINGTON, D.C. AUGUST 12 - UNDER SECRETARY OF AGRICULTURE DANIEL G. AMSTUTZ ANNOUNCED TODAY THAT THE UNITED STATES DEPARTMENT OF AGRICULTURE'S COMMODITY CREDIT CORPORATION (CCC) SOLD 145,850 METRIC TONS OF CCC-OWNED SURPLUS RAW CANE SUGAR TO CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORPORATION (CEROILFOOD) OF THE PEOPLE'S REPUBLIC OF CHINA VALUED AT 15.3 MILLION U.S. DOLLARS. IT IS EXPECTED THAT ALL OF THE RAW SUGAR IN CCC'S INVENTORY WILL BE SHIPPED AGAINST THIS SALE.

QUOTE: AMSTUTZ SAID THE SUGAR WAS SOLD FREE-ON-BOARD VESSEL AT A U.S. PORT OF EXPORT AND WILL BE DELIVERED DURING JANUARY THROUGH MARCH 1987. NO CREDIT ARRANGEMENTS ARE INVOLVED IN THIS SALE. THE SUGAR IS OF

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U N C L A S S I F I E D

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THE 1984/85 CROP AND WAS ACQUIRED BY CCC UNDER ITS DOMESTIC PRICE SUPPORT PROGRAM.

QUOTE: AMSTUTZ SAID THIS IS THE FIRST

GOVERNMENT-TO-GOVERNMENT SALE BETWEEN THE UNITED STATES AND THE PEOPLE'S REPUBLIC OF CHINA. THE SALE WAS NEGOTIATED BETWEEN USDA REPRESENTATIVES AND CEROILFOOD REPRESENTATIVES IN BEIJING. REPRESENTATIVES OF BOTH GOVERNMENTS EXPRESSED THEIR WISH THAT THIS SALE WILL FURTHER THE FRIENDLY RELATIONSHIP BETWEEN THE PEOPLES OF THE TWO COUNTRIES. UNQUOTE.

2. IN THE CONFERENCE REPORT TO THE FOOD SECURITY ACT OF 1985 THE PRESIDENT IS DIRECTED TO "USE ALL AVAILABLE LEGAL MEANS TO OTHERWISE DISPOSE OF ACCUMULATED STOCKS OF SUGAR" BEFORE MAKING AN ADJUSTMENT TO A PREVIOUSLY ANNOUNCED SUGAR QUOTA. WE MUST ANNOUNCE THE NEW QUOTA BY DECEMBER 15, 1986 AND ACCORDINGLY IN ORDER TO COMPLY WITH THE INTENT OF CONGRESS WE HAD TO DISPOSE OF THE SUGAR WHICH WAS FORFEITED TO THE CCC LAST FALL BY THE TIME WE ANNOUNCE THE NEW QUOTA.

3. CHINA IS A LARGE IMPORTER OF RAW SUGAR AND CERTAIN OF HER SUPPLIERS HAVE HAD A CROP SHORTFALL PUTTING CHINA IN A SOMEWHAT SHORT SUPPLY SITUATION. IN THAT RESPECT, CCC CAN MOVE INTO THE CHINESE MARKET WITHOUT DISPLACING TRADE FLOWS OF OTHER SUPPLIERS.

4. WE HAVE RECEIVED ASSURANCES FROM THE CHINESE THAT THE PURCHASE OF CCC SUGAR WILL NOT DISPLACE THEIR NORMAL LEVEL OF BUYING FROM MAJOR TRADITIONAL SUPPLIERS.

5. THE NEGOTIATED SALES PRICE MAKES THE CCC SUGAR PRICE (4.75 CENTS PER POUND) COMPETITIVE BOTH WITH THE RAW SUGAR PRICES THAT CHINA HAS BEEN ABLE TO NEGOTIATE WITH OTHER RAW SUGAR SUPPLIERS AS WELL AS WITH THE REFINED SUGAR PRICES CHINA IS ABLE TO NEGOTIATE WITH THE REFINED SUGAR SUPPLIERS. WE SIMPLY MET THE COMPETITIVE PRICES.

7. ALL POSTS MAY DRAW ON THE ABOVE AS NEEDED. SHULTZ  
\*\* END OF CABLE \*\*

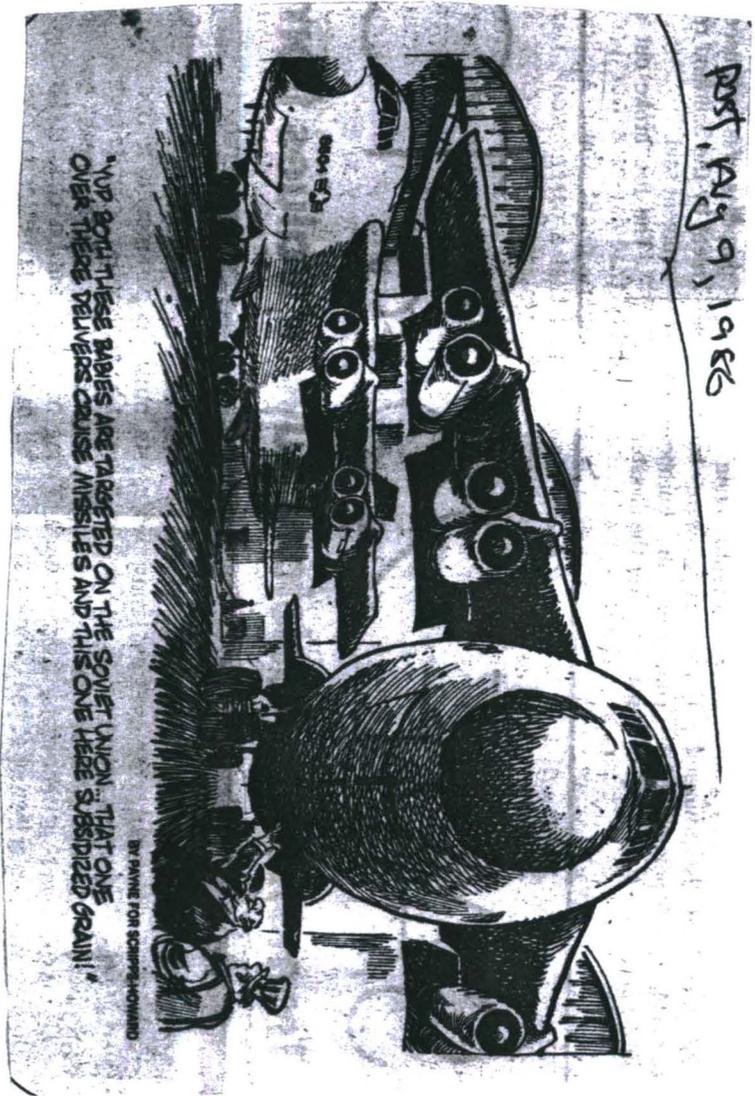
Grain (3 of 8)

Danzansky

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V(N) 1



Soviet Grain Ship

File: #  
# DHA  
V(N)1

THE NEW YORK TIMES, SATURDAY, AUGUST 9, 1986

# Little Gain Is Seen for Reagan in Wheat Sale

By WILLIAM ROBBINS  
Special to The New York Times

KANSAS CITY, Mo., Aug. 8 — President Reagan's decision to allow subsidized wheat sales to the Soviet Union, which has brought complaints from Australia and Canada, seems to be producing few of the domestic political dividends he had hoped for.

