

February 1989

Cable from the US Embassy in Moscow to the Secretary of State, 'US-Soviet Relations: Policy Opportunities'

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Summary:

Approaches to take advantage of the evolving political landscape in the Soviet Union to leverage and promote US interests via Soviet policy proposals.

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SECRET SECTION 01 OF 07 MOSCOW 04648

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E.O. 12356: DECL: OADR

TAGS: PREL, UR

SUBJECT: U.S.-SOVIET RELATIONS: POLICY OPPORTUNITIES

REF: (A) MOSCOW 2962, (B) MOSCOW 3850

1. SECRET - ENTIRE TEXT.

BEGIN SUMMARY:

2. WE HAVE AN HISTORIC OPPORTUNITY TO TEST THE DEGREE THE SOVIET UNION IS WILLING TO MOVE INTO A NEW RELATIONSHIP WITH THE REST OF THE WORLD, AND TO STRENGTHEN THOSE TENDENCIES IN THE SOVIET UNION TO "CIVILIANIZE" THE ECONOMY AND "PLURALIZE" THE SOCIETY. U.S. LEVERAGE, WHILE CERTAINLY NOT UNLIMITED, HAS NEVER BEEN GREATER. THAT LEVERAGE SHOULD BE USED NOT TO "HELP" GORBACHEV OR THE SOVIET UNION, BUT TO PROMOTE U.S. INTERESTS. THE MOST CENTRAL OF SUCH INTERESTS IS THE LONG-TERM TRANSFORMATION OF THE SOVIET UNION INTO A SOCIETY WITH EFFECTIVE ORGANIC CONSTRAINTS ON THE USE OF MILITARY FORCE OUTSIDE ITS BORDERS.

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3. OUR TRADITIONAL FOUR-PART AGENDA REMAINS

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RELEVANT, BUT WE SHOULD REVIEW CURRENT POLICY TO DETERMINE WHAT SPECIFIC ADJUSTMENTS MAY BE REQUIRED BY RAPIDLY CHANGING CIRCUMSTANCES. WE SHOULD CONTINUE NEGOTIATIONS FOR VERIFIABLE ARMS REDUCTIONS BUT REFUSE TO MAKE THESE THE CENTERPIECE OF THE RELATIONSHIP. WE SHOULD INCREASE POLITICAL PRESSURE ON MOSCOW TO END, ONCE AND FOR ALL, ITS MILITARY INVOLVEMENT IN CENTRAL AMERICA AND TO SCALE BACK SUBSTANTIALLY ITS MILITARY PRESENCE IN CUBA.

4. IF MOMENTUM CAN BE SUSTAINED IN ALL OF THE AREAS OF OUR TRADITIONAL AGENDA, WE SHOULD GRADUALLY PUT MORE SUBSTANCE IN TWO ADDITIONAL AREAS, PERHAPS EVENTUALLY GIVING THEM THE STATUS OF POINTS FIVE AND SIX: MULTILATERAL COOPERATION AND ECONOMIC RELATIONS. NEITHER SHOULD INVOLVE AID, BUT BE BASED STRICTLY ON MUTUAL PROFITABILITY AND RECIPROCAL OBLIGATIONS.

5. AS SOVIET POLICY CHANGES AND SOVIET DIPLOMACY BECOMES MORE ACTIVE, EFFECTIVE MANAGEMENT OF OUR ALLIANCE RELATIONSHIPS WILL BECOME MORE COMPLEX AND DIFFICULT. THE CHALLENGE IN THIS AREA MAY IN ~~X~~ BE FACT GREATER THAN THE CHALLENGE OF MANAGING U.S.-SOVIET RELATIONS, BUT A FORWARD-LOOKING POLICY TOWARD THE SOVIET UNION WITH WELL DEFINED GOALS, SHOULD BE HELPFUL ^{regarding} ALLIANCE MANAGEMENT.

EGOSUMMARY.

6. THE CURRENT DISARRAY ON THE SOVIET DOMESTIC SCENE

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HAS GIVEN THE UNITED STATES AN UNPRECEDENTED POTENTIAL FOR INFLUENCE ON SOVIET FOREIGN AND DOMESTIC POLICY. OUR LEVERAGE IS BY NO MEANS UNLIMITED -- WE CANNOT FORCE THEM TO HAND OVER THE STORE -- BUT IT IS SUFFICIENT TO TILT THE BALANCE OF DECISION ON MANY KEY ISSUES, PROVIDED WE ARE WISE ENOUGH TO USE OUR LATENT INFLUENCE SKILLFULLY, CONSISTENTLY, AND PERSISTENTLY. THIS MESSAGE WILL SUGGEST A GENERAL FRAMEWORK FOR A POLICY TO MAXIMIZE OUR INFLUENCE OVER DEVELOPMENTS IN THE SOVIET UNION.

