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WITHDRAWAL SHEET

Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
14. letter 93	from B. Verity to C. Powell re: Soviet tea and candy (1p) copy of item # 5	7/15/88	P-5 open
15. letter	from G. Shultz to C. Powell re: Soviet tea and chocolate (2pp)	7/4/88	P-1, P-5 B1
16. memo	to Danzansky re: Soviet tea and chocolate (1p)	7/14/88	P-1 B1
17. report - attachment	"Use of Soviet Forced Labor in Production and Export of Tea and Chocolate (1p)	7/14/88	P-1 B1
18. letter 94	from J. Baker to K. Duberstein and C. Powell re: Soviet tea and chocolate (1p, partial)	7/7/88	P-5 open
19. letter	from J. Whitehead to C. Powell re: Soviet tea and chocolate (2pp)	7/6/88	P-1, P-5 B1
20. report	re: Soveit "Slave Labor" for Exported Tea and Chocolate (3pp)	n.d.	P-1, P-5 B1
21. memo 95	from Francis Keating to J. Baker re: Federal Register Notice Prohibiting Importation of Soviet Goods made with Convict Labor (2pp, partial)	4/19/88	P-5 open
22. memo	from S. Danzansky to C. Powell re: Soviet forced labor (2pp)	7/5/88	P-1, P-5 B1
23. talking points 96	(1p, partial)	n.d.	P-5
24. letter 97	from J. Baker to G. Shultz and C. Powell re: Soviet forced labor (1p, partial) copy of item # 12	7/1/88	P-5
25. report	re: questions relating to tea and chocolate imports from the Soviet Union (1p)	n.d.	P-1 B1
26. letter 98	from J. Baker to G. Shultz and C. Powell re: Soviet forced labor (1p) copy of item # 12	7/1/88	P-5
COLLECTION: DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER: (2 of 3) RAC Box 12 Soviet Union (Tea and Chocolate) Box 91819			11/16/94

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.

RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 15-17 LISTED ON THE
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
IEP-EUROPE
Washington, DC 20230

MEMORANDUM FOR Eric Melby
NSC, 395-4985

FROM: Chris Cassidy
IEP/EUR, 377-3857, Room 3863

SUBJECT: Trade Statistics

For clarity's sake, the following figures exclude items not containing chocolate.

GENERAL IMPORTS FROM THE SOVIET UNION
(Thousands of dollars, cif)

TSUSA Commodity	83	84	85	86	87	J-A 87	J-A 88
Total	718	439	37	119	19	18	34
Cocoa unsweet and cocoa cake 1564000	1	0	0	0	0	0	3
Confctnry con choc nspf 1571040	29	24	21	0	0	0	0
Candy/confctry with choc retail 1571045	0	0	0	0	1	0	0
Confectionery con choc, nspf 1571050	0	0	0	17	19	19	31
Tea, crude or pre- pared 1605000	689	415	16	102	0	0	0

REQUEST FOR APPOINTMENTS

To: Officer-in-charge
Appointments Center
Room 060, OEOS

Please admit the following appointments on Tuesday, July 12, 19 88
for Stephen I. Danzansky of NSC
(NAME OF PERSON TO BE VISITED) (AGENCY)

Hoffmann, Deane	10/15/42
Johnson, Richard	12/3/52 — <i>State</i>
O'Neil, Pat	2/1/57 —
Rosen, Gerald	12/25/29 — <i>Local State</i>
Vargo, Frank	3/11/42

in-house

Dan Levin
Eric Melby

Nelson Ledsky

MEETING LOCATION

Building White House
Room No. Situation Room
Time of Meeting 11:00 a.m.

Requested by Patricia Battenfield
Room No. 365 Telephone 4985
Date of request July 12, 1988

Additions and/or changes made by telephone should be limited to three (3) names or less.

APPOINTMENTS CENTER: SIG/OEOS - 395-6046 or WHITE HOUSE - 455-5747

Meeting on Soviet Tea and Chocolate
Tuesday, July 12, 11:00 a.m.
Situation Room

Agenda

- | | | |
|----|--|-----------|
| 1. | Introduction | Danzansky |
| 2. | Intelligence Assessment of Treasury Claims | CIA |
| 3. | Legal Interpretation | State/NSC |
| 4. | Import Data | Commerce |
| 5. | Next Steps | |

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 8805112
RECEIVED: 11 JUL 88 19

TO: POWELL

FROM: BAKER, J

DOC DATE: 08 JUL 88
SOURCE REF:

KEYWORDS: ECONOMICS
CM

INTL TRADE

PERSONS:

SUBJECT: CONSUMPTIVE DEMAND RE 19 USC 1307 TO PROHIBIT CONVICT LABOR

ACTION: FOR RECORD PURPOSES

DUE DATE: 14 JUL 88

STATUS: C

STAFF OFFICER: NONE

LOGREF:

FILES: WH

NSCIF:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO

COBB

DANZANSKY

LEACH

LEDSKY

NEGROPONTE

PERITO

POWELL

STEVENS

COMMENTS:

DISPATCHED BY _____ DATE _____ W/ATTCH: YES NO

OPENED BY: NSSRF

CLOSED BY: NSSRF

DOC 1 OF 2

UNCLASSIFIED

UNCLASSIFIED
ACTION DATA SUMMARY REPORT

RECORD ID: 8805112

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001

X 88071119 FOR RECORD PURPOSES

UNCLASSIFIED



The Secretary of the Treasury

July 8, 1988

NOTE FOR KEN DUBERSTEIN
COLIN POWELL ✓

For your information.