Here, in an area that experts say could be pivotal in the Republican Party's effort to retain control of the Senate this year, reactions reflect little more excitement than was displayed in wheat markets, where prices have seenawed since Mr. Reagan announced his decision last Friday.

And, in Washington, one agricultural economist said it appeared that Mr. Reagan had risked the anger of allies like Canada and Australia for very little in either economic or political gain.

Reactions among both farmers and political leaders varied, depending on party affiliation and the crops grown in their areas. Democrats generally expected farmers to attribute the current farm problems of surpluses and hardships to Republicans as the party in control of the White House. Those in

corn country saw virtually no prospect of Republican gains.

Republicans were divided on the possible effect of Mr. Reagan's policy, although they expect benefits from Mr. Reagan's continuing general popularity. However, signs indicate his popularity has been slipping among farmers. And in some wheat areas there were exceptions like Christopher Rink, assistant director of the Oklahoma Wheat Commission, a state promotional agency, who exclaimed, "We're ecstatic!"

A few Republican leaders in Iowa, a corn state, reacted negatively to Mr. Reagan's policy, and some seemed hesitant to predict results at the polls.

"This is one of those years when I don't know what's going to happen, and I'm almost afraid to ask," said Mike Mahaffey, a member of the Iowa Republican State Central Committee, noting an unusual lack of interest in talking politics among Iowans. "Maybe we ought to let sleeping dogs lie. I don't know if they might wake up and bite Republicans."

The price of wheat initially rallied after Mr. Reagan's announcement Friday, but as awareness appeared to spread that the decision was likely to have only a limited effect, prices relapsed. One expert, Martin Abel, a Washington consultant, said Wednesday that the possible sales were likely to have "little effect on farmers' wheat prices." If the Soviet sales are executed, about 141 million bushels would be involved, a small proportion of this year's total American supply.

The limited nature of the move also brought protests from commodity groups that were left out, particularly the corn and soybean producers.

It was that exclusion that seemed to attract the most attention in Iowa, although it appeared likely to have little impact on the Senate race there.

"If that were to have any impact in Iowa, it would be negative," said Mr. Mahaffey, the Republican committee member. "People like to feel they have been treated fairly."

Nevertheless, he acknowledged that Iowa's Republican Senator, Charles E. Grassley, was regarded as nearly invulnerable, partly because of his perceived independence in representing Iowa farmers and resisting Administration policies.

But Varel Bailey, a farm adviser to Iowa Republicans, said the Administration decision could hurt even Mr. Grassley. "Some people say wheat senators got what they were after," he declared, "and if corn senators didn't it's because they're not effective."

Reaction to the wheat decision was more favorable in wheat states, as might be expected, although the effect is likely to be minimal in the biggest wheat-producing state, Kansas, where Senator Bob Dole, a Republican, was already a heavy favorite over Guy McDonald, the nominee chosen by Democrats Tuesday.

"It's an election-year gimmick, no question about it," said Jack Beau champ, a farmer who supports Mr Dole. "But I'm not worried about motives. We need to do everything we can to move this grain into exports."

Senator Richard G. Lugar, an Indiana Republican who is chairman of the

Senate Foreign Relations Committee, has acknowledged that the President's decision on the subsidy was based primarily on domestic political concerns.

In other wheat states, the Republican incumbent in Oklahoma, Don Nickles, is already leading in opinion polls but expects further help from the Reagan move. However, his Democratic opponent, Representative James R. Jones, who supporters say is narrowing the gap, is calling for even stronger export-promoting steps.

Similarly, supporters of Senator Mark Andrews, Republican of North Dakota, expect favorable reactions. Supporters of Kent Conrad, the State Tax Commissioner, a Democrat who is opposing Mr. Andrews, scoffed at the idea. They point to polls indicating a narrowing lead for the incumbent.

THE NEW YORK TIMES, MONDAY, AUGUST 11, 1986

# U.S. SAID TO PLAN MOVES TO TIGHTEN EMBARGO ON CUBA

## Washington Would Also Seek to Help Political Prisoners Immigrate as Refugees

By ROBERT PEAR

Special to The New York Times

WASHINGTON, Aug. 10 — President Reagan plans to tighten the United States economic embargo of Cuba that was first imposed in the early 1960's, Administration officials said today.

The staff of the National Security Council has prepared a directive providing for stronger enforcement of the embargo, which prohibits a broad range of financial transactions with Cuba.

The new rules would further restrict the flow of funds to Cuba in the forms of gifts and family remittances, the officials said. The purpose is to deny Cuba hard currency and American goods it now obtains by circumventing the embargo.

### Efforts for Political Prisoners

At the same time, officials said, the Administration will soon announce new steps to help long-term political prisoners who want to come to this country from Cuba as refugees.

Those proposals would require the cooperation of Havana and it was not immediately clear what incentive Fidel Castro, the Cuban leader, would have for freeing the prisoners in the way envisaged by Washington. However, State Department officials said that they had information indicating Mr. Castro wanted to get rid of the prisoners, and had assured independent negotiators of his willingness to release them.

In describing the effort to tighten the embargo, a State Department official said that as presently enforced, it had "some holes, some chinks," and that Mr. Castro was "extorting money" from Cuban-Americans as a condition of letting their relatives leave the island. Such payments are said to range from \$3,000 to \$30,000 for each Cuban seeking an exit permit.

State Department officials said the steps they were planning were motivated, at the same time, by a humanitarian concern for the prisoners and by a desire to penalize Cuba for suspending a 1984 agreement on immigration be-

tween the two countries.

American diplomats in Cuba have been instructed to inform the Ministry of External Affairs that the United States would like to send a team to Havana for two weeks, starting Aug. 20, "to interview current and former political prisoners" and to "facilitate processing" of their refugee applications.

The team is to include representatives of the State Department and the Immigration and Naturalization Service. The processing is to be limited to people who have been in Cuban prisons for more than 10 years for political offenses.

State Department officials said that the United States was not doing a favor for Mr. Castro by expressing a willingness to accept some of his political prisoners as refugees.

"We are not considering doing anything nice for Castro Cuba," a State

Department official said. "What appears to be an olive branch is really just a recognition that these political prisoners have suffered long enough."

In addition, Administration officials said, President Reagan plans to impose new restrictions on Cuban immigration to the United States through third countries.

The President, they said, intends to issue a proclamation that would prohibit granting preference in the issuance of immigrant visas to people who have left Cuba after a specified date. This would not affect immediate relatives of United States citizens, who are not subject to numerical limitations,

but would make it far more difficult for Cubans to come here to work or to join more distant relatives.

On the efforts to tighten the embargo, a State Department official said: "We have been looking at improved enforcement of the policy of embargo in light of the fact that there are some holes, some chinks, and also to demonstrate that suspension of an existing agreement, and unreasonable attitudes with respect to restoring that agreement, do exact a price."