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MORE DETAILED DESCRIPTIONS OF SOME OF THE POLICY PROPOSALS MENTIONED ILLUSTRATIVELY IN THIS PRESENTATION WILL FOLLOW IN SUBSEQUENT MESSAGES. THE WRONG QUESTION

7. UNFORTUNATELY, MANY OBSERVERS, GIDDY FROM THE SURPRISE OF SEEING RAPID CHANGE IN A SOCIETY WHICH WAS CLOSED AND SEEMINGLY STATIC FOR SO LONG, ARE ASKING THE WRONG QUESTION -- AND DRAWING THE WRONG CONCLUSIONS. "PERESTROIKA," THEY SAY, IS IN THE U.S. INTEREST; GORBACHEV IS ESSENTIAL TO "PERESTROIKA"; ERGO THE U.S. SHOULD DEVISE A STRATEGY TO "HELP" GORBACHEV.

8. EVEN THOUGH THE FIRST OF THESE PROPOSITIONS IS TRUE (IF ONLY BECAUSE PERESTROIKA TENDS TO DEMOBILIZE THE SOVIET UNION WHILE IT IS UNDERWAY), THE OTHERS ARE NOT. INDEED, THEY CONTAIN SEVERAL HIGHLY QUESTIONABLE ASSUMPTIONS: THAT WE KNOW ENOUGH ABOUT

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S E C R E T SECTION 02 OF 07 MOSCOW 04648

NODIS

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SUBJECT: U.S.-SOVIET RELATIONS: POLICY OPPORTUNITIES

THE INS AND OUTS OF SOVIET POLITICS TO "HELP" INDIVIDUALS EFFECTIVELY; THAT WE SHOULD EVER IDENTIFY U.S. NATIONAL INTERESTS WITH THOSE OF INDIVIDUAL SOVIET POLITICAL LEADERS; THAT CONCESSIONARY POLICIES WOULD IN FACT BE OF ASSISTANCE IN STIMULATING RADICAL REFORM. EVEN MORE FUNDAMENTALLY, THESE OBSERVERS ARE POSING THE WRONG QUESTION. THE QUESTION SHOULD NOT BE HOW WE CAN HELP "PERESTROIKA" OR GORBACHEV, BUT RATHER HOW WE CAN PROMOTE THE INTERESTS OF THE UNITED STATES. IF THE PURSUIT OF OUR GOALS HAS THE COLLATERAL EFFECT OF STRENGTHENING THE POSITION OF POLITICAL LEADERS WHO HAVE ESPOUSED POLICIES CONSISTENT WITH OUR OWN, WELL AND GOOD. BUT WE SHOULD BE CLEAR IN OUR OWN MINDS THAT OUR OBJECTIVE IS TO SERVE OUR INTERESTS, NOT THEIRS.

THE CENTRAL ISSUE

9. WE OF COURSE HAVE MANY SPECIFIC INTERESTS WHICH WE MUST PURSUE, BUT NO LONG-TERM GOALS ARE MORE

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IMPORTANT THAN THE TRANSFORMATION OF THE SOVIET POLITICAL SYSTEM INTO ONE WITH EFFECTIVE STRUCTURAL

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CONSTRAINTS ON THE USE OF MILITARY FORCE OUTSIDE SOVIET BORDERS, ALONG WITH THE EVOLUTION OF THE SOVIET MILITARY MACHINE INTO ONE SUITABLE PRIMARILY FOR DEFENSIVE PURPOSES. FOR LONG, MANY HAVE DOUBTED THAT THE SOVIET UNION WOULD OR COULD MOVE IN THIS DIRECTION EXCEPT AS THE RESULT OF A TOTAL COLLAPSE OF THE SYSTEM. THE DOUBTERS MAY EVENTUALLY PROVE TO BE RIGHT. NEVERTHELESS, FOR THE FIRST TIME IN AT LEAST SIXTY YEARS, THESE GOALS ARE CONSISTENT WITH AVOWED SOVIET ASPIRATIONS. WE WOULD BE REMISS IF WE DID NOT REINFORCE INCENTIVES FOR SOVIET MOVEMENT IN THIS DIRECTION.

10. REINFORCING INCENTIVES, HOWEVER, DOES NOT MEAN "AID" IN THE TRADITIONAL SENSE. THE DEPLOYMENT OF PERSHING II'S AND CRUISE MISSILES IN EUROPE BEGINNING IN 1983 PROVIDED POWERFUL INCENTIVES TO CONCLUDE AN INF AGREEMENT ON WESTERN TERMS. IN CONTRAST, ALL THE FINANCIAL AID GIVEN POLAND IN THE 1970'S ACTUALLY REDUCED INCENTIVES TO CARRY OUT REFORMS NECESSARY FOR THE VIABILITY OF THE ECONOMY. THESE EXAMPLES ARGUE FOR A POLICY WHICH SETS HIGH BUT FAIR STANDARDS FOR AGREEMENTS AND COOPERATION AND REQUIRES FULL RECIPROCITY OF OBLIGATION AND BENEFIT.

