

1-1-1986

The use of economic sanctions as a political weapon in U.S.-Soviet relations.

John G. Raley
University of Massachusetts Amherst

Follow this and additional works at: https://scholarworks.umass.edu/dissertations_1

Recommended Citation

Raley, John G., "The use of economic sanctions as a political weapon in U.S.-Soviet relations." (1986).
Doctoral Dissertations 1896 - February 2014. 1749.
<https://doi.org/10.7275/4tk4-r250> https://scholarworks.umass.edu/dissertations_1/1749

This Open Access Dissertation is brought to you for free and open access by ScholarWorks@UMass Amherst. It has been accepted for inclusion in Doctoral Dissertations 1896 - February 2014 by an authorized administrator of ScholarWorks@UMass Amherst. For more information, please contact scholarworks@library.umass.edu.

UMASS/AMHERST



312066014553280

THE USE OF ECONOMIC SANCTIONS AS A POLITICAL
WEAPON IN U.S.-SOVIET RELATIONS

A Dissertation Presented

By

JOHN GORDON RALEY

Submitted to the Graduate School of the
University of Massachusetts in partial fulfillment
of the requirements for the degree of

DOCTOR OF PHILOSOPHY

September 1986

Department of Political Science

Copyright 1986, John G. Raley
All Rights Reserved

THE USE OF ECONOMIC SANCTIONS AS A POLITICAL
WEAPON IN U.S.-SOVIET RELATIONS

A Dissertation Presented

By

JOHN GORDON RALEY

Approved as to style and content by:

Karl H. Ryavec

Karl Ryavec, Ph.D., Chairman of Committee

Eric Einhorn

Eric Einhorn, Ph.D., Member

Diane Flaherty

Diane Flaherty, Ph.D., Member

Lewis Mainzer
Lewis Mainzer, Ph.D., Department Head
Department of Political Science

ABSTRACT

The Use of Economic Sanctions as a Political Weapon in U.S.-Soviet Relations

September 1986

John G. Raley, Diploma, Moscow Pedagogical Institute
Ph.D., University of Massachusetts

Directed by: Professor Karl Ryavec

In this dissertation the author assesses the possibility of using U.S. economic sanctions as a political lever in relations with the Soviet Union. The case under study is the U.S. sanctions against the Soviet Union in January 1980 - April 1981, after the Soviet invasion of Afghanistan.

The author comes to the conclusion that the American ability to affect Soviet behavior by export controls appears to be very limited. The economic effect of the sanctions on both countries was insignificant because of a very low level of mutual dependency. In such an attempt the USA was not backed up by its allies for a long time and short-term sanctions could be successful only if undertaken together with the allies. That is why the Soviet Union did not make concessions. Politically the sanctions hurt the United States more than the Soviet Union (relations with the allies, controversy in the USA, etc.).

The Western ability to change Soviet domestic policy by using economic pressure is extremely limited too. Usual Soviet response to external pressure is to tighten up domestically rather than to try reforms. Reforms can draw the country into an unravelling process which could be too dangerous politically for the Soviet elite. Reforms in the USSR can come about as a result of a domestic crisis rather than pressure from abroad. But economic cooperation with the Soviets only helps to avoid or put off such a crisis.

The Soviet Union is not vulnerable in the sense that it is almost self-sufficient economically and can survive without Western help. Western economic sanctions can have a negative but still an insignificant effect on its economy. The West cannot think about the USSR in terms of an imminent collapse. Therefore economic sanctions aimed at "improvement" of Soviet behavior are likely to fail.

TABLE OF CONTENTS:

Introduction.....	1
Chapter I. Sources, literature.	
Debate on the use of Economic Sanctions.....	6
Chapter II. Soviet Interest.....	27
1.Reasons for Changing Soviet Policy.....	27
2.Soviet Benefits.....	34
3.Soviet Concern.....	39
4.Soviet East-West Trade Policy.....	50
Chapter III. US Interest.....	72
1.Reasons for Changing US Policy.....	72
2.US Benefits and Concerns.....	76
3.US East-West Trade Policy.....	92
Chapter IV. Collision.....	122
1.Soviet Intervention in Afghanistan.....	122
2.The Sanctions of 1980.....	124
3.Soviet Reaction to the Sanctions. Political Effect of the Sanctions.....	155
4.Economic Effect of the Sanctions.....	175
Conclusion.....	197
Selected Bibliography.....	202

I N T R O D U C T I O N .