JABIII

~~1. C. C.~~ ✓
2. Staff
- SID
- Ledger
- TC





DEPARTMENT OF THE TREASURY
WASHINGTON

88-67029

5712

GENERAL COUNSEL

July 8, 1988

INFORMATION

MEMORANDUM FOR SECRETARY BAKER

FROM: JEANNE S. ARCHIBALD *jsa*
ACTING GENERAL COUNSEL

SUBJECT: Applicability of the "Consumptive Demand"
Requirement in 19 U.S.C. 1307 to Convict Labor

I. SUMMARY: 19 U.S.C. 1307 prohibits importations of goods made with convict, forced, or indentured labor. A provision in the statute relating solely to articles produced with forced or indentured labor limits the ban to goods for which domestic production meets domestic demand. Customs' evidence relates to production of tea and chocolate by convict labor, so the domestic supply limitation does not apply.

II. DISCUSSION: The plain language of the statute, its legislative history, and Treasury's consistent prior interpretation indicate that the domestic supply limitation in 19 U.S.C. 1307 does not apply to convict-made goods.

As originally enacted in 1890, and until 1930, section 1307 applied only to imports of convict-made goods. In 1930, it was amended to apply also to forced and indentured labor, but the scope of the new provision was limited to goods produced domestically in sufficient quantities to meet domestic demand. The limiting proviso by its plain language applies only to forced and indentured labor. A copy of the statute is at Tab A.

The legislative history of the amendment is consistent with the plain language of the statute. Senate debates indicate a concern that the new ban on forced labor imports would affect goods, such as rubber, whose only production was with forced labor abroad, thereby depriving American consumers of these needed commodities. That concern, which had not been raised in earlier debates on convict labor, led to the "consumptive demand" limitation.

Finally, Treasury regulations implementing section 1307 conform to the plain language by requiring a showing of domestic production only if importation of forced or indentured labor produced goods is alleged. Moreover, Treasury exclusion notices since 1931 consistently have contained findings of sufficient domestic production in cases involving forced and indentured labor, but not in cases involving convict labor.

Zoellick R2 7/8

Where a statute's legislative history and long-standing administrative interpretations are consistent with its plain language, there is a compelling case that it should be interpreted as it is written. The evidence before you concerning Soviet tea involves production with convict labor. Consequently, for the reasons given above, there is little room to argue that the absence of domestic tea production is a defense to application of the statute.

Attachment

Tab A Statute



tea + chocolate

THE SECRETARY OF THE TREASURY
WASHINGTON

July 7, 1988

DANZANSKY 5500

FIVE

CP

Dear Ken and Colin:

Following up on our discussions and my previous conversations and correspondence with George Shultz, I have agreed at your request today to refrain from issuing a Federal Register notice prohibiting the importation of Soviet tea and chocolate made with convict labor until July 27, 1988.

As you know and as I have heretofore advised Colin and George in writing, I believe that I am obliged to do this based on the evidence at hand and I am going to do so on July 27, 1988 unless the President directs me not to.

Of course, I will be willing at any time that it is mutually convenient to go into detail on this matter with the President, as I have with you and George Shultz, should that be your wish or the President's wish.

I remain of the view that a simple, prompt issuance of the notice without presidential involvement is the best approach to this issue.

Please confirm your understanding of the foregoing on the attached copy and return to me.

With best regards,

Jim

James A. Baker, III

*CP said
he + Ken
can't be
in*

The Honorable Kenneth M. Duberstein
and The Honorable Colin L. Powell
The White House
Washington, D.C. 20500

UNDERSTOOD AND ACKNOWLEDGED

Chief of Staff
to the President

Assistant to the President
for National Security Affairs

DEPARTMENT OF STATE

'88 JUL -6

WASHFAX RECEIPT

DEPARTMENT OF STATE

DEPARTMENT OF STATE

HOUSE

BC

S/S #

'88

JUL -6 80 16

P3:41

SITUATION ROOM

028916

MESSAGE NO. _____ CLASSIFICATION CONF No. Pages 2

FROM: LYNN PASCOE S/S 75302 7224
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION WHITEHEAD LETTER TO POWELL
SOVIET FORCED LABOR

TO: (Agency)	DELIVER TO:	Extension	Room No.
<u>NSC</u>	<u>PAUL SCHOTT STEVENS</u>		
	<u>PERITO</u>		
	<u>Negroponte</u>		
	<u>Powell</u>		
	<u>Danzansky</u>		
	<u>Ledsky</u>		

FOR: CLEARANCE ☐ INFORMATION ☒ PER REQUEST ☐ COMMENT ☐

REMARKS: _____

S/S Officer: _____

BLP

[Signature]

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)

12/11/88

Tea & Choc
Danzansky

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WASHFAX RECEIPT
DEPARTMENT OF STATE



S/S #

WHITE HOUSE

EE JUL 6 11:46

SITUATION ROOM

rw 13:44

MESSAGE NO. **028914** CLASSIFICATION CONFIDENTIAL No. Pages 3
FROM: R. JOHNSON EUR/sov 6479370 4223
(Officer name) (Office symbol) (Extension) (Room number)
MESSAGE DESCRIPTION FORCED LABOR PAPERS

TO: (Agency)

DELIVER TO:

Extension

Room No.