OUR AGENDA

11. THE FOUR-PART AGENDA WHICH WE HAVE SUCCESSFULLY PURSUED OVER THE PAST SIX YEARS ADDRESSES BOTH THE EXTERNAL MANIFESTATIONS OF THE SOVIET THREAT (SOVIET SECRET SECRET

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MILITARY INVOLVEMENT IN REGIONAL CONFLICTS; ARMS REDUCTION) AND ALSO ITS INTERNAL CAUSES (HUMAN RIGHTS; PUNCTURING THE IRON CURTAIN). IT HAS BEEN SUCCESSFUL IN THE SENSE THAT IT HAS FINALLY PRODUCED SIGNIFICANT SOVIET POSITIVE MOVEMENT IN ALL THESE AREAS. IT HAS NOT YET EXHAUSTED ITS FULL POTENTIAL, HOWEVER, SINCE MUCH REMAINS TO BE DONE IN ALL FOUR AREAS.
ARMS REDUCTION AND REGIONAL CONFLICTS

12. WHILE THE SOVIETS HAVE NOW FORMALLY ACCEPTED OUR

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FOUR-PART AGENDA AS THE FRAMEWORK FOR DISCUSSION AND NEGOTIATION, IT IS OBVIOUS THAT THEY STILL GIVE ARMS CONTROL, AND PARTICULARLY THE CONCLUSION OF AN AGREEMENT ON START, COUPLED WITH SOME "REINFORCEMENT" OF THE ABM TREATY, PRIDE OF PLACE. THERE IS NO REASON FOR US TO COPY THEM IN THIS RESPECT, THOUGH OF COURSE WE SHOULD CONTINUE TO NEGOTIATE IN GOOD FAITH ON START AND DST WHEN OUR REVIEW OF THE ISSUES HAS BEEN COMPLETED.

13. THE POINT IS NOT THAT A GOOD START AGREEMENT WOULD BE MORE IN THE SOVIET INTEREST THAN OURS -- IF IT IS A GOOD AGREEMENT, IT WILL SERVE U.S. OBJECTIVES EQUALLY AS WELL AS SOVIET ONES. THE POINT RATHER IS THAT IT IS IMPORTANT FOR US TO AVOID AN UNBALANCED CONCENTRATION OF ATTENTION ON ARMS CONTROL ISSUES TO THE DETRIMENT OF THOSE PARTS OF OUR AGENDA WHICH HAVE A MORE DIRECT IMPACT ON THE EVOLUTION OF SOVIET

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S E C R E T SECTION 03 OF 07 MOSCOW 04648

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SOCIETY IN A PLURALISTIC DIRECTION AND ON THE
CONVERSION OF SOVIET INDUSTRY TO A GREATER
CONCENTRATION ON CIVILIAN PRODUCTION. ✓

14. FURTHERMORE, WHILE IT MAY BE DIFFICULT IN PRACTICE TO ESTABLISH FORMAL DIPLOMATIC LINKAGES BETWEEN THE ARMS REDUCTION ISSUES AND PROBLEMS IN OTHER AREAS OF THE RELATIONSHIP, WE SHOULD BE ALERT TO THE POSSIBILITY OF ADJUSTING THE PACE OF ARMS CONTROL NEGOTIATIONS TO MATCH PROGRESS ON OTHER ISSUES IMPORTANT TO OUR NATIONAL SECURITY.

15. ONE EXAMPLE WHICH COMES TO MIND IS THE SOVIET SUPPLY OF MILITARY EQUIPMENT TO NICARAGUA. WE SHOULD PRESS THEM HARD FOR AN IMMEDIATE END TO THIS PRACTICE (INCLUDING PROVISION OF WHAT GORBACHEV HAS CALLED "POLICE-TYPE" WEAPONS), AND IT WILL NOT HURT TO LEAVE THE IMPRESSION THAT OUR REVIEW OF START ISSUES MAY BE MORE RAPID IF THERE IS A RESOLUTION OF THIS IMPORTANT PROBLEM. OUR PUSH FOR AN ABSOLUTE CESSATION OF SOVIET MILITARY SUPPLIES TO THE CENTRAL AMERICAN

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ISTHMUS SHOULD BE PARTICULARLY FORCEFUL IF WE DECIDE NOT TO PRESS CONGRESS FOR A NEAR-TERM RESUMPTION OF

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ARMS SUPPLIES TO THE NICARAGUAN OPPOSITION. IF THAT IS TO BE OUR POLICY IN ANY CASE, THEN WE SHOULD CERTAINLY INVITE THE SOVIETS TO USE IT AS A "JUSTIFICATION" FOR THEIR ABSTENTION.