The struggle for power in modern international relations is undergoing two major changes: first, the elements of national power (military might, population, territory, natural resources, economy, technological level, etc.) are changing and shifting their relative positions on the scale of importance. Because of the danger of elimination of mankind as a likely result of a nuclear world war the role of military force is decreasing. Unlike in the 19th and the first half of the 20th century, now it can hardly be used directly between major world powers. Military force is acquiring a new role - as deterrence and threat of force rather than use. However, "unthinkable" the direct use of military might now is it does not mean that the struggle for power in international relations has ended. Rather, the struggle is shifting into other areas - economics and the technological race, intelligence, limited wars, and propaganda as a struggle for human minds.

The second major change in modern international relations is the increasing economic, environmental, and other interdependence which reduces the zero-sum option and makes actions of one superpower against the other a two edged weapon that can hurt both the adversary and the originator of the actions.

Under these circumstances the use of the economic weapon for political purposes is increasing and in view of the increasing interdependency is becoming more intricate. This might or might not mean it is impossible

to use the economy for political ends, but scholars should develop an elaborated theory of its use which is based on practical experience of recent decades.

The major task of this work is to assess the possibility of using US economic sanctions as a political lever in relations with the Soviet Union. The case under study is the US sanctions against the Soviet Union in January 1980 - April 1981, after the Soviet invasion of Afghanistan. This may be a part of a more general task to analyze experience of the use of economics for political purposes in international relations accumulated in recent decades - the US Afghanistan sanctions, the Siberian gas pipeline sanctions and sanctions against Poland after imposition of the martial law, the Arab oil embargoes of the 1970s, the use of trade and economic aid for political purposes by the USSR, and other examples. The analysis and systematization of all these experiences can help to create a general theory of using economics as a weapon in modern international relations.

Another task of this work is to analyze American and Soviet behavior in a crisis situation. The case of the Afghan intervention appears to be exceptional for a number of reasons. The USSR used its own military forces there instead of acting, as it usually does, through its proxies. Specific crisis circumstances made the Kremlin use force that way. The USSR was also acting militarily outside its recognized sphere of dominance. The Afghan crisis coincided with the crisis in Poland and Iran where the Soviet Union did not intervene. The juxtaposition of the Soviet actions in all these cases allows us to make certain conclusions regarding the Soviet pattern of

behavior in a crisis situation.

The significance and perhaps even urgency of such research is not in doubt. Economics and technology are the spheres where the West is still superior while in certain aspects of military force and in intelligence it is inferior to the Communist bloc. That is why the West has been resorting to economic sanctions in relations with the Soviets and why the Kremlin tries to discourage the West from doing so and thus to limit the struggle only to intelligence and ideology (at the same time thoroughly keeping its own population away from Western ideas' reach). If the USA abandons the economic tool in relations with the Soviet Union it will have little else (except a direct war) to respond to further Soviet expansionism.

The analysis of Soviet behavior in a crisis situation has been rather neglected. In contrast to the rich accumulation of US foreign policy case studies the Soviet foreign policy case study literature is small, fragmented, and generally underdeveloped. The Soviet Union has figured prominently in most American foreign policy decision-making case studies. However, Soviet behavior has been treated in such studies not as an object of inquiry per se, but as an input to the US decision-making.[1]

Plan of the Work

The following structure seems to be the most appropriate. The first chapter deals with the major sources and literature on the problem. This contains an analysis of the literature on the use of economic

sanctions in general including the US sanctions against Cuba, the UN sanctions against Rhodesia, the Arab oil embargo, etc.

The second and the third chapters examine conditions which the USA has to confront when trying to apply economic sanctions against the Soviet Union. These are the questions of Soviet self-sufficiency and vulnerability, Soviet interest in developing economic relations, goals, foreign trade policy, American interest and economic policy toward the USSR and relations with US allies. The fourth chapter is a case study of American economic sanctions in response to the Soviet aggression in Afghanistan, an analysis of American and Soviet behavior in the crisis situation and the effect of the sanctions.