"Our objective," the official said, "is to obtain restoration of the 1984 agreement."

Under that accord, Mr. Castro agreed to take back 2,700 Cuban criminals and mental patients who came here in the 1980 Mariel boatlift. In return the United States agreed to take

3,000 Cuban political prisoners and up to 20,000 regular immigrants a year.

Mr. Castro suspended the agreement in May 1985 after the United States began broadcasts to Cuba over Radio Martí, a Voice of America station. Efforts to revive the agreement collapsed last month after two days of talks in Mexico City.

The embargo is already comprehensive. A Federal rule, first issued in 1963, prohibits any transaction involving property in which Cuba or a Cuban national has "any interest of any nature whatsoever, direct or indirect."

However, Administration officials said Cuba sometimes evaded the embargo by obtaining American goods through "front organizations" in foreign countries, as well as by demanding money from Cuban-Americans who wanted to "buy their relatives out of Cuba."

The State Department has instructed American diplomats to advise Cuban officials that "the United States Government remains interested in restoring normal migration" between the two countries, but that "we cannot allow the payment of large sums of money by American sponsors so that Cubans can enter the United States via third countries."

Many of the Cubans enter the United States using fraudulent documents, American officials said.

Grain (3 of 8)

Panzarisky

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"HYPOCRISY TO THE PRINCIPLES OF FREE TRADE ... AND CRUELY PROTECTIONIST...".

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AND G&FD/NOVOTNY  
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E.O. 12356: N/A  
TAGS: EAGR, ETRD, AR  
SUBJECT: ARGENTINE REACTIONS TO U.S. OFFER OF EXPORT  
SUBSIDIES ON 4 MILLION TONS OF WHEAT TO THE SOVIET UNION

1. PRIOR TO OFFICIAL ANNOUNCEMENT IN WASHINGTON ON FRIDAY, AUGUST 1, DCM CONTACTED THE FOREIGN AND ECONOMIC MINISTRIES TO INFORM OFFICIALS OF IMPENDING ACTION. AGCOONS INFORMED SECRETARY OF AGRICULTURE AND A SENIOR OFFICIAL AT THE NATIONAL GRAIN BOARD. THE GOA OFFICIALS INDICATED THEY UNDERSTOOD THE ACTION AND WHILE THEY STRONGLY OPPOSED IT, THEY EXPRESSED SOME COMFORT THAT THE DECISION WAS LIMITED TO WHEAT AND ONLY FOR THE DURATION OF THE CURRENT AGREEMENT YEAR SCHEDULED TO EXPIRE AT THE END OF SEPTEMBER 30, 1986.

2. OFFICIALS AT THE ECONOMIC MINISTRY POINTED OUT THAT THEY WERE PREPARING PRESIDENT ALFONSIN'S ADDRESS FOR THE 100TH ANNIVERSARY CEREMONY FOR THE ARGENTINE RURAL SOCIETY (ARGENTINA'S LARGEST AND OLDEST AGRICULTURAL ASSOCIATION) ON AUGUST 9TH. THE OFFICIALS INDICATED THAT THE U.S. SHOULD BE PREPARED FOR A STRONG ATTACK FROM PRESIDENT ALFONSIN ON U.S. PROTECTIONISM. PRESIDENT ALFONSIN AND AN INCREASING NUMBER OF SENIOR GOA OFFICIALS HAVE RECENTLY BEEN INCREASINGLY REFERRING TO U.S. AND EEC PROTECTIONISM AS THE PRIMARY BASIS FOR THE SHARP DECLINE IN WORLD COMMODITY PRICES.

3. MEDIA COMMENTS OVER THE WEEKEND WERE CRITICAL OF THE U.S. ACTION. SOME REPORTS WERE ESPECIALLY STRONG BECAUSE SEVERAL NEWSPAPERS CONFUSED THE RECENTLY PASSED SENATE PROPOSAL (CALLING FOR EXPORT SUBSIDIES ACROSS THE BOARD TO JAPAN, CHINA AS WELL AS THE SOVIET UNION) WITH THE ADMINISTRATION'S ACTION. ON THE OTHER HAND, ONE PAPER, (A FINANCIAL DAILY) REPORTED THAT THE ACTION WAS NOT SO ADVERSE FOR ARGENTINA SINCE THE COUNTRY HAD NO OLD CROP WHEAT TO SELL. THE MOST OVERSTATED ALLEGATION WHICH ALSO CAME FROM THE GOA CLAIMED THE U.S. ACTION WOULD CAUSE ARGENTINA TO LOSE 1 BILLION DOLLARS IN EXPORT REVENUE. A STRONGLY WORDED ATTACK WAS CARRIED IN A STATEMENT ISSUED BY PRESIDENT ALFONSIN'S RADICAL PARTY. THIS STATEMENT DENOUNCED THE U.S. ACTION AS BEING

4. THE ECONOMICS MINISTRY ON AUGUST 4 CALLED FOR SPECIAL TREATMENT ON THE FOREIGN DEBT WHICH IT CLAIMED WAS BECOMING MORE DIFFICULT TO MEET BECAUSE OF U.S. EXPORT SUBSIDIES AND THE 1985 FARM BILL WHICH REDUCED WORLD PRICE LEVELS.

5. ON MONDAY, AUGUST 4 THE AMBASSADOR AND AGCOONS ATTENDED A RECEPTION AT THE NATIONAL GRAIN BOARD CELEBRATING THE 50TH ANNIVERSARY OF THIS INSTITUTION. THE GRAIN BOARD PRESIDENT AND OTHER INFORMED ARGENTINES INDICATED THEIR OPPOSITION TO THE U.S. ACTION, BUT ALSO UNDERSTOOD THE POSITION THE U.S. GOVERNMENT WAS IN RESPONSE TO THE DEPRESSED GLOBAL AGRICULTURAL SITUATION. AMBASSADOR ORTIZ REMINDED THE ARGENTINES THAT THIS ACTION WOULD NOT AFFECT THEIR MARKET SHARE. LATER AMBASSADOR ORTIZ AND THE GRAIN BOARD PRESIDENT WERE INTERVIEWED ON NATIONAL RADIO. THE AMBASSADOR TOOK ADVANTAGE OF THAT OPPORTUNITY TO EXPLAIN THE RATIONALE BEHIND THE DECISION AND AGAIN REASSURED THE ARGENTINES THEIR MARKET SHARE WOULD NOT BE INFRINGED UPON ESPECIALLY SINCE THEY WERE NOT OFFERING WHEAT FOR SALE FOR EXPORT FOR NEARBY DELIVERY.

6. THE AGCOONS CALLED ON SECRETARY OF AGRICULTURE LUCIO RECA ON TUESDAY AFTERNOON AND FURTHER EXPLAINED THE DETAILS OF THE PROGRAM AND THE RATIONALE FOR THE ACTION. SECRETARY RECA SAID THE ANNOUNCEMENT "FELL LIKE A BOMB". THE AGCOONS SPENT CONSIDERABLE TIME WITH THE SECRETARY POINTING OUT THE MAJOR FACTOR EXPLAINING THE DECLINE IN WORLD PRICES WAS THE LOWER U.S. LOAN RATE RATHER THAN THE EEP. THE MEETING WAS VERY CORDIAL. AT THE END, SECRETARY RECA SAID HE WOULD HAVE TO ATTACK THE U.S. POLICY AT HIS RURAL SOCIETY SPEECH ON SATURDAY AUGUST 9.

