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Office of the Secretary of Defense THE SECRETARY OF DEFENSE

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USSR 430

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Comments on the Grain Embargo

(U) Congressman Paul Findley has written a thoughtful, provocative paper, "The Case for Ending the Embargo." He raises several legitimate issues which must be considered fully as we review our options regarding the embargo of grain sales to the Soviet Union.

(U) Essentially there are four major criticisms contained in this paper:

- There was a campaign promise to end the embargo. By failing to fulfill this commitment, the embargo will become the "Reagan Embargo," and a Republican liability.
- The embargo has hurt the United States more than the Soviet Union.
- The embargo contradicts the basic philosophy of the Reagan Administration in that it opposes free trade and promotes government intervention. It also could lead Republicans to urge further price supports.
- It is not effective. The Soviet Union has not and will not respond, and the embargo actually weakens the President's ability to negotiate.

Each of these criticisms has elements of validity, but each deserves some comment.

(U) While you clearly urged repeal of the embargo during the campaign, a final decision should be based on the current situation. In the intervening months, the Polish crisis has worsened and attendant Soviet threats have increased; moreover, new evidence has emerged regarding Soviet involvement in subversive and terrorist movements, particularly in Central America. If the situation has changed, then a final decision on the embargo should depend on the relevancy and efficacy of that policy.

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(S) Paul Findley's next criticism, that we have "hurt ourselves greatly in order to hurt them a little," is not an indisputable conclusion. We would have preferred greater allied cooperation and an even greater impact, but most observers believe that the embargo has hurt the Soviet Union. There was some distress slaughtering of livestock, milk and butter production fell, meat products declined in 1980, and their economy remains in a precarious state. Those shortfalls reflect on Soviet economic planning and, therefore, government legitimacy. A complete Western grain embargo, perhaps as a result of Soviet intervention in Poland, could reduce Soviet meat production by as much as seven percent. While the impact of the embargo on the U.S. farmers was severe at first, it became less of a factor during 1980 due to lower U.S. crop yields combined with export increases to the Free World.

(S) It is further alleged that the embargo contradicts the basic philosophy of the Reagan Administration and impedes implementation of domestic policy. To equate the degree of government involvement in the economic life of its people to a state's use of its economic capacity in international affairs is to misunderstand the nation's role in the international system. States use a variety of tools, diplomatic, political, economic and military, in their relations with other states. It makes no sense to eschew use of the economic tool if it serves the national interest, nor does use of an economic sanction for a specific purpose against a particular state indicate that we have abandoned free market principles. Again, the appropriateness of the policy depends on its effectiveness.

(S) That, of course, is Paul Findley's final argument, i.e., the grain embargo has not achieved its purpose and, in fact, has reduced the President's ability to influence the Soviets. The embargo was instituted after the Soviet Union invaded Afghanistan and, though the Red Army obviously intends to remain, it would be simplistic to conclude that the embargo had failed. We did not assume that the embargo would cause the Soviet Union to disengage in Afghanistan; however, it did signal both to adversaries and allies that we would not accept the Afghan invasion as a "normal" international act. We must consider the impact of any decision on the Poland situation, on Southwest Asia and on general US-USSR relations. Relaxing the embargo could unravel the whole fabric of post-Afghanistan sanctions, send the wrong signal to the Soviet Union and unglue Allied contingency planning over the Polish situation. This Administration's decisions to enhance our military capability and to oppose subversion in El Salvador build on the tentative step taken by the embargo; to remove it now could adversely impact on the evolution of US-USSR relations.

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(S) It does not follow that the embargo should not be lifted at some future time, but the relaxation of sanctions could be a subject of negotiations. In fact, consultation and negotiations with the Soviets should precede removal of the embargo.

(S) In our view these concerns outweigh the domestic political and philosophic arguments advanced by Congressman Findley. The embargo presently serves our national interest.

cc: Hon Edwin Meese III, Counsellor to the President
Hon Richard V. Allen, Assistant to the President
for National Security Affairs

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The Case for Ending the Embargo

by

Paul Findley

In the back rooms of Capitol Hill, and in lobbying offices throughout the city, one of the linchpins of President Reagan's economic program is slowly being worked loose. Surprisingly, presidential indecision is the instrument of its undoing.

The President's farm program, which is expected to call for massive cuts in Federal farm subsidies and a greater emphasis on market economics and self reliance, is in danger. Instead of cuts in farm program spending, we could see increases. Instead of less Federal involvement in the farm sector, we could see more. Making matters worse, the effort could be spearheaded by farm state congressmen from the President's own party.

Why is that? It is because the President's apparent foreign policy contradicts his domestic policy. And, while some members of his cabinet fail to see the contradiction, it is abundantly clear to the many farmers who supported Republicans in 1980.

A critical issue in the 1980 farm vote was the partial suspension of grain sales to the Soviet Union -- the embargo. In an October 1980 interview published in Farm Journal magazine, Reagan said that, upon taking office, one of his first acts to help the ailing farm economy would be to end the embargo.

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