F O O T N O T E S . I N T R O D U C T I O N .

- [1] Hannes Adomeit, Soviet Risk-Taking and Crisis Behavior,
(London: George Allen and Unwin, 1982), p. 4.

C H A P T E R I
SOURCES, LITERATURE.
DEBATE ON THE USE OF ECONOMIC SANCTIONS

This work relies heavily on new research as well as numerous statistical sources, US government and Congressional documents, and the Soviet and American press. Primary Soviet sources in Russian are predominant. The bibliography can be divided into four major types of sources: statistics, US Congressional and government documents, official Soviet materials (other than statistics), and secondary works.

Statistics.

The primary statistical sources are the Soviet statistical collections "Vneshnjaja Torgovlja SSSR"[1] and "Narodnoje Khozjaistvo SSSR"[2] for 1970-1982, though additional years may be used. The annual collections contain ample material on Soviet foreign trade and economic performance, though there are some pitfalls. They are not complete. There is no data on many items, including important ones such as fuel exports in real volume since 1976, let alone data on arms exports and the precious metals trade. The statistical data often is given only in rubles which does not reflect the slowdown of growth rates in real volumes because of inflation.[3] Soviet index numbers tend to inflate the levels of output and the growth they are designed to measure.[4] Some important figures on units of output are omitted. For example, there are no official data on the grain harvests of 1981 and later.

A.Klinghoffer writes that in 1972 the Soviet Union sold oil and oil products to the USA worth \$7.5 million, and in 1973, i.e. during the Arab oil embargo, worth \$76.2 million. But unwilling to worsen its relations with the Arabs, the Soviet Union did not publicize the sales and even failed to include them in its statistical yearbooks.[5]

According to the CIA, the Soviet Union reports grain production on a "bunker-weight" basis, that is, as the grain comes from the combine before preliminary cleaning and drying is done and before handling and transportation losses occur. Bunker weight includes excess moisture, trash, dirt, weed seeds, etc. Measuring Soviet grain production, the CIA applies an 11% rate for waste and losses.[6] The Soviet Union curtailed or altered its release of mineral production data in 1976, and has not published useful data on most key minerals since.[7]

Estimating reliability of Soviet official statistics, a staff study prepared for the Joint Economic Committee, US Congress, wrote in 1978 that the statistics are often incomplete or misleading and it may not be possible to verify facts because of the closed nature of Soviet society.[8]

But still, one can derive sufficient information for our purpose here. Besides, Soviet statistics can be added to by Western collections (see "Bibliography. Statistics.") A lot of statistical data may be found in other sources of information: US government materials, publications of the US Congress, including Congressional Record, Joint Economic Committee publications, the press,

etc.

US Congress and Government Documents.

These contain not only statistical information but represent different points of view, analysis, forecasts. The Congressional Record and publications of the Joint Economic Committee are primary sources of information. The CIA and DIA information and forecasts are also important. The Departments of State, Defense, Agriculture issue documents on the matter too (see "Bibliography. US Congress and Government Documents").

Soviet Official Materials.

Analysis of Soviet five-year-plans (hereinafter - FYP) of the last decade and the latest, 11th FYP, can lead one to interesting findings. The Soviets also publish one-year plans with some (but not full) data on every previous year. Time and again leaders of the Soviet Union spoke up on Afghan events and economic matters. These speeches or articles can be found in the Soviet press (Pravda, Izvestia, Economicheskaja gazeta, Socialisticheskii trud, etc.) or periodical literature (Kommunist, Voprosy ekonomiki, Vneshnjaja trgovlja, Planovoe khizjaistvo, ME i MO, Mezhdunarodnaja zhizn', etc.). Some are published in collections of speeches (see "Bibliography. Soviet official materials"). Decisions of Plenums of the CPSU Central Committee are spelled out in Soviet press which can add information on the matter too.

Secondary Works.

This is the most ample source of information. There are many books on the Soviet aggression in Afghanistan and on the Soviet economy (see "Bibliography. Books"). Much information can be found in the periodical literature: Current History, Foreign Affairs, Foreign Policy, Orbis, Problems of Communism, Slavic Review, Soviet Studies, Survey, World Politics, The Atlantic, Business Week, World Business Weekly, The Economist, Petroleum Economist, Geopolitics of Energy, Oil and Gas Journal, Petroleum Intelligence Weekly, and those in Russian mentioned above.