7. COMMENT. WHILE THE PUBLIC STATEMENTS BY GOA OFFICIALS ARE HIGHLY CRITICAL OF THE U.S. ANNOUNCEMENT, PRIVATELY KNOWLEDGEABLE ARGENTINES ESPECIALLY WITHIN AGRICULTURAL COMMUNITY UNDERSTAND THE RATIONALE BEHIND THE DECISION. SOME READ THE ANNOUNCEMENT AS A SIGN THAT THE U.S. WOULD NOT LAUNCH INTO A POLICY OF SUBSIDIZING AGRICULTURAL COMMODITIES ACROSS THE BOARD INCLUDING INTO BT

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E. O. 12356: N/A  
TAGS: EAGR, ETRD, AR  
SUBJECT: ARGENTINE REACTIONS TO U. S. OFFER OF EXPORT

ARGENTINE MARKETS. SOME ARGENTINES HAVE ASKED HOW THE RECENT DECISION WILL BE RATIONALIZED IN THE UPCOMING MTN DISCUSSIONS. UNFORTUNATELY, THE TIMING OF THE DECISION FALLS IN THE MIDST OF THE RURAL SOCIETY'S 100TH ANNIVERSARY AT WHICH IT IS TRADITIONAL FOR ARGENTINA'S PRESIDENT TO SPEAK. WITH ARGENTINE FARMERS HURTING DUE TO THE GOA'S EXPORT TAXES AS WELL AS DEPRESSED GLOBAL COMMODITY PRICES, THIS ACTION PROVIDES A HANDY TARGET ON WHICH TO SHIFT THE BLAME. THE U. S. DECISION EARLIER THIS SEASON TO SIGNIFICANTLY REDUCE MARKET PRICE SUPPORTS (LOAN RATES) FOR THE 1986 CROPS AS PROVIDED IN THE NEW FARM BILL HAS BEEN PRIMARILY RESPONSIBLE FOR THE DROP IN FOB GRAIN PRICES. HOWEVER THE ARGENTINES HAVE REPEATEDLY BLAMED THE FALL IN WORLD PRICES ON EXPORT SUBSIDY PRACTICES BY THE U. S. AND THE EEC. IT IS PERHAPS UNFORTUNATE THAT THIS SIGNIFICANT CHANGE IN U. S. AGRICULTURAL POLICY HAS BEEN OBSCURED BY THE RECENT USE OF THE EXPORT SUBSIDIES. THIS MAY ALLOW THE ARGENTINES TO BLAME THE U. S. EXPORT ENHANCEMENT PROGRAM WITHOUT SAYING THAT REALLY WHAT THEY WOULD LIKE IS FOR THE U. S. TO RETURN TO A HIGH PRICE SUPPORT POLICY.

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UNCLAS SECTION 01 OF 04 CANBERRA 07468

E.O. 12356: N/A  
TAGS: EAGR, ETRD, AS  
SUBJECT: AUSTRALIAN FARMERS PROTEST U.S. SUBSIDIZED  
WHEAT SALES TO THE SOVIET UNION

1. ON AUGUST 4 ABOUT 100 AUSTRALIAN WHEAT FARMERS DEMONSTRATED IN FRONT OF THE EMBASSY. BY PRIOR ARRANGEMENT, THE AMBASSADOR RECEIVED SIX REPRESENTATIVES OF THE FARMERS AND HELD A JOINT PRESS CONFERENCE WITH THEM. THREE TELEVISION NETWORKS, TWO RADIO STATIONS, AND NUMEROUS NEWSPAPER JOURNALISTS WERE ALSO IN ATTENDANCE FOR STATEMENTS BY THE AMBASSADOR AND THE PRESIDENT OF THE GRAINS COUNCIL OF AUSTRALIA, AND SUBSEQUENT DISCUSSION BETWEEN THE AMBASSADOR AND THE DELEGATION. (REPORTED SEPTEL).

2. FOLLOWING IS THE TEXT OF THE GRAINS COUNCIL PRESIDENT'S LETTER TO THE AMBASSADOR, WHO PROMISED TO FORWARD IT TO WASHINGTON.  
BEGIN TEXT.

DEAR MR. AMBASSADOR:

IT IS WITH DEEP REGRET THAT I FIND MYSELF WITH NO ALTERNATIVE BUT TO LEAD TODAY'S DELEGATION.

THE PURPOSE OF THE DELEGATION IS, THROUGH YOU MR. AMBASSADOR, TO CONVEY VERY CLEARLY AND FORCIBLY TO THE AMERICAN PEOPLE (I) THE EXTENT OF THE ECONOMIC HARDSHIP BEING INFLICTED ON AUSTRALIAN GRAIN GROWERS BY THE DECISION OF THE UNITED STATES TO SUBSIDISE ITS GROWERS AND THE EXPORT OF GRAIN; AND (II) THE GRAVE CONCERNS OF AUSTRALIAN GRAIN GROWERS ABOUT THE FUTURE VIABILITY OF THEIR FARM BUSINESSES AND THE AUSTRALIAN GRAINS INDUSTRY.

I WOULD HASTEN TO ADD, MR. AMBASSADOR, THAT THE AUSTRALIAN GRAIN INDUSTRY IS EQUALLY CONCERNED ABOUT THE SUBSIDISING ACTIONS OF THE EUROPEAN COMMUNITY. IN THIS REGARD, WE COMMEND THE EFFORTS OF THE UNITED STATES IN SEEKING TO BRING THE EUROPEAN COMMUNITY TO

THE "CONFERENCE TABLE" IN AN EFFORT TO STOP THE USE OF AGRICULTURAL PRODUCTION AND EXPORT SUBSIDIES BY ALL COUNTRIES.

HOWEVER, THE ACTIONS OF THE UNITED STATES TO EXTEND THE USE OF EXPORT SUBSIDIES WITHOUT, IT WOULD SEEM, ANY REGARD FOR THE ADVERSE IMPACT OF DOING SO ON NON-SUBSIDISING COUNTRIES SUCH AS AUSTRALIA, IS BEING SEEN AS PROVOCATIVE BY AUSTRALIAN GRAIN GROWERS. THEY ARE BECOMING INCREASINGLY ANGERED AND DISILLUSIONED BY THE ACTIONS OF A FRIEND AND ALLY IN INFLICTING ECONOMIC HARDSHIP ON THEM INDIVIDUALLY AND ON THE PEOPLE OF AUSTRALIA COLLECTIVELY.