N6E

ERIC MELBY

395-4985

365

FOR: CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☒ COMMENT ☐

REMARKS: PLEASE CALL MR MELBY FOR URGENT PICK-UP

S/S Officer: James K. OD

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)
MAR 4/1/88

Tear Choc
Dunzansky

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 20 LISTED ON THE
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

4961

THE WHITE HOUSE
WASHINGTON

6 Jul



[Steve Danzansky
Nelson Ledsky

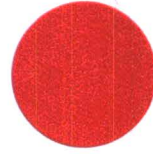
More.

CP



THE WHITE HOUSE
WASHINGTON

to JCL



Steve Danzansky
Nelson Ledsky

More.

CP

Lt. Gen. Colin L. Powell
Assistant to the President
for National Security
to: affairs

Department
of the Treasury

Executive Secretariat

July 6, 1988

RE: Convict Labor

Secretary Baker asked me to send you the attached additional documents pertaining to the convict labor issue:

- (1) exchange of letters between Treasury General Counsel Mark Sullivan and Assistant Attorney General (Civil Division) John Bolton; and
- (2) April 19, 1988 memo recommending action from Assistant Secretary (Enforcement) Frank Keating (now Acting Associate Attorney General) (without attachments, two of which you already have received).

Attachments

RB
Robert B. Zoellick
Counselor to the Secretary
and Executive Secretary

room 3408
phone 566-5901



Office of the Assistant Attorney General

Washington, D.C. 20530

April 25, 1988

Honorable Mark Sullivan III
General Counsel
Department of the Treasury
Washington, D.C. 20220

Dear Mark:

Your letter of April 20, 1988, requested our views on the likely effect of new evidence concerning the production of tea and chocolate in the Soviet Union in the enforcement of 19 U.S.C. § 1307 (1982).

As explained in your letter, in the second stage of the enforcement process under that statute, an importer must provide satisfactory evidence to the Customs Service that the products it wishes to import do not come within the ambit of section 1307. If the Customs Service determines that this evidence is not sufficient, the importer may file a protest and, upon denial of the protest, file a civil action in the Court of International Trade. It is likely that this action would be resolved by means of a de novo proceeding.

As any litigator would tell you, it is extremely difficult in the abstract to predict the probabilities of a successful defense. Obviously, the nature and the strength of the evidence possessed by the plaintiff-importer in the particular case are usually not known until after the civil action is instituted and discovery has been conducted.

Having said that, however, I want to stress that the plaintiff-importer would bear the burden of proof. Moreover, it is clear that the new evidence submitted with your letter is much more probative than the evidence previously available. Although the policy decision to invoke the first stage of section 1307's process is for the Department of the Treasury, I want to assure you that the Department of Justice is perfectly willing, and

6

indeed eager, to defend challenges to your efforts to prohibit the importation of goods made with convict, forced or indentured labor.

Sincerely yours,

A handwritten signature in dark ink, appearing to be 'JRB', written in a cursive style.

John R. Bolton
Assistant Attorney General



DEPARTMENT OF THE TREASURY
WASHINGTON

April 20, 1988

GENERAL COUNSEL

Dear John:

Since early in this Administration, the Department of the Treasury has actively monitored evidence on the use of forced labor in the Soviet Union in connection with our responsibility under 19 U.S.C. § 1307 to prohibit importation of goods made with convict, forced or indentured labor. In early 1986, we requested the Justice Department's review of evidence then available to Treasury on the excludability from entry of certain classes of Soviet imports under the Customs regulations implementing section 1307. Deputy Assistant Attorney General Schiffer's response of April 17, 1986, assessed the litigation risks and concluded that a successful defense depended upon a number of variables and could not be predicted with a high degree of accuracy, particularly if a defense on the merits were necessary. The response concluded that the evidence presented to Justice at the time probably would not be sufficient to persuade the court that a particular shipment of merchandise was produced by the type of labor specified in the statute.

No action was taken in 1986, but the Department of the Treasury continued to seek evidence, this time through the Customs Service, to see if a case could be made that certain Soviet goods made with convict, forced or indentured labor were being imported into the United States. That subsequent investigation, which focused on Soviet tea, chocolate and aluminum, now is substantially complete, and we request that you review the attached evidentiary submission covering imports of Soviet tea and chocolate for sufficiency in light of the litigation risks involved. We will forward a submission on aluminum separately once the investigation on it is concluded.

Customs' regulations implementing 19 U.S.C. § 1307 are found at 19 C.F.R. §§ 12.42-12.45. If the Commissioner of Customs determines that information available "reasonably, but not conclusively indicates" that convict, forced or indentured labor goods are being or are likely to be imported into the United States, he immediately instructs the district directors to withhold release of merchandise in the classes he has specified. 19 C.F.R. § 12.42(e). At that time the Commissioner, with the approval of the Secretary, must publish a Federal Register Notice excluding the products from importation.

The second step in the process occurs when a particular shipment of goods within an excluded class is detained at the border. 19 C.F.R. § 12.43. The importer has three months to provide satisfactory evidence to Customs indicating that the products he wishes to import do not come within the ambit of section 1307. That evidence must contain a Certificate of Origin, signed by the foreign seller or owner, that certifies the quantity, description, place and date of exportation of the

merchandise and certifies that the merchandise was not made with forced labor. 19 C.F.R. § 12.43(a). In addition, the importer must submit a statement demonstrating that he has made every reasonable effort to determine the source of the merchandise and the circumstances of its production. 19 C.F.R. § 12.43(b). Based on this and other available evidence, the Commissioner determines whether the individual shipment may be entered. 19 C.F.R. § 12.43(c). If the goods are to remain excluded from entry, they may be re-exported or destroyed as abandoned property. 19 C.F.R. § 12.44.