Debate on the Use of Economic Sanctions

Economic sanctions have been used as an instrument of foreign policy during the whole history of international relations and their use has been increased since World War II. Although economic pressure is traditionally considered as an important instrument of foreign policy, its effectiveness has been subject to question. A review of the literature in this area shows that the majority of scholars who study the problem conclude that sanctions are rarely effective and that they often act as symbolic measures more than workable tools of foreign policy.

There are two approaches to the study of economic sanctions. One asserts that sanctions usually provoke psychological mobilization of the target nation (Galtung, Nincic, Wallensteen, Doxey). As a result, the economy is transformed to meet the challenges of sanctions. The

second approach focuses on the economic completeness of sanctions, possibilities for the target to evade them (Green, Deese, Knorr) and it also comes to the same conclusion that the sanctions cannot be complete and usually fail.

Johan Galtung [9] tries to work out a theory of economic sanctions. In his classification of the sanctions he considers them in a broad sense: negative (punishment), positive (reward); unilateral, multilateral, universal; general or selective. The economic sanctions aimed at a rupture of trade relations he calls economic boycott.

J.Galtung describes "the ideal case for an economic boycott": 1)imports have a very high loading on important sectors of the target; 2)there is no internal substitute for the imports; 3)a high proportion of the imports comes from the sending nation; 4)there is no external substitute for the imports; 5)the embargoed goods represent a very small part of the sender's exports or the goods can be exported to other states; 6)the target cannot find other markets (in the case when exports of the target are banned); 7)the goods received from the target can be easily obtained from other sources; 8)trade relations are easily supervised and controlled. These conditions apparently can be met in relations between a small economic satellite and a major economic power. The Soviet Union is by far invulnerable in this sense. J.Galtung states that effectiveness of economic sanctions is generally low. The target society may even be partially strengthened because of the hidden forces that become activated when sanctions are

imposed.[10]

Miroslav Nincic and Peter Wallensteen [11] distinguish economic coercion (economic sanctions) from economic warfare. The former is defined as the imposition of economic pain by one government on another in order to attain some political goal. It is supposed to influence the policies of the target. The latter has a military objective, to weaken the target's capacity to wage war. The bombing of an enemy's industrial installation could be a valid example but, in most cases, economic warfare would involve purely economic actions directed to a military objective.

On the whole, the authors consider the effectiveness of economic sanctions rather doubtful. But at the same time they say that there is less reason to dismiss the utility of sanctions if deterrence is their goal than if their aim is to alter current policies of the target.[12]

Economic pressure in some cases can contribute to governmental instability of the target (example of Chile of the early 1970s). But in other cases it can produce the opposite effect in a nation where cleavages run less deep (examples of increasing domestic popularity of Sadat, Tito, and Castro).

Sanctions may also aim at "domestic consumption": for example, according to the authors, the principle objective of the Carter Administration's retaliation against the Soviet Union was to demonstrate to the American public that the aggression in Afghanistan would not be met by passive acquiescence. Similarly, the support of many governments for the economic boycott of

Ian Smith's Rhodesia was meant for domestic consumption within the initiator nations.[13]

Jerrold Green [14] concentrates his attention on the question why economic sanctions fail. He finds two major reasons: 1)the nature of the international economic system inherently allows for evasion since alternative trading partners can always be found, and 2)the sanctions promote domestic cohesion and adaptation.[15]

J.Green comes to this conclusion after analyzing three cases: Cuba (US sanctions), Israel (the Arab boycott), and Rhodesia (UN sanctions). In all three cases the costs of complying to the targets outweighed the risk of attempting to endure economic sanctions. Compliance in each case would have necessitated a virtual dismantlement of the target's political, social, and ideological systems. Thus, elites in each case had only one realistic option, resistance.