16. CONCOMITANTLY, WE SHOULD DEVELOP A STRATEGY FOR DIMINISHING GRADUALLY THE SOVIET MILITARY PRESENCE ON CUBA. A GRADUAL APPROACH WHICH PROVIDES THE SOVIETS WITH SOME PRETEXTS FOR RETRENCHMENT IS LIKELY TO BE MORE EFFECTIVE OVER THE LONG RUN THAN PUBLIC THREATS WHICH ENCOURAGE MOSCOW TO PROVE THAT IT IS NOT ABANDONING FRIENDS OR BOWING TO U.S. PRESSURE.

HUMAN RIGHTS

17. HUMAN RIGHTS MUST OF COURSE REMAIN A KEY ELEMENT IN U.S. POLICY. ALTHOUGH MUCH REMAINS TO BE DONE, PROSPECTS FOR FURTHER PROGRESS ARE BETTER THAN THEY HAVE BEEN IN LIVING MEMORY. IN PURSUING OUR POLICY IN THIS AREA, WE HAVE AT OUR DISPOSAL BOTH NEGATIVE AND POSITIVE INCENTIVES, AND IN ADDITION A VERY EXTENSIVE MECHANISM FOR CONSULTATION WHICH DID NOT EXIST EVEN TWO YEARS AGO. THE CSCE PROCESS PROVIDES BOTH LEVERAGE ON AND OPPORTUNITY FOR THE SOVIETS; THEY MUST DEFEND THEIR PRACTICE AT THE UPCOMING PARIS AND COPENHAGEN MEETINGS, PLUS CONTINUE THEIR PROGRESS AT HOME IF THEY ARE TO HAVE U.S. AND BRITISH PARTICIPATION AT THE 1991 MEETING IN MOSCOW.

18. WE SHOULD USE OUR BILATERAL CONSULTATION

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MACHINERY TO CONTINUE TO PUSH VIGOROUSLY ON THE REMAINING ISSUES. IN REGARD TO EMIGRATION PRACTICES, THE JACKSON-VANIK AMENDMENT GIVES US A TOOL WHICH CAN BE USED MORE ACTIVELY -- AS I WILL DISCUSS SUBSEQUENTLY. IN DEALING WITH THE SOVIETS ON HUMAN RIGHTS ISSUES WE HAVE ONE NEW ASSET: THE SOVIET AVOWED POLICY TO IMPROVE PROTECTION OF THE RIGHTS OF ITS CITIZENS. THIS ALLOWS US TO APPROACH MANY OF THE HUMAN RIGHTS ISSUES UNDER THE RUBRIC OF "COOPERATION" RATHER THAN CONFRONTATION. ERODING THE IRON CURTAIN

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19. PROGRESS IN ERODING THE IRON CURTAIN HAS BEEN RAPID OF LATE, WHAT WITH THE CESSATION OF JAMMING, GROWING U.S. ACCESS TO SOVIET MEDIA, THE RAPID GROWTH OF PRIVATE TRAVEL AND THE BEGINNINGS OF YOUTH EXCHANGES ON A SUBSTANTIAL SCALE. WE SHOULD BE PREPARED TO MOVE RAPIDLY TO TAKE ADVANTAGE OF THESE NEW OPPORTUNITIES AS FULLY AS POSSIBLE. WHILE NOBODY SHOULD EXPECT WIDER PERSONAL CONTACTS AND A BETTER FLOW OF INFORMATION TO TRANSLATE IMMEDIATELY INTO A NON-AGGRESSIVE POLICY OR DEMOCRACY INSIDE THE SOVIET UNION, THERE IS NO QUESTION THAT THAT HANDFUL OF THE SOVIET ELITE WHICH HAS HAD RECENT AND EXTENSIVE EXPOSURE TO THE WEST ARE AMONG THE DRIVING FORCES FOR PLURALISM AND INDIVIDUAL RIGHTS. WE SHOULD NOT UNDERESTIMATE THE FORCE OF OUR EXAMPLE ON SOVIET MINDS AND IT WILL SERVE OUR INTEREST TO INCREASE OPPORTUNITIES FOR THE SOVIET POLITICAL ELITE TO SEE



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SUBJECT: U.S.-SOVIET RELATIONS: POLICY OPPORTUNITIES
LIFE IN THE UNITED STATES.

20. WITH THIS IN MIND, WE SHOULD LOSE NO TIME IN
DEVISING INNOVATIVE PROGRAMS TO INFLUENCE SOVIET
THINKING IN THE RIGHT DIRECTION. THEY MIGHT INCLUDE
SOME OF THE FOLLOWING:

--A SYSTEMATIC PLAN TO INVITE TO THE UNITED STATES,
UNDER ONE RUBRIC OR ANOTHER, THE REMAINING POLITBURO
AND SECRETARIAT MEMBERS WHO HAVE NOT BEEN THERE, PLUS
MANY PARTY AND GOVERNMENT LEADERS IN MAJOR REPUBLICS
AND OBLASTS.