The newly concluded investigation on tea and chocolate has produced evidence that appears superior in two respects to that last presented to your Department. First, witnesses have been identified who are willing to testify that they observed first-hand the use of convict labor to produce these goods in the Soviet Union in the relatively recent past. Second, witnesses are available who can identify specific Soviet imports seen in the United States as the same goods they observed to be manufactured with convict labor. This sort of direct evidence has not been available previously, and we request your views on the likely effect of this extra category of evidence in the event of a court challenge to an exclusion determination by the Commissioner in the second stage of the proceeding described above.

The attached summary of the evidence is divided into separate sections on tea and chocolate, as well as a separate section on witnesses who will testify generally as to the Soviet convict labor system. The Department of the Treasury would appreciate your opinion on the effect of the new evidence developed by the Customs Service.

I greatly appreciate your assistance in this matter.

Sincerely,



Mark Sullivan III
General Counsel

The Honorable John R. Bolton
Assistant Attorney General
Civil Division
Department of Justice
Washington, D.C. 20530

Enclosures

cc: David M. Cohen, Esquire
Director
Commercial Litigation Branch
Civil Division
U.S. Department of Justice
Washington, D.C. 20530



DEPARTMENT OF THE TREASURY
WASHINGTON

APR 19 1988

ACTION

MEMORANDUM FOR SECRETARY BAKER

FROM:

h FRANCIS A. KEATING, II
ASSISTANT SECRETARY (ENFORCEMENT)

SUBJECT:

Federal Register Notice Prohibiting Importation
of Soviet Goods made with Convict Labor

I. ACTION FORCING EVENT: Customs has submitted evidence that Soviet tea and chocolate manufactured with convict labor have been imported into the United States. Consequently, I recommend that you approve a Federal Register Notice withholding entry of those goods under Customs regulations implementing 19 U.S.C. § 1307.

II. ANALYSIS: Section 1307 prohibits the importation of "[a]ll goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in any foreign country by convict labor." Customs regulations provide for the detention of merchandise in classes that the Commissioner "reasonably but not conclusively" finds are likely to be imported and are "within the purview of section 307." 19 C.F.R. § 12.42(e)-(g). Your approval is required for publication of a Federal Register notice of such action. 19 C.F.R. 12.42(f). The effect of publication is to shift to importers of articles within these classes the burden of coming forth with evidence to convince the Commissioner that their specific merchandise is not prohibited by section 307. 19 C.F.R. § 12.43. At Tab B is a list of previous exclusion orders issued under 19 U.S.C. § 1307.

My recommendation today is to invoke the first part of this process by approving a Federal Register Notice designating tea and chocolate as classes of Soviet imports that will be denied entry unless importers demonstrate that their merchandise is not made with convict labor. As noted above, the standard for this action is evidence that "reasonably but not conclusively indicates" that convict-made imports are likely, and Customs' submission has met that rather lenient standard with respect to tea and chocolate. Customs also presented evidence concerning aluminum and aluminum products, but it does not yet support Customs' recommendation of exclusion. Further evidence on aluminum is still being gathered.

	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	SECRETARIAT
OFFICE CODE SURNAME		SULLIVAN	MEAGHER			
INITIALS/DATE	/	/	/	/	/	/

Customs' evidence linking Soviet convict labor with tea, chocolate and aluminum product imports is set out at Tab C. Witnesses are available to testify both to the use of convict labor to produce tea and chocolate in the Soviet Union and to the presence of convict-made imports in the United States. Although there is evidence that aluminum and aluminum products are made with convict labor in the Soviet Union, there is no evidence that imports have been made from convict-labor sources. Soviet tea and chocolate imports since the beginning of 1986 total approximately \$125,126.

A provision in this year's Continuing Resolution prohibits "funding an activity or paying a salary to a government employee [that] would result in a decision, determination, rule or regulation, or policy that would prohibit the enforcement of" 19 U.S.C. § 1307. This provision does not compel Treasury to confirm Customs' findings, nor does it forbid an independent review of the evidence.

I am available to discuss this matter further at your convenience.

III. RECOMMENDATION: That you sign each of the three originals of the Federal Register Notice at Tab A, announcing the exclusion of Soviet tea and chocolate.

IV. DECISION:

Approve _____ Disapprove _____ Other _____

Attachments

Tab A	Federal Register Notice (three originals)
Tab B	Previous Exclusion Notices under 19 U.S.C. § 1307
Tab C	Customs Evidentiary Submission
Tab 1	Tea
Tab 2	Chocolate
Tab 3	Aluminum Products

THE WHITE HOUSE
WASHINGTON

6 JUL
0700

Steve Darzensky
Norman Ledsky

Pls review then
let's discuss. I
promised Jim Baker
a 'decision' ~~by~~
COB Thurs.

CP

Department
of the Treasury

to: Lt. Gen. Colin L. Powell

Asst. to the President
for National Security
Affairs

Executive Secretariat

7/5/88

Re: Summary of Evidence -- Convict Labor

Secretary Baker asked me to send you the
attached summaries of evidence.

The first three pages summarize general
information; the remainder summarize the
evidence on particular products (tea,
chocolate, aluminum). Our proposed action
would only be against tea and chocolate.