THE MOST RECENT DECISION TO EXTEND EXPORT SUBSIDIES ON WHEAT SALES TO USSR COULD COST THE AUSTRALIAN WHEAT INDUSTRY UP TO AUS DOLLARS 400 MILLION PER YEAR (UNTIL SURPLUS WORLD STOCKS ARE CLEARED) IN LOST EXPORT EARNINGS WHICH, BECAUSE OF THE FLOW ON EFFECTS THROUGH THE ECONOMY, COULD LEAD TO A TOTAL LOSS OF INCOME TO THE AUSTRALIAN PEOPLE OF AROUND AUS DOLLARS 1 BILLION. THE ABOVE COSTS TO THE AUSTRALIAN PEOPLE ARE IN ADDITION TO THE COSTS ALREADY BEING BORNE BECAUSE OF THE ACTIONS OF THE UNITED STATES AND THE EUROPEAN COMMUNITY IN SUBSIDISING THE EXPORT OF GRAIN.

SUCH INFLICTED ECONOMIC HARDSHIP ECONOMIC HARDSHIP WILL PLACE UNNECESSARY STRESS ON THE LONG STANDING RELATIONSHIP OF MUTUAL TRUST AND FRIENDSHIP BETWEEN OUR TWO COUNTRIES, AT A TIME WHEN A STRONG LEADERSHIP ROLE IS REQUIRED FROM BOTH COUNTRIES IN THE SOUTH PACIFIC.

AUSTRALIAN GRAIN GROWERS ARE AWARE FULLY OF THE SURPLUS GRAIN STOCKS IN THE WORLD, THE DOWNWARD PRESSURE WHICH THOSE STOCKS ARE HAVING ON GRAIN PRICES, AND THE NEED TO CLEAR THOSE STOCKS BEFORE ANY PERMANENT IMPROVEMENTS IN GRAIN PRICES CAN BE EXPECTED. THE GRAIN GROWERS OF AUSTRALIA ARE ALSO AWARE OF THE DECLINING MARKET SHARE FOR THE EXPORT OF WHEAT FROM THE UNITED STATES AND ACKNOWLEDGE THAT THIS DECLINE, COMBINED WITH THE SUBSTANTIAL INCREASE IN US WHEAT STOCKS, WOULD BE A MATTER OF CONCERN TO THE UNITED STATES GOVERNMENT AND GROWERS. THAT CONCERN HAS LED TO THE PAST AND PRESENT MOVES TO  
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UNCLAS SECTION 02 OF 04 CANBERRA 07468

E.O. 12356: N/A

TAGS: EAGR, ETRD, AS

SUBJECT: AUSTRALIAN FARMERS PROTEST U.S. SUBSIDIZED

INCREASE US WHEAT EXPORTS THROUGH THE USE OF VARIOUS  
SUBSIDY MECHANISMS SUCH AS THE EXPORT ENHANCEMENT  
PROGRAM AND THE MARKETING LOAN.

WHILE THE NEED FROM THE US PERSPECTIVE TO REGAIN SOME  
OF ITS MARKET SHARE IS ACKNOWLEDGED, THE APPROACH OF  
THE UNITED STATES TO ACHIEVE THIS THROUGH THE USE OF  
EXPORT SUBSIDIES IS OF GRAVE CONCERN TO AUSTRALIAN  
GRAIN GROWERS AS IT PLACES THEM IN AN UNFAIR  
COMPETITIVE POSITION THROUGH NO FAULT OR ACTION OF  
THEIR OWN. THERE ARE SEVERAL FACTORS UNDERLYING THIS  
GRAVE CONCERN:

(I) THE ACTIONS OF THE UNITED STATES IN SUBSIDISING  
THE PRODUCTION OF GRAIN AND THE SUBSEQUENT NEED TO  
SUBSIDISE EXPORTS IS CONTRARY TO THE PRINCIPLES OF  
FREE ENTERPRISE, TRADE AND DEMOCRACY ESPOUSED BY THE  
PEOPLE OF THE UNITED STATES AND SHARED BY AUSTRALIANS;

(II) AUSTRALIAN GRAIN GROWERS ARE CURRENTLY NOT  
SUBSIDISED - IN FACT THE LAST GOVERNMENT PAYOUT WAS A  
PAYMENT OF DOLS 12.4 MILLION TO WHEAT GROWERS IN  
1972/73 - AND HAVE TO COMPETE WITH OTHER EXPORTERS AT  
GOING WORLD MARKET OR SUBSIDISED PRICES;

(III) BECAUSE AUSTRALIAN GROWERS ARE NOT SUBSIDISED  
AND THE VOLUME OF GRAIN PRODUCED IN AUSTRALIA IS NOT  
SUFFICIENT TO INFLUENCE WORLD PRICES, AUSTRALIAN  
GROWERS HAVE ONLY RESPONDED RATIONALLY TO THE MARKET  
ENVIRONMENT IN WHICH THEY HAVE HAD TO COMPETE - EVEN  
THOUGH THAT ENVIRONMENT HAD BEEN DISTORTED BY THE  
ACTIONS OF THE UNITED STATES AND THE EUROPEAN  
COMMUNITY; AND

(IV) MANY OF THE CAUSES FOR THE DECLINE IN THE  
UNITED STATES SHARE OF THE WORLD WHEAT TRADE IS OF  
ITS OWN MAKING AND IN NO WAY CAN BE ATTRIBUTABLE TO  
THE ACTIONS OF AUSTRALIAN GROWERS - FOR EXAMPLE MUCH  
OF THE DECLINE CAN BE ATTRIBUTABLE TO THE HIGH VALUE

OF THE US DOLLAR, POLITICAL AND FOREIGN POLICY  
CONSIDERATIONS SUCH AS THE US/USSR GRAIN EMBARGO, AND  
QUALITY CONTROL PROBLEMS ASSOCIATED WITH US GRAIN  
EXPORTS.

BECAUSE OF THE ABOVE FACTORS, AUSTRALIAN GRAIN  
GROWERS CONSIDER THAT THEY ARE THE INNOCENT VICTIMS  
OF THE ADVERSE EFFECTS OF SUBSIDISING GRAIN EXPORTS.  
APART FROM THE GUARANTEED MINIMUM PRICE ARRANGEMENTS  
FOR WHEAT, WHICH I WOULD LIKE TO EXPLAIN MORE FULLY  
SHORTLY, THE AUSTRALIAN GRAIN GROWERS WILL HAVE TO  
BEAR THE FULL IMPACT OF THE RESULTANT DECLINE IN  
WORLD GRAIN PRICES THEMSELVES.

AUSTRALIA JUST DOES NOT HAVE THE CAPACITY TO  
SUBSIDISE ITS GRAIN GROWERS; NOR DO AUSTRALIAN GRAIN  
GROWERS WANT TO BE SUBSIDIZED. THEIR PREFERRED AND  
ONLY POSITION IS TO COMPETE OPENLY AND FREELY ON THE  
WORLD GRAIN MARKET. FOR YOUR INFORMATION, I HAVE  
ATTACHED A STATEMENT SETTING OUT THE POLICIES OF THE  
GRAINS COUNCIL ON THE EXPORT OF GRAIN.