--EXPANSION OF PRINTED MATERIALS IN RUSSIAN,
INCLUDING AN EXTENSIVE BOOK PROGRAM, IN THE FIELDS OF
PHILOSOPHY, POLITICAL SCIENCE, ECONOMICS, AND
INTERNATIONAL RELATIONS.

--EXPANDED PROGRAMS TO PROVIDE U.S. SPEAKERS, TV
PANELISTS AND TV DOCUMENTARIES FOR BROADCAST IN THE
SOVIET UNION.

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--RAPID MOVEMENT TO ESTABLISH A MAJOR U.S. CULTURAL

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CENTER. IN MOSCOW, NOW THAT THE SOVIETS HAVE AGREED TO ONE IN PRINCIPLE, FOLLOWING DECADES OF REFUSAL. --EXPANSION OF THE U.S. PRESENCE INTO MAJOR NON-RUSSIAN REPUBLICS, WHERE THE POPULATION HAS BEEN EXPOSED ONLY SPORADICALLY TO U.S. INFLUENCE. TO MINIMIZE BUDGETARY COSTS, TECHNICAL DELAYS AND COUNTER-INTELLIGENCE PROBLEMS IN THE U.S., WE SHOULD STUDY THE POSSIBILITY OF SMALL UNCLASSIFIED POSTS (6-8 EMPLOYEES WITH PERSONAL DIPLOMATIC IMMUNITY, BUT WITHOUT IMMUNITY OF PREMISES).

EXPANDING THE AGENDA: INTERNATIONAL COOPERATION

21. THE MOST OBVIOUS CANDIDATE FOR AN EXPANDED AGENDA IS IN JOINT PARTICIPATION IN MULTINATIONAL COOPERATION TO SOLVE COMMON PROBLEMS. PREVIOUSLY, WHEN THE SOVIET LEADERSHIP WAS STILL IN THE GRIP OF A "ZERO-SUM" PSYCHOLOGY, OPPORTUNITIES FOR U.S.-SOVIET COOPERATION IN MOST INTERNATIONAL EFFORTS WERE SEVERELY LIMITED. THE SOVIETS HAD A PROPENSITY TO POLITICIZE EVEN THE MOST PURELY HUMANITARIAN ISSUES AND TO MISUSE THE INTERNATIONAL ORGANIZATIONS ESTABLISHED TO DEAL WITH THEM. THEY CONSIDERED THIS A PERFECTLY ACCEPTABLE FORM OF POLITICAL WARFARE AGAINST THE WEST IN GENERAL AND THE UNITED STATES IN PARTICULAR. THE RESULTS WERE QUITE APPARENT IN ORGANIZATIONS SUCH AS THE ILO AND UNESCO.

22. NOW THAT THE SOVIETS ARE TRUMPETING THEIR CONVERSION TO A MORE COOPERATIVE DOCTRINE, WE SHOULD
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PUT THEM TO THE TEST BY CHALLENGING THEM TO PLAY A MORE CONSTRUCTIVE ROLE IN INTERNATIONAL COOPERATIVE EFFORTS. HOWEVER, WE SHOULD REFUSE TO BEND THE GROUND RULES OF EXISTING ORGANIZATIONS TO ACCOMMODATE THE SOVIETS, AND WE SHOULD INSIST THAT THE SOVIET UNION PULL ITS FULL WEIGHT. IN ADDITION, WE SHOULD MAKE CLEAR TO THE SOVIET LEADERSHIP THAT USING INTERNATIONAL ORGANIZATIONS AS A COVER FOR INTELLIGENCE OPERATIONS IS UNACCEPTABLE, AND -- IF THIS PRACTICE IS CONTINUED -- WILL MILITATE AGAINST THE ACCEPTANCE OF THE SOVIET UNION AS A

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FORMAL PARTNER IN FUTURE INTERNATIONAL COOPERATIVE ARRANGEMENTS.

23. AREAS OF INTERNATIONAL COOPERATION WHICH MIGHT BE MORE ACTIVELY EXPLORED WITH THE SOVIETS (WITH THE CAVEATS SET FORTH ABOVE) INCLUDE THE FOLLOWING:

- ENVIRONMENTAL PROTECTION ON A GLOBAL SCALE;
- COMBATTING TERRORISM;
- CHEMICAL WEAPONS NON-PROLIFERATION - AND ULTIMATELY A VERIFIABLE GLOBAL BAN;
- NON-PROLIFERATION OF BALLISTIC MISSILES;
- PLANNING AND EVENTUALLY BUILDING A PROTOTYPE POWER PLANT BASED ON NUCLEAR FUSION;
- FAMINE AND OTHER DISASTER RELIEF;

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S E C R E T SECTION 05 OF 07 MOSCOW 04648

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SUBJECT: U.S.-SOVIET RELATIONS: POLICY OPPORTUNITIES

--NUCLEAR POWER PLANT SAFETY AND NUCLEAR
NON-PROLIFERATION.