Attachment

RBZ
Robert B. Zoellick
Counselor to the Secretary
and Executive Secretary

room 3408
phone 566-5901

**EVIDENCE OF CONVICT LABOR USED IN THE SOVIET UNION
TO MAKE TEA, CHOCOLATE AND ALUMINUM PRODUCTS**

I. STATUTE VIOLATED: 19 U.S.C. § 1307:

All goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in any foreign country by convict labor ... shall not be entitled to entry at any of the ports of the United States, and the importation thereof is hereby prohibited, and the Secretary of the Treasury is authorized and directed to prescribe such regulations as may be necessary for the enforcement of this provision.

The statute has two elements: (1) That goods are being made with convict labor, and (2) that those goods are being imported into the United States.

II. ALLEGED VIOLATOR: Importers of convict-labor made goods from the Soviet Socialist Republics ("Soviet Union").

III. EVIDENCE:

Witnesses on the convict labor system in the Soviet Union will lay the foundation for each of the commodities for which we have specific evidence.

A. NATAN SCHARANSKY, ISRAEL

Background:

Natan Scharansky was born in Donetsk in 1948 and graduated from the Moscow Institute for Physics and Technology in 1972, and worked as a computer specialist for the Moscow Research Institute for Oil and Gas until 1976. In 1976 he was fired because of his activities in the Moscow Helsinki Watch Organization. In 1977 he was convicted of spying for the United States and sentenced to ten years in a labor camp and three years in prison. After being released from prison in 1986, Scharansky emigrated to Israel.

Testimony:

Scharansky spent nine years in Soviet prisons. He can testify about the extensive communications system among the convicts in the Soviet Union, which accounts for many ex-prisoners being aware of the different camps and the work done at these camps. He can also testify concerning the great dependence that Soviet industry has on the use of convict labor and how the Ministry of Internal Affairs coordinated the use of convict laborers for various factories.

B. LUDMILLA ALEXEYeva, BURKE, VIRGINIA

Background:

Ludmilla Alexeyeva was a founding member of the Moscow Helsinki Monitoring Group. She emigrated to the United States in 1977 and currently serves as the Helsinki Group's Western Representative.

Testimony:

Ms. Alexeyeva recently published a study on Soviet forced labor for the AFL-CIO entitled Cruel and Usual Punishment. She will testify as to the Soviet convict labor system in general. She will also testify that the Soviet economy is a State-controlled economy in which costs and prices can be artificially set; and that convict labor gives the producer a price advantage.

C. AVRAHAM SHIFRIN, ISRAEL

Background:

Avraham Shifrin is a lawyer who was sentenced to death in 1953 for political reasons; a sentence later reduced to 25 years. He emigrated to Israel after serving ten years in a prison camp and four years in banishment. He runs the "Research Center for Prisons, Psychoprison, and Forced Labor Concentration Camps of the USSR."

Testimony:

Shifrin authored the book, "The First Guidebook to Prisons and Concentration Camps of the Soviet Union." He interviewed many ex-prisoners and is familiar with all phases of convict labor in the Soviet Union.

Graphics:

A map has been produced showing all the convict labor camps listed in Shifrin's book.

D. IRINA RATUSHINSKAYA, EVANSTON, ILLINOIS

Background:

Ms. Ratushinskaya was born in Odessa, Russia and studied physics and math at a university in Odessa.

Testimony:

Ms. Ratushinskaya was imprisoned in a convict labor camp from 1982-1986 and emigrated to the United States in April 1987. She will estimate the number of convict labor camps and the number of prisoners and explain the conditions, the production quota system

and payment of prisoners.

TEA

I. SUMMARY OF THE EVIDENCE: A Soviet emigre, DR. EDVARD GUDAVA, will state that as a prisoner in Soviet Georgia during the period 1985 through 1987, he made wooden boxes in which to export tea, and observed other prisoners harvesting tea for export to the United States. Another Soviet emigre, RAIZA UVAROVA, Dr. Gudava's mother, saw prisoners harvesting tea when visiting her son at the prison camp. In addition, a report on Soviet forced labor written by Soviet emigre LUDMILLA ALEXEYEV, includes tea as a product produced with convict labor. An unclassified 1982 CIA report for Senator Armstrong also listed tea as a product made with convict labor.

The Soviet Union produces approximately 150 million kilograms of tea a year, of which 130 million is from fields in the Republic of Georgia. DR. GUDAVA estimated that more than 5,000 laborers working out of five separate prison camps harvested tea leaves in Georgia, and that laborers from approximately 20 camps represent more than 50% of all workers utilized in the production of tea in Georgia.

Four companies have been identified as the importers of this Georgian tea, with nine importations since the beginning of 1986 of 308,161 pounds with a total value of \$92,126. DR. EDVARD GUDAVA, in late 1987, identified two retailers in Boston, Massachusetts, with cartons of Soviet tea for sale, labeled "Georgian tea, Soviet Union." The packaging of the tea in the United States is identical to the packaging of the tea in the Soviet Union. The tariff schedule item number which would be used for this product is 160.50.

II. WITNESS STATEMENTS

A. DR. EDVARD GUDAVA, BRIGHTON, MASSACHUSETTES

Background:

Dr. Edvard Gudava was born February 9, 1955 in Soviet Georgia. After studying medicine in Moscow, he became a physician in 1978.

Testimony:

Dr. Gudava was arrested in 1985 for hooliganism and was sentenced to four years in a Georgian prison camp near Tzulukidze, Georgia.