BY CONTRAST THE UNITED STATES GROWER IS SUBSTANTIALLY  
SUBSIDISED AND PROTECTED. WHILST ACKNOWLEDGING THE  
ACREAGE SET ASIDE REQUIREMENTS AND OTHER CONSTRAINTS  
(SUCH AS BASE ACREAGE AND YIELD LIMITS) APPLY TO  
PAYMENTS TO UNITED STATES GROWERS UNDER THE TARGET  
PRICE ARRANGEMENTS, THE FACT REMAINS THAT US GROWERS  
HAVE THE POTENTIAL TO RECEIVE A PRICE SUBSIDY OF OVER  
100 PER CENT FOR THEIR WHEAT (AROUND DOLS US85 PER  
TONNE). CLEARLY THIS ACTION SHIELDS THE UNITED  
STATES GROWER FROM THE REALITIES OF THE MARKET PLACE  
AND CONTINUES TO PROVIDE AN INCENTIVE FOR US GROWERS  
TO PRODUCE AND, IN DOING SO, TO AGGRAVATE THE SURPLUS  
STOCKS SITUATION.

THERE IS ALSO THE ADDITIONAL POTENTIAL SUBSIDY TO  
UNITED STATES GROWERS ARISING FROM SETTING THE LOAN  
RATE ABOVE MARKETS CLEARING LEVELS AND THROUGH THE  
USE OF THE MARKETING LOAN AND OTHER EXPORT SUBSIDY  
MECHANISMS.

HAVING PROVIDED THE INCENTIVE TO US GROWERS TO  
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UNCLAS SECTION 03 OF 04 CANBERRA 07468

E.O. 12356: N/A  
TAGS: EAGR, ETRD, AS  
SUBJECT: AUSTRALIAN FARMERS PROTEST U.S. SUBSIDIZED

MAINTAIN PRODUCTION THROUGH THE TARGET SUPPORT PRICE (OR BY SETTING THE LOAN RATE ABOVE MARKET CLEARING LEVELS), IT IS ABSURD TO TRY AND CANCEL OUT THAT INCENTIVE TO PRODUCE BY ACREAGE REDUCTION AND CONSERVATION PROGRAMS - IT IS AS ABSURD AS DRIVING A HIGH POWERED AUTOMATIC CAR WITH YOUR FEET HARD ON THE ACCELERATOR AND BRAKE AT THE SAME TIME.

WITH ITS ACTION TO REGAIN MARKET SHARE THROUGH THE USE OF EXPORT SUBSIDIES, THE UNITED STATES IS SHIFTING THE COSTS OF ADJUSTMENT ARISING FROM ITS OWN GRAIN PROGRAMS TO NON-SUBSIDISING EXPORTERS SUCH AS AUSTRALIA. IN PARTICULAR, THE USE OF MANDATORY EXPORT SUBSIDIES MEANS THAT THERE IS VERY LITTLE CONTROL POSSIBLE OVER THE ADVERSE CONSEQUENCES ON OTHER EXPORTERS.

AS ALREADY STATED, AUSTRALIAN GRAIN GROWERS RECOGNISE THE NEED TO REDUCE WORLD GRAIN STOCKS. BUT IN DOING SO, GREAT CARE AND CONTROL MUST BE EXERCISED IN REDUCING THOSE STOCKS TO AVOID A COLLAPSE IN WORLD GRAIN PRICES AND RESULTING IRREPARABLE HARM TO THE GRAINS INDUSTRY OF THE NON-SUBSIDISING EXPORTERS.

THE GRAINS COUNCIL OF AUSTRALIA CONSIDERS THAT THE EXPORT ENHANCEMENT PROGRAM IS A VERY BLUNT POLICY INSTRUMENT WITH WHICH TO CONTROL THE RELEASE OF SURPLUS GRAIN STOCKS ONTO THE WORLD MARKET. AND, EVEN IF THE UNITED STATES IS SUCCESSFUL IN INCREASING ITS EXPORTS, THE EXPORT ENHANCEMENT PROGRAM WILL NOT ADDRESS THE UNDERLYING PROBLEMS WITHIN THE WORLD GRAIN MARKET WHICH ARE THE PRODUCTION SUBSIDIES PAID TO EUROPEAN AND UNITED STATES FARMERS.

RETURNING TO THE GUARANTEED MINIMUM PRICE ARRANGEMENTS FOR WHEAT, I HAVE ATTACHED FOR YOUR INFORMATION SOME NOTED OUTLINING THE PURPOSE OF THOSE ARRANGEMENTS. IN ESSENCE, THE ARRANGEMENTS ARE DESIGNED TO UNDERWRITE THE PRICE OF ALL WHEAT DURING

A SHARP DOWNTURN IN MARKET PRICES. BY BEING RESPONSIVE TO WORLD MARKET PRICES, AND IN CONTRAST WITH THE US TARGET PRICE, THE ARRANGEMENTS ARE NOT DESIGNED TO PROVIDE LONG TERM UNJUSTIFIED ASSISTANCE TO WHEAT GROWERS. IF LOW PRICES PERSIST FOR MORE THAN TWO SEASONS, UNDERWRITING SUPPORT WOULD BE WITHDRAWN AUTOMATICALLY AND THE WHEAT INDUSTRY WOULD HAVE TO ADJUST TO LOWER WORLD PRICES FOR ITS PRODUCE. BASED ON THE CURRENT MARKET OUTLOOK FOR WHEAT AND EXCHANGE RATES, IT IS LIKELY THAT THE UNDERWRITING ARRANGEMENTS (GMP) WILL BE TRIGGERED FOR THE SALE OF WHEAT FROM THE 1986/87 HARVEST. IF TRIGGERED, THE ARRANGEMENT WOULD ONLY BE WORKING AS INTENDED: TO PROVIDE A CUSHION EFFECT TO WHEAT GROWERS FROM THE FULL IMPACT OF THE SHARP DECLINE IN WHEAT PRICES AND TO GIVE THEM TIME TO ADJUST.

EVEN IF THERE IS A PAYMENT FOR THE 1986/87 SEASON, IT IS LIKELY TO BE ONLY FROM BETWEEN 10 AND 20 PER CENT OF THE POTENTIAL SUBSIDY WHICH WOULD BE RECEIVED BY UNITED STATES FARMERS FOR THE SAME YEAR. BESIDES, BECAUSE OF THE BUILT IN ADJUSTMENTS FOR THE GMP TO RESPOND TO MARKET PRICES, ANY PAYOUT TO AUSTRALIAN GROWERS UNDER THE ARRANGEMENTS IS ONLY LIKELY TO APPLY FOR THE 1986/87 SEASON.

WITH RESPECT, MR. AMBASSADOR, YOUR PRESIDENT HAS SAID PUBLICLY OVER THE PAST TWO DAYS THAT IF "PLACED ON A LEVEL PLAYING FIELD". UNITED STATES FARMER WOULD BE THE MOST EFFICIENT IN THE WORLD.

ON BEHALF OF THE AUSTRALIAN GRAINS INDUSTRY AND THE PEOPLE OF AUSTRALIA, I CONSIDER THAT IT IS TIME FOR THE UNITED STATES TO CREATE THE "LEVEL PLAYING FIELD" BY REMOVING ALL PRODUCTION AND EXPORT SUBSIDIES

PROVIDED TO ITS GRAIN GROWERS.