24. WE SHOULD, HOWEVER, PROCEED VERY SLOWLY IN ONE
AREA IN WHICH THE SOVIETS WILL SHOW GREAT INTEREST,
THAT OF INTERNATIONAL TRADE AND FINANCE INSTITUTIONS
(E.G., GATT, IMF, WORLD BANK). OUR POLICY IN RESPECT
TO THESE ORGANIZATIONS SHOULD BE CONSIDERED IN THE
FRAMEWORK OF OUR OVERALL ECONOMIC POLICY TOWARD THE
USSR. THE ECONOMIC AREA HAS SUFFICIENT POTENTIAL FOR
INFLUENCING SOVIET BEHAVIOR TO MAKE IT A STRONG
CANDIDATE FOR A SIXTH POINT ON OUR OVERALL AGENDA.
EXPANDING THE AGENDA: ECONOMICS

25. UP TO NOW ECONOMIC RELATIONS WITH THE SOVIET
UNION HAVE FORMED A BARELY-MENTIONED SUBUNIT OF THE
BILATERAL AGENDA CATEGORY. WE HAVE HARDLY USED IT AS
A TOOL IN THE RELATIONSHIP, DESPITE ITS INTRINSIC
IMPORTANCE, FOR A NUMBER OF REASONS, MOST QUITE
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SOUND. WITH THE EXCEPTION OF TRADE IN AGRICULTURAL
PRODUCTS, WHICH WE PROMOTED QUITE VIGOROUSLY AND EVEN

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SUBSIDIZED, WE HAVE BEEN AMBIVALENT ABOUT EXPORTS OF INDUSTRIAL PRODUCTS, PARTICULARLY OF THOSE CAPITAL GOODS WHICH INTERESTED THE SOVIETS MOST. THIS ATTITUDE WAS SHAPED BY A LEGITIMATE CONCERN OVER THE DANGER OF NEW TECHNOLOGY SEEPING INTO THE SOVIET MILITARY INDUSTRIAL COMPLEX. THE TENSION BETWEEN THE DESIRE TO PROHIBIT DAMAGING TECHNOLOGY TRANSFER AND THE DESIRE TO PROMOTE U.S. EXPORT MARKETS OFTEN LED IN PRACTICE TO A TOTAL BUREAUCRATIC IMPASSE: ASIDE FROM PROHIBITING CERTAIN TYPES OF EXPORTS AND DELAYING PERMISSIBLE EXPORTS FOR MONTHS OR YEARS, THE FEDERAL GOVERNMENT REMAINED LARGELY PASSIVE, OCCASIONAL RHETORIC TO THE CONTRARY NOTWITHSTANDING.

26. THE TIME HAS NOW COME FOR US TO DEVELOP AND IMPLEMENT A MORE VIGOROUS AND FORWARD-LOOKING POLICY IN REGARD TO EAST-WEST ECONOMIC RELATIONS, AND TO USE THE ECONOMIC LEVER TO PROMOTE THE SORT OF CHANGES IN THE SOVIET UNION WHICH ARE CONGENIAL TO OUR INTERESTS. OUR POLICY SHOULD STOP SHORT OF AID OR SUBSIDY AND SHOULD PROVIDE FOR STRICT ENFORCEMENT OF AGREED COCOM CONTROLS, BUT WITHIN THOSE BOUNDS IT SHOULD OFFER SIGNIFICANT INCENTIVES FOR THE SOVIET LEADERS TO DEVELOP A DECENTRALIZED, PLURALISTIC, CIVILIAN-ORIENTED ECONOMY.

27. THE KEY ELEMENT IN OUR ECONOMIC POLICY WOULD BE AN EFFORT TO DEFINE FOR SOVIET POLICY MAKERS THOSE CONDITIONS WHICH WOULD INDUCE THE U.S. GOVERNMENT TO FACILITATE UNSUBSIDIZED TRADE AND INVESTMENT IN AREAS NOT PROHIBITED BY COCOM. THIS COULD HAVE SOME EFFECT IN ENCOURAGING DEVELOPMENTS WITHIN THE SOVIET ECONOMY

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WHICH WE FAVOR. SIMULTANEOUSLY, WE SHOULD PROVIDE MORE EFFECTIVE SUPPORT FOR AMERICAN FIRMS DOING LEGITIMATE BUSINESS WITH THE USSR. SPECIFIC EXAMPLES OF SUCH POSSIBILITIES ARE:

A.--JOINT VENTURES: WE SHOULD OFFER TO PROVIDE ENCOURAGEMENT TO U.S. FIRMS TO CONSIDER INVESTMENT IN LARGE-SCALE JOINT VENTURES, PROVIDED THE SOVIET AUTHORITIES CREATE CONDITIONS WHICH INCREASE THE POSSIBILITY THAT THESE WILL BE PROFIT-MAKING ENTERPRISES. THE CONDITIONS SHOULD BE DEFINED ON THE