While in the prison camp, his job was to construct two types of tea boxes; those for internal Soviet use, and a higher quality type for the exportation of tea. He was told by the prison facility supervisor that the high quality tea boxes were used for the exportation of tea.

Gudava's camp was one of five camps within close proximity of each other and he estimates that the five camps had an aggregate of 7000 prisoners and 5000 were utilized for tea production. His camp had approximately 1500 prisoners of which half remained inside to construct the tea boxes and the other half he observed picked tea leaves for shipment to other factories in Georgia. Dr. Gudava estimates that the convict labor from the five camps contributes to approximately 50 percent of the production of tea in the Soviet Georgia area.

After Dr. Gudava's release from the camp in April 1987, and his emigration to the United States in September 1987, he saw Soviet tea for sale at the Coffee Connection in Cambridge, Massachusetts, and Berioska in Boston, Massachusetts. The packaging of the tea in the United States was identical to the packaging of the tea in the Soviet Union.

B. RAIZA UVAROVA, BRIGHTON, MASSACHUSETTS

Background:

Raiza Uvarova was born on April 18, 1930 in Tulla, near Moscow, and is the mother of Edvard and Tengiz Gudava. She attended college in Moscow and graduated with an engineering degree.

Testimony:

In 1985, due to to her son's imprisonment in Soviet Georgia, she started visiting the prison camp near Tsulukidze, Georgia. She initially walked into the convict labor camp in 1985 without permission and saw groups of prisoners harvesting tea. During her visits, she also could visually observe the surrounding camps, and she noted that there were four surrounding labor camps in 1985 and observed an additional camp under construction in 1987. At the time that Dr. Gudava was released from prison in April 1987, there were a total of five convict labor camps with a sixth under construction. There was also a factory outside the camps nearby that processed tea and utilized convict labor.

C. TENGIZ GUDAVA, BRIGHTON, MASSACHUSETTS

Background:

Tengiz Gudava was born November 28, 1953, in Soviet Georgia. He attended medical school in Moscow, but was expelled in 1975 for speaking out against the government.

Testimony:

The witness will state that while growing up in Soviet Georgia, it was common knowledge that prisoners processed and picked tea, and that there is a saying in the Soviet Union that "every dog knows prisoners pick tea." After he emigrated to the United

States in September 1987, he saw Soviet tea for sale in Boston, Massachusetts, and the packaging of the tea was identical to the packaging of the tea in the Soviet Union. The retailers were the Coffee Connection in Cambridge, Massachusetts and Beriozka in Boston, Massachusetts.

D. CIA REPRESENTATIVE

Testimony:

A representative from the CIA will testify that an unclassified CIA report was prepared in 1983 from documents, studies and source materials which analyzed Soviet goods imported into the United States and which identifies tea as a commodity produced with convict labor in the Soviet Union.

E. LUDMILLA ALEXEYEVA, BURKE, VIRGINIA

Background:

Ludmilla Alexeyeva was a founding member of the Moscow Helsinki Monitoring Group. She emigrated to the United States in 1977 and currently serves as the Helsinki Group's Western Representative.

Testimony:

Ms. Alexeyeva recently published a study on Soviet forced labor for the AFL-CIO entitled Cruel and Usual Punishment.

She can testify that she included tea as a product produced with convict labor and that she identified Camp UI-123/35 in the Georgian Republic as a convict labor camp with approximately 1500 prisoners utilized in digging canals in tea plantations and harvesting tea leaves.

F. KEN TEA LTD., NEW ROCHELLE, NEW YORK

Testimony:

A representative of this company will testify that the company imported one shipment of tea from Soviet Georgia in 1986, totaling 1,598 pounds, with a value of \$2,475 and one shipment in 1987 totaling 1,212 pounds with a value of \$1,990. They sold Soviet Georgian tea to the Coffee Connection in Cambridge, Massachusetts, (where it was seen by the Gudava brothers).

G. COFFEE CONNECTION, CAMBRIDGE, MASSACHUSETTS

Testimony:

A representative of this store can testify that records for 1986 and 1987 show purchases of Soviet Georgian tea from Ken Tea brokers, including one purchase of 55.12 pounds of Soviet

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Georgian tea on May 13, 1987.

H. TETLEY TEA CO., WILLIAMSPORT, PENNSYLVANIA

Testimony:

A representative of this company will testify that the company imported three shipments of tea from Soviet Georgia in the calendar year 1986, totaling 101,500 pounds, with a value of \$33,930.

I. NORTH AMERICAN CROP SERVICES, STANFORD, CONNECTICUT

Testimony:

A representative of this company will testify that in 1986, the company imported three shipments of tea from Soviet Georgia totaling 136,033 pounds, with a value of \$33,718.

J. A. HOLLIDAY & CO., NEW YORK, NEW YORK

Testimony:

A representative of this company will testify that the company imported two shipments of tea from Soviet Georgia in the calendar year 1986, totaling 67,818 pounds, with a value of \$20,013.

Note: Witnesses from Tetley Tea Co., North American Crop Service and A. Holliday and Co. will testify that they were unaware that convict labor is used in the production of tea in the Soviet Union.

CHOCOLATE

I. SUMMARY OF THE EVIDENCE: A Soviet emigre, IGOR GERASCENKO, will identify the chocolate factory Babayevskaya in Moscow as the factory in which he worked one day as a convict laborer in 1981 and produced chocolate candies. In 1987, he purchased identical chocolate candies in retail shops in Chicago, Illinois. He will state that convict labor is used in the production of chocolate in the Babayevskaya factory in the mixing of the cocoa and the baking, cutting and wrapping of the chocolate. Another emigre, Tatyana Osipova, learned of the use of prisoners at the Babayevskaya factory when she was in a special prison camp in Moscow in 1980.