IN CREATING THE "LEVEL PLAYING FIELD", I CONSIDER THAT JOINT PRESSURE MUST ALSO BE APPLIED BY AUSTRALIA, CANADA, ARGENTINA AND THE UNITED STATES ON THE EUROPEAN COMMUNITY TO REMOVE ALL PRODUCTION AND EXPORT SUBSIDIES PROVIDED TO ITS GROWERS.  
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TAGS: EAGR, ETRD, AS  
SUBJECT: AUSTRALIAN FARMERS PROTEST U. S. SUBSIDIZED

THE ULTIMATE AIM MUST BE TO CREATE A GLOBAL "LEVEL  
PLAYING FIELD" SO AS TO AVOID A REPETITION OF THE  
CURRENT PROBLEMS IN THE WORLD GRAIN MARKET AND THE  
ASSOCIATED WASTE OF RESOURCES RESULTING FROM THE  
SURPLUS PRODUCTION.

IN CONCLUSION, MR. AMBASSADOR, AUSTRALIAN GRAIN  
GROWERS WOULD WELCOME THE OPPORTUNITY TO ESTABLISH  
WHO ARE THE MOST EFFICIENT GROWERS IN THE WORLD UNDER  
THE RULES OF OPEN AND FAIR COMPETITION ON A "LEVEL  
PLAYING FIELD".

YOURS FAITHFULLY,  
/S/  
E. R. CHARLES  
PRESIDENT  
GRAINS COUNCIL OF AUSTRALIA

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## The Senate: Selling Wheat . . .

**E**LECTION YEARS have never brought out the best in Bob Dole. As orchestrator of the current effort to keep the Senate in Republican hands, he is once again letting a close contest cloud his judgment. We have in mind his successful high-pressuring of the administration on wheat sales to the Soviet Union.

This administration—American conservatives generally—has a mixed history on the hard subject of commerce with the Soviet Union. One of the president's earliest acts in office was to cast aside the Carter grain embargo. But his is also the administration that fought the Soviet gas pipeline to Europe, in part on grounds that it would greatly benefit the Soviets and leave the Europeans too dependent on them.

A minimal position for both the administration and those with Mr. Dole's general approach to foreign affairs would seem to be that the United States should not *subsidize* the Soviet Union, and particularly not at the expense of such allies as Australia and Argentina. They, too, export wheat, for the most part apparently well within the rules, meaning without blatant subsidy, and they will now lose, or fear they will, insofar as U.S. farmers gain. The case of Argentina, a vulnerable democracy that needs foreign sales to service large foreign debts, including debts to U.S. banks, is particularly poignant.

So internally the State Department fought subsidies. It was right—and it lost. Mr. Dole, unencumbered on this issue by either memory or

breadth of vision, powered straight ahead, and the White House buckled. The solution was a compromise, an effort to support and buy off the farm-state Republicans as cheaply as possible. It went too far, even so. You actually don't need to reach the issue of what our posture should be toward the Soviet Union. Farm export subsidies of the kind in question here are poor policy, no matter whom they go to.

The farm problem is familiar. Grain and other staple prices on the strength of which decisions are made to grow and buy are set partly by the government. In recent years they have been set too high. Too much has been grown, and world buyers have turned to other countries, whose prices have been lower.

The way to correct this is to lower government supports. Last year's farm bill started to do this, but slowly; the farm-state senators and congressmen who wrote it were reluctant to squeeze constituents too hard. Export subsidies are an effort to skip the pain by shifting more burden from farmers to taxpayers. The government lifts the price to farmers, then cuts it to foreign buyers; it pays double, but the fundamentals are untouched. Competitors are led to retaliate; you can drain the Treasury just to stand still.

But in Congress just now, in Bob Dole's Senate particularly, this doesn't matter. They're not selling wheat up there; they're buying votes, and trampling the better instincts of their own administration in the process.

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## Plan to Offer Soviets Subsidized Wheat May Signal More U.S.-Aided Grain Sales

By ALBERT R. KARR

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — President Reagan's decision to subsidize the sale of wheat to the Soviet Union may be followed by further moves to subsidize grain sales to both the Soviet Union and China.

The decision represented a compromise between some cabinet members and other grain-exporting countries pushing for no subsidies and Farm Belt legislators who face reelection and are pressing for a far broader export-subsidy program.

A senior White House official, acknowledging that the president's decision might not settle the dispute, said the door is wide open to allowing further subsidized grain-export sales to the Soviet Union and China.

In fact, President Reagan's decision Friday to subsidize the sale of nearly four million metric tons of wheat to the Soviet Union already has generated new outcries from Farm Belt legislators to greatly expand the \$1 billion "export enhancement program" or other U.S. export-promotion effort. The value of the bonus wheat offered to the Soviets is estimated at \$80 million. All U.S. exports of grain are expected to total 61 million tons this marketing year.

### 'Right Direction'

Senate Majority Leader Robert Dole (R., Kan.) called the decision a "constructive step in the right direction," but still pushed for an "across-the-board" export bonus program for all foreign grain buyers.

Rep. Thomas Daschle (D., S.D.), co-author of a pending House bill to require such a program through fiscal 1988, said the president's decision isn't "going to slow the push."

Mr. Reagan's decision against a broad expansion reflected some vehement arguments within his cabinet, led by Secretary of State George Shultz, against any export subsidies, especially to the Soviet Union. The arguments were buttressed by stern protests from Australia, Canada and Argentina, whose wheat growers offer the U.S. fierce competition in world markets.

"The president has to walk a tight line on this issue," an Agriculture Department official said. The White House announcement noted that the administration is permitting the sale only for the amount of wheat the Soviet Union had agreed to buy without subsidy, under a long-term U.S.-U.S.S.R. grain agreement.

The Soviet Union has agreed to buy at least four million tons of the wheat in the marketing year that ends Sept. 30, and has bought only 153,000 tons, after falling 1.1 million tons short of a similar requirement in the 1984-1985 year.

While the subsidy part of the Soviet deal won't give U.S. farmers any direct cash, it promises to help relieve the U.S. surplus

mestic wheat market, and firm up U.S. prices, said Carl Schwensen, Washington lobbyist for the National Association of Wheat Growers. He said the move also would help stimulate export activity and revive the U.S.-Soviet trading relationship that began with the 1970s grain agreement.

The U.S. program gives foreign buyers a bonus of government-owned commodities as an inducement to make commercial purchases. The bonus program was confined mainly to Middle East and North African markets that the U.S. says the Common Market has dominated, using its own export subsidies. About \$300 million in bonuses have been committed, and farm state lawmakers have criticized the Agriculture Department for moving slowly on a program that the administration forced Congress to slice in half from an original \$2 billion.

The bonus offer to the Soviet Union is aimed at making U.S. wheat farmers more competitive in world markets, said Agriculture Secretary Richard Lyng, who had urged the president to adopt an across-the-board plan.

Despite sizable cuts in federal crop-loan levels, which pulled down U.S. grain prices, U.S. wheat, at nearly \$105 a ton, is still \$10 to \$20 a ton more than wheat from foreign competitors.

And some farm-group lobbyists questioned whether the U.S.S.R. will accept the offer; they said the Soviet Union may hold out for a better deal, involving, for example, U.S. concessions on other commodities.