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BASIS OF A CAREFUL STUDY, BUT MIGHT INCLUDE SUCH ELEMENTS AS MANAGEMENT RIGHTS FOR THE NON-SOVIET PARTNER, CURRENCY CONVERTIBILITY, OR AT LEAST PROTECTION AGAINST ARBITRARY EXCHANGE RATE SHIFTS. REASONABLE TAX AND TARIFF TREATMENT, REDUCTION OF BUREAUCRATIC CONTROLS TO THE MINIMUM NECESSARY FOR REASONABLE HEALTH, SAFETY AND OTHER GENERALLY RECOGNIZED STANDARDS, AND THE RIGHT OF SOVIET EMPLOYEES TO TRAVEL ABROAD FOR TRAINING AND OTHER BUSINESS PURPOSES. CRITERIA SUCH AS THESE TEND TO CONVERGE WITH THOSE DEFINING A MORE OPEN, DECENTRALIZED AND CIVILIANIZED ECONOMY SUCH AS WE WOULD LIKE TO SEE IN THE SOVIET UNION.

-- DEVELOPMENT OF SUCH CRITERIA WOULD NOT ONLY PROVIDE SOME INCENTIVE TO THE SOVIETS TO MOVE IN THE DIRECTION INDICATED, THEY COULD ALSO PROVIDE A VALUABLE SERVICE TO AMERICAN BUSINESSMEN WHO ARE NOW EXPLORING THE POSSIBILITY OF JOINT VENTURES WITHOUT

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Cat. B -	Transferred to LIAISON/PC with additional copies consulted by C.J.
Cat. C -	Caption removed; retained
Reviewed by:	<i>E. Kelly</i>
Date:	9/8/74

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CLEARLY UNDERSTOOD CRITERIA TO JUDGE THE VIABILITY OF PROPOSALS BEING MADE.

B.--JACKSON-VANIK: ALTHOUGH THE SOVIET AUTHORITIES HAVE IMPROVED THEIR EMIGRATION PRACTICES SUBSTANTIALLY OVER THE PAST YEAR, THEY STILL FALL SHORT OF QUALIFYING FOR A WAIVER OF JACKSON-VANIK SANCTIONS. THEY ARE, HOWEVER, WITHIN HAILING DISTANCE OF QUALIFICATION, AND WE SHOULD USZCXHIS FACT TO HASTEN THE RESOLUTION OF THE REMAINING REFUSAL CASES AND THE INSTITUTIONALIZATION OF MORE LIBERAL PROCEDURES OVERALL.

-- THEREFORE, WE RECOMMEND THAT THE ADMINISTRATION CONSULT WITH THE CONGRESS AND INTERESTED PRIVATE ORGANIZATIONS WITH A VIEW TOWARD DEFINING WHATRE MUST BE DONE TO QUALIFY FOR A WAIVER AND THUS ELIGIBILITY FOR MFN. WHEN WE HAVE DETERMINED WHAT CONDITIONS WILL BE ACCEPTABLE POLITICALLY TO JUSTIFY A WAIVER, WE SHOULD DESCRIBE THESE CONDITIONS TO THE SOVIETS PRIVATELY. (NEEDLESS TO SAY, IF THEY THEN
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MEET THE CONDITIONS, A WAIVER OF JACKSON-VANIK SHOULD BE GRANTED, AND MFN GRANTED -- ONE YEAR AT A TIME.

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 GOVERNMENT-FINANCED CREDITS AND GUARANTEES SHOULD
 HOWEVER NOT BE RESUMED.)

C.--TRAINING: WE SHOULD ENCOURAGE COOPERATIVE
 PROJECTS TO TRAIN SOVIET ECONOMISTS, MANAGERS,
 ENTREPRENEURS (FOR THE "COOP" SECTOR), AND
 SPECIALISTS IN AREAS SUCH AS MARKETING WHICH ARE
 LITTLE KNOWN HERE YET CRUCIAL FOR A DECENTRALIZED
 ECONOMY WITH A SIGNIFICANT PRIVATE SECTOR.