A review of Customs' Automated Commercial System files for chocolate from the Soviet Union revealed two importations in 1986 totaling 17,254 pounds and one importation in 1987 totaling 17,960 pounds, worth approximately \$33,000. The applicable chocolate tariff number is 157.10.

II. WITNESS STATEMENTS

A. IGOR GERASCENKO, EVANSTON, ILLINOIS

Background:

Igor Gerascenko was born in Kiev in 1953 and graduated from the Polytechnic Institute with a degree in Physics in 1976. He emigrated to the U.S. in April 1987.

Testimony:

In December 1981, Gerascenko took part, with his wife in a five minute silent demonstration against Soviet human rights violations for which he appeared before a Soviet judge and received 10 days labor in a convict labor camp (MX-385/5). He was transported to a different factory each day and performed a different task in each factory. One of the factories in which he worked for one day was Babayevskaya, a chocolate factory in Moscow.

Gerascenko observed convict laborers mixing the cocoa, baking, cutting, and wrapping chocolate. He himself operated a bean grinding machine. Approximately 500 workers were in the factory. Approximately 20-40 convict laborers from his camp were sent to the factory each day and many more trucks from other camps arrived at the chocolate factory. Conversations with other convicts disclosed that they too went to the Babayevskaya plant.

In November 1987, Gerascenko purchased in Chicago Illinois one of the types of chocolate candy (Polar Bear) made at Babayevskaya. He has seen it for sale in other retail shops in Chicago and New

York.

B. TATYANA OSIPOVA, BROOKLYN, NEW YORK, NEW YORK

Background:

Tatyana Osipova was born in Kolomna, near Moscow, and was a computer operator and teacher of Russian languages. In 1976, she joined the Helsinki Watch accord group and began to write articles against political prisoners.

Testimony:

In January 1980, Osipova took part in a protest and was convicted of disturbing the peace. She was sentenced to 25 days in a special camp in Moscow. There were 35 other workers in this special camp. The prisoners worked in either the Babayevskaya chocolate factory or a cosmetics factory. The prisoners were permitted to converse with each other. Through conversations with other prisoners she learned that five to seven people went to the chocolate factory every day. Women were assigned only to cleaning duties, while the men were assigned to work in the entire chocolate production process. She refused to go on work details herself and was assigned to tasks in the camp. After serving the 25 day sentence, she was later convicted again and sent to prison in Moldavia, where she spent seven years. She emigrated to the United States in April, 1987.

C. GEORGE RAZIN, RAZIN INTERNATIONAL INC., HOWELL, NEW JERSEY

Background:

George Razin is the President of Razin International Inc.

Testimony:

Razin International has imported Russian chocolate of different types from the Babayevskaya factory in Moscow. One importation of chocolate in 1986 totalled 15,594 pounds, and was valued at \$14,306. One importation in 1987 totalled 17,960 pounds, and was valued at \$17,249. [Razin International has not imported the Polar Bear chocolate in the last three years.]

ALUMINUM

I. SUMMARY OF THE EVIDENCE: SERGEI SOLNTSEV, a Soviet emigre, saw one convict labor camp in Krasnoturinsk at the Bogoslovsk refinery and witnessed discussions about the use of convict labor at that plant. He will also testify that convicts make wooden lockers for the workers at the Bratsk aluminum smelting plant in Siberia, and that a friend at the plant informed him that convict laborers repair machine parts for the plant.

In addition, an unclassified CIA report prepared in 1982 for Senator Armstrong which describes the Soviet forced labor system cites that bauxite is mined by forced labor in Arkalyk. There is no other industry in Arkalyk.

In 1986, over 21 million dollars (67 entries) of different aluminum products were imported from the Soviet Union. In 1987, over 22 million dollars (117 entries) of different aluminum products were imported from the Soviet Union. The tariff schedule item numbers include: 618.0650 (unwrought alloys of aluminum), 618.1000 (aluminum waste and scrap) and 870.6040 (melted-down waste and scrap), and 618.0200 (aluminum other than alloys of aluminum)

II. WITNESS STATEMENTS

A. SERGEI SOLNTSEV, LUFKIN, TEXAS

Background:

Sergei Sergeevich Solntsev was born on March 1, 1935, in Vinnitsa, Ukpiana which is near Kiev. He is an extractive metallurgist, a 1958 graduate of the Metallurgical Department of the Leningrad Mining Institute. He emigrated to the United States in 1978.

Testimony:

Solntsev worked for the Leningrad All-Union Research Institute of the Aluminum, Magnesium, and Electrode Industry (VANI) from 1958 until 1978. The first ten years, he worked as a junior and senior research fellow. In 1969 he was transferred to the Bratsk Aluminum Plant in Siberia, where he worked as a production engineer.

Solntsev is familiar with all the mines in the Soviet Union and has written a book on aluminum production. He has personally visited the following alumina refineries:

1. Bogoslovsk-Krasnoturinsk
2. Dniepr
3. Nikolaevo
4. Novoluznetsk
5. Kandalaksha
6. Volkov

7. Sungait
8. Volgograd

The aluminum plant at Bratsk has approximately 10,000 workers, 500 of which were convict laborers. Thirty kilometers to the south of Bratsk is a prison camp named Vikhorevka. The convict laborers from Vikhorevka made wooden lockers for the laborers in the plant and replacement parts for the maintenance of the machinery in the plant. Solntsev's friend, Yuri, told him that the convict laborers came to the Bratsk plant via truck, and that equipment was transferred from the plant to the labor camp for repairs and then returned.