### Confident of Sale

Mr. Lyng said there isn't any "firm commitment . . . but I'm fairly confident they they will buy, and will do so very quickly."

The administration was under strong political pressure to expand the bonus program, amid farmer discontent over plunging prices, lagging farm income and, as yet, no substantial export rebound. Farm state Republicans are struggling to hold their seats in Congress and control of the Senate, and Democrats are using the farm-distress issue in those races.

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**EDITORIAL**

"First the blade, then the ear,  then t

# A grain sales mirage

**T**HE United States Agriculture Department will likely end up spending nearly \$50 billion next year on farm programs, almost half of that on price and income support payments to farmers. But even such tremendous outlays, in a bewildering array of arrangements and formulas, won't be able to reduce the huge stockpiles of American farm products, most notably grain.

Government spending and incentives cannot revise the simple law of supply and demand, in agriculture or anywhere else.

Too much grain is partly the result of favorable growing conditions, the drought in the American Southeast notwithstanding: The US will again produce very large corn, wheat, and soybean crops this year. With bins already nearly filled, river barges and military bases are mentioned as likely storage depots for this year's harvest.

The excess is also partly the result of government programs in the US and abroad which pay farmers to grow more than can be sold at competitive, market-clearing prices.

It is no wonder then that we have little confidence in the proposal to subsidize wheat sales to the Soviet Union and China. It would not move much more grain, even in the short term. It would reinforce, not lessen, the pattern of nationalistic farm support policies in the Common Market, Canada, and Australia, against which Washington has so long — and rightly — railed.

Subsidies would be inconsistent with Carter and Reagan administration policies toward dealings with the Soviet Union, particularly, and raise the level of cynicism with which Washington policies are greeted.

True, the grain embargo to the Soviets imposed by former President Carter has led, as critics forecast, to a loss of the Soviet grain market for Americans. The US was seen by Moscow as an unreliable supplier, and other Western nations moved in to pick up the business. But if an embargo led to a distortion of the American export position, it is hard to see how a subsidy — a distortion of sales in the opposite direction — reflects any more-reliable economic thinking.

It is true, too, that the existing US price support program makes it easy for competitor nations, which coordinate and push export sales, to take advantage of US exporters: They only have to look at the US price support structure and set their prices a peg lower. In this case, the burden of proof is on advocates to show that a wheat sale subsidy would impel competitors to help their growers less rather than even more. If other governments are in financial straits and may not want to raise the ante, so is Washington under severe deficit pressure.

The political argument on behalf of the subsidy is the one generating the most fervor. Control of the Senate could hang on the farm state vote in this fall's elections. No wonder Senate majority leader Bob Dole of Kansas is pushing the subsidy. His party very much wants to show some activism on behalf of farmers, whose stockpiles are bulging while prices are low and are forecast to fall even lower. But what may help the politician in the short run may have no bearing whatever on the farmer's long-run needs.

Cutting the other way, politically, would be the ideological inconsistency for the US. A White House that wanted to curb any Western trade that might benefit the Soviet economy — and made quite a fuss with its allies over it — can hardly find it consistent to suddenly offer the Soviets grain at cut-rate prices.

To offer the grain deal to the Soviets as an inducement to meet at a summit would be embarrassingly transparent.

The fact is, Washington wants to move the grain, the Soviet Union offers the best available market, and many growers want to do something to get back into that market.

This won't cut back the world oversupply. It won't cut back US acreage, or swelling storage bins. It won't erase the farm debt problems which make it hard for farmers to reduce plantings.

To restore profitability and competition, the US needs to scale down both its agricultural production and the government aid that sustains overproduction. Subsidies on the sales of grain work in the opposite direction.

Rowland Evans and Robert Novak

# Reagan's Grain Retreat

Just before the announcement of subsidized grain sales to the Soviet Union, a senior Western diplomat warned a White House policy maker it would open the credit and high-tech floodgates between Europe and the Soviet Union that President Reagan has struggled to keep shut the past six years.

The warning underlined stunned allied reaction that the president would even consider commercial credits for Moscow, violating the spirit of the Jackson-Vanik human rights amendment on Jewish emigration. They see Reagan presiding over the dissolution of American influence as leader of the Western alliance. His moral and political power to stop allies from transferring other kinds of wealth to Moscow has ended.

Even if the step retains Republican control of the Senate in this fall's campaign, Reagan's retreat from long-preached principles about how to handle the Soviets has a high price tag. When Western European nations follow suit by pressing for technological trade with Moscow, predictable U.S. protests will be met by European anger and allied disunity.

If his ear was deaf to these prospects, the president had no trouble understanding the warnings of his domestic political operatives. He heard that 12 to 14 of the closest Senate races would be favorably affected by massive grain sales to the Russians, invisibly paid for by American taxpayers. He was told it would have "substantial" impact in electing Republican incumbents or candidates in at least six states (from North Dakota to Louisiana).

Senate Majority Leader Robert J. Dole, point man for the grain deal, clashed with Secretary of State George Shultz over the issue and advised him to set up "an American desk" at the State Department. Reagan's private note to Dole showed where the president's heart really is. There is an American desk and it's me, Reagan wrote the majority leader after deciding to give the Russians hundreds of millions of dollars' worth of grain subsidies.

Shultz battled vainly against the political tide swamping the Oval Office, but suffered one of his few defeats in his four years as steward of Reagan's diplomacy. Indeed, it was one of the few he has sustained on any

Fresh from persuading Reagan to put the Strategic Defense Initiative on the arms control bargaining table, Shultz had opposed the grain deal on fairly narrow, mercantile grounds. He warned that it would turn major grain producers, particularly Australia and Canada, as well as rice-raising Thailand and the sugar-growing Philippines, against the United States.

He also warned that it would hand high cards to Western Europe, espe-

cially West Germany, dreaming of markets in the Soviet Union lubricated with Western credits. Aggressive commercial interests on the continent, backed by their governments, long have tried to elude American restraints on high-tech and strategic trade with the technologically lagging Soviets.

But it was not Shultz or the State Department leading the fight against the Europeans in 1981 to stop shipments of oil-drilling machinery for the Soviet gas pipeline. The vanguard was composed of people in the Pentagon plus a few in the White House. They know now that the weapon to fight similar battles in the future has been taken out of their hands.

Reagan last week was specifically reminded of the 1975 Jackson-Vanik amendment, which by tying credit for Moscow to free emigration of Soviet Jews is one of the most important

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human rights acts ever passed by Congress. He ignored it, giving Gorbachev access to American taxpayer credits.

Reagan's mind was not on a breach with the spirit of Jackson-Vanik but on the November election. That is the mind-set of Reaganaut hard-liners in Congress, who rationalize grain subsidies for the "evil empire" on grounds that Reagan's hard-nosed Soviet policies would be cut out from under him if the Democrats took control of the Senate.

This argument also sold the president. But to America's grain-exporting allies and to the Western Europeans, who can taste new and lucrative trade deals with Moscow, the U.S. has ceded its preeminence as conscience of the West's relations with the Soviet Union. Meanwhile, Mikhail Gorbachev gets his grain and the promise of Western discord as well.

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