D.--INTERNATIONAL ECONOMIC AND FINANCIAL
 ORGANIZATIONS: WE HAVE QUITE PROPERLY OPPOSED SOVIET
 ASSOCIATION WITH ORGANIZATIONS SUCH AS GATT. THE
 SOVIETS, HOWEVER, ARE CERTAIN TO CONTINUE THEIR
 CAMPAIGN TO ENTER THE INTERNATIONAL ECONOMIC AND
 FINANCIAL COMMUNITY. IT WOULD PROBABLY BE USEFUL FOR
 US TO REPLACE OUR CURRENT FLAT "NO" WITH AN "IF": IF
 THEY MEET CERTAIN RIGOROUS BUT FAIR STANDARDS, WE
 WOULD BE WILLING TO SUPPORT THEIR MEMBERSHIP. FOR
 EXAMPLE, THE CRITERIA FOR GATT MIGHT INVOLVE A REAL
 DECENTRALIZATION OF DECISION-MAKING IN THE SOVIET
 ECONOMY, INCLUDING CREATION OF A SUBSTANTIAL
 PRIVATE/COOPERATIVE SECTOR. IT SHOULD ALSO BE MADE
 CLEAR THAT, IN ADDITION TO MEETING CERTAIN CRITERIA
 OF SUITABILITY, THE SOVIET UNION WOULD BE REQUIRED TO
 ASSUME THE SAME OBLIGATIONS AS OTHER MEMBERS WITH
 DEVELOPED ECONOMIES.

-- ESTABLISHING SUCH CRITERIA WOULD SERVE A
 TWO-FOLD PURPOSE: IT WOULD INDICATE TO THE SOVIETS
 WHAT THEY MUST DO TO QUALIFY FOR MEMBERSHIP, AND IT
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WOULD ALSO PROVIDE A CREDIBLE RATIONALE TO RESIST ANY
 FUTURE ATTEMPTS BY OTHER MEMBER COUNTRIES TO BEND THE
 RULES TO ACCOMMODATE THE USSR.

E.--SUPPORT FOR U.S. BUSINESS: WE SHOULD CONTINUE TO
 REVIEW OUR EXPORT REGULATIONS AND LICENSING
 PROCEDURES TO ENSURE THAT THEY ARE EFFECTIVE IN
 IMPLEMENTING COCOM CONTROLS, BUT THAT THEY DO NOT
 EXCEED COCOM RESTRICTIONS (WHICH ONLY SHIFTS TRADE TO
 OTHER COUNTRIES). FURTHERMORE, WE SHOULD ENSURE THAT
 RESTRICTIONS ON EXPORTS ARE CLEAR, EASILY UNDERSTOOD,

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AND APPLIED CONSISTENTLY IN THE LICENSING PROCESS. A
MECHANISM SHOULD BE ESTABLISHED TO ENSURE THAT
INTERAGENCY DISPUTES ARE SETTLED PROMPTLY AND NOT
ALLOWED TO DRAG ON FOR MONTHS WITHOUT RESOLUTION.

PROBLEMS: ALLIANCE MANAGEMENT

28. AS THE SOVIET UNION RETRENCHES IN RESPONSE TO
THE REQUIREMENTS OF PERESTROIKA -- OR IN CONSEQUENCE
OF PERESTROIKA'S FAILURE -- U.S.-SOVIET RELATIONS
WILL BECOME MORE "MAGEABLE" THAN THEY WERE IN THE
1970'S AND EARLY 1980'S. WE MAY WELL FIND, HOWEVER,
THAT OUR ALLIANCES WILL BECOME MORE DIFFICULT TO
MANAGE. IN THE PAST, ALLIANCE PROBLEMS HAVE OFTEN
BEEN SOLVED WHEN THE SOVIETS COMMITTED SOME
OUTRAGEOUS ACT THAT RALLIED THE ALLIES TO OUR SIDE.
WE CAN NO LONGER COUNT ON SUCH SOVIET "ASSISTANCE" IN
THE FUTURE: THE SMILING FACE WILL HAVE A MORE
DIVISIVE EFFECT THAN THE BELLIGERENT GROWL.

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Reviewed by: Steen

Date: 9/8/94

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29. GENERAL ADVICE ON ALLIANCE MANAGEMENT IS OF COURSE BEYOND THE SCOPE OF THIS MESSAGE. HOWEVER, INASMUCH AS U.S. POLICY TOWARD THE USSR HAS A MAJOR AND OFTEN DECISIVE EFFECT ON OUR RELATIONS WITH OUR ALLIES, WE BELIEVE THAT THE SORT OF POLICY STANCE SUGGESTED IN THIS MESSAGE WOULD ASSIST IN MAINTAINING ALLIANCE COHESION IN THE FACE OF SOVIET BLANDISHMENTS. A LARGELY STATIC POLICY BUTTRESSED MAINLY BY PERIODIC WARNINGS OF THE POTENTIAL THREAT THE SOVIETS STILL PRESENT IS LIKELY OVER TIME TO EXACERBATE STRAINS IN THE ALLIANCE SYSTEM, NO MATTER HOW VALID THE WARNINGS ARE IN FACT. WE ARE MUCH MORE LIKELY TO HOLD THE ALLIES TO A REASONABLE COURSE IF WE TAKE THE LEAD IN DEFINING THE FUTURE -- AND IN PRESSING THE SOVIET UNION TO LIVE UP TO ITS CURRENTLY AVOWED ASPIRATIONS. MATLOCK

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