From 1975 through 1976, Solntsev worked on a special project named KRAS in Krasnoyarsk, Siberia. He saw convict laborers in their camp there, only 50 yards from the aluminum plant. In 1978, the administrators of the Krasnoyarsk plant requested that VANI undertake a special project to determine how to use convict labor in the electric cells in the smelter. The objective of the project was to isolate the convict laborers into work shifts to keep them separate from the other laborers. Solntsev was present when security for transporting the prisoners from the camp to the plant was discussed.

Solntsev estimates that one-half of all maintenance and one-half of all operating people at the aluminum facilities are convict laborers.

B. CIA REPRESENTATIVE

Testimony:

A CIA report of 1982 states that convict labor is used in the production of bauxite at Arkalyk. There is no other industry in Arkalyk.

C. AVRAHAM SHIFRIN, ISRAEL

Background:

Avraham Shifrin is a lawyer who was sentenced to death in 1953 for political reasons; a sentence later reduced to 25 years. He emigrated to Israel after serving ten years in a prison camp and four years in banishment. He runs the "Research Center for Prisons, Psychoprison, and Forced Labor Concentration Camps of the USSR."

Testimony:

Avraham Shifrin authored the book, "The First Guidebook to Prisons and Concentration Camps of the Soviet Union," and from his research for the book found instances of the use of aluminum industry, noted below.

1,000 prisoners are used in bauxite mining and construction in Boksitogorsk.

An electronics engineer who worked in Oneglag, a convict labor camp complex which serviced the "Boksitstroitrest" (Bauxite Construction Trust) and the "Onegspetsles" (Onega Special Lumber Company) was assigned to build tracks for the bauxite dredges.

At Kandalaksha there is a camp of approximately 1500 prisoners assigned to work in alumina, among other things.

V. DOCUMENTARY EVIDENCE

A. Amalgamet, Inc., New York

Customs records will show that this company imported through the Soviet Ministry of Trade 4,239,907 pounds of aluminum products from the Soviet Union in 1986, worth \$2,423,730; and 6,234,313 pounds of aluminum products in 1987, worth \$3,196,783.

B. Philipp Brothers, Inc., New York, New York

Customs records will show that this company imported through the Soviet Ministry of Trade 17,766,477 pounds of aluminum products from the Soviet Union in 1986, worth \$7,245,615; and 23,338,465 pounds of aluminum products in 1987 worth \$9,719,425.

C. Hunter Douglas Metals, Inc., Homewood, Ill.

Customs records will show that this company imported through the Soviet Ministry of Trade 7,038,466 pounds of aluminum products from the Soviet Union in 1986, worth \$1,893,281; and 6,085,950 pounds of aluminum products in 1987, worth \$3,518,686.

D. Commercial Metals Co., Dallas, Texas

Customs records will show that this company imported through the Soviet Ministry of Trade 11,309,054 pounds of aluminum products from the Soviet Union in 1986, worth \$4,420,479; and 117,673 pounds in 1987, worth \$74,473.

E. C. Tennant Sons & Co., Minneapolis, Minnesota

Customs records will show that this company imported through the Soviet Ministry of Trade 1,147,494 pounds of aluminum products from the Soviet Union in 1986, worth \$531,827.

F. Stanley Metals Corp., New York, New York

Customs records will show that this company imported through the Soviet Ministry of Trade 4,918,267 pounds of aluminum products from the Soviet Union in 1986, worth \$2,066,839; and imported 4,021,147 pounds of aluminum products in 1987 worth \$1,421,135.

G. Pechiney World Trade (USA) Inc. Seacaus, N.J.

Customs records will show that this company imported through the Soviet Ministry of Trade 2,204,232 pounds of aluminum products from the Soviet Union in 1986, worth \$1,258,197.

H. Amalgamated Metal Corp., London, United Kingdom

Customs records will show that this company imported through the Soviet Ministry of Trade 3,037,021 pounds of aluminum products from the Soviet Union in 1986, worth \$1,577,686; and imported 7,008,671 pounds of aluminum products in 1987, worth \$3,536,477.

I. Doehler Jarvis Castings Company, Toledo, Ohio

Customs records will show that this company imported through the Soviet Ministry of Trade 3,157,310 pounds of aluminum products from the Soviet Union in 1987, worth \$735,776.

J. Mitsubishi International Corporation, New York, New York

Customs records will show that this company imported through the Soviet Ministry of Trade 573,307 pounds of aluminum products from the Soviet Union in 1987, worth \$222,421.

K. Minemet-Asoma Inc., Stamford, Connecticut

Customs records will show that this company imported through the Soviet Ministry of Trade 2,309,381 pounds of aluminum products from the Soviet Union in 1987, worth \$906,382.

L. Lorbec Metals, Ltd., Quebec, Canada

Customs records will show that this company imported through the Soviet Ministry of Trade 2,448,852 pounds of aluminum products from the Soviet Union in 1987, worth \$1,248,540.

These companies have stated that they are unaware of the true origin of the imports within the Soviet Union. The Soviet Ministry of Trade does not disclose information that would allow us to trace the imports to specific plants or mines.