The sanctions failed because each of the targets found a "significant evader", the Soviet Union for Cuba, the United States for Israel, and South Africa for Rhodesia.[16]

Peter Wallensteen [17] thinks that the success of economic sanctions depends on two conditions: 1)the target must be fairly weak at the outset, and 2)the target must be politically isolated. Thus, "weak and politically isolated regimes will, in general, be most vulnerable to economic pressure". This suggests that the internal political situation of the target is what matters most.[18]

David Deese [19] considers economic sanctions from another, rather unusual angle. He says that much of the existing literature on the sanctions makes two dubious assumptions: 1) it is assumed that the initiating nation aims its action primarily at the target nation; 2) most sanctions are said to be intended to change the target's policy. Yet the objective can be simply to avoid what might be interpreted as a reward soon after a specific action of the target took place.

Klaus Knorr [20] also divides economic sanctions into positive (reward) and negative (withdrawal of the reward). According to Knorr, there is the influence of country A, based on A's promise of some sort of goal gratification to country B on condition that B will supply something of value to A. Although reward power is considered noncoercive in many cases, it can be shown that in some cases, positive sanctions are used along with negative ones, which are the second part of the overall definition of sanctions. A is threatening B, but, realizing that it is more likely to get its way by reducing B's costs of compliance, A offers a reward. If the offer and the acceptance of the reward do not occur only once or seldom, but rather frequently or regularly, the recipient may become dependent on the reward, and the rewarding actor is setting up, or at any rate is presented with, a base for subsequent coercion. He can threaten to cut off the reward. And, in some cases, the promised reward can be the suspension of punishment. These all assume that the country A has enough of a monopolistic control over the international economic scene, or at least over country B, that A can

successfully apply these negative sanctions to B, and indeed, to apply the positive sanctions as well.

Does K.Knorr feel that sanctions of any form truly work? To answer this question, he bases his analysis on a detailed study of twenty two cases of economic sanctions, most of which occurred since World War II and which, since then, have been the only ones causing considerable diplomatic attention and activity. The cases have two properties in common: first, they saw the imposition, or the threat, of export or import restrictions, partial or complete; and, second, the economic reprisals took place under considerable publicity and public attention. The cases differ, however, regarding the specific objectives of the sanction-imposing governments. The identification of the objectives is important, because the effectiveness of the reprisals can obviously be assessed only in terms of whether or not, or the degree to which, the objective was achieved. The functional purpose of economic measures employed as power plays is either to threaten or execute economic punishment in order to coerce, or to weaken without coercive intent. The Soviet Union has preferred however implicit threats in its economic power plays. Not rarely the unstated purpose of imposing punitive measures is to deter third states from following the punished country. Whatever other purposes may have been involved in the examined cases it is assumed that coercion was the major intention.

K.Knorr then asserts that of the twenty two cases the imposition of trade sanctions succeeded in four (the United States vs. Britain in 1811, Britain vs. the Soviet Union in 1933, the Soviet Union vs. Finland in 1958, and the Arab states vs. Western Europe and Japan in 1973). Three resulted in a compromise settlement, and two had an ambiguous outcome. The attempt to wield this type of national economic power clearly failed in thirteen instances.

The reason that the use of negative economic sanctions is apt to fail in the large majority of the instances is that usually the state applying trade restrictions rarely has sufficient market power to prevail, that is, a sufficiently strong monopolist position, to prevent the target state from switching to any number of other countries for economic supplies and support. The four cases in which sanctions succeeded support this conclusion because in each case the imposing state did in fact have a monopolistic control over its exports. But only rarely does this happen. Therefore, K.Knorr concludes, coercively wielding economic power by means of trade reprisals is rarely successful.

Margaret Doxey [21] also examines a number of economic sanctions: the Arab boycotts and embargoes, Soviet and East European boycotts, OAS sanctions against Dominican Republic and Cuba in the 1960s, UN sanctions against South Africa and Rhodesia, etc. M.Doxey concentrates on problems of international enforcement and reaction to sanctions of a target state.

Though she holds that economic sanctions are usually ineffective means to try to change a target's policy her conclusion is rather intricate. For example, according to her, sanctions against Rhodesia proved to be ineffective but at the same time she noticed that "it is clear that sanctions has a direct and generally adverse impact on the Rhodesian economic life".[22] The Arab oil embargo of 1973 combined with the ensuing climb in oil prices, significantly affected foreign and domestic policies of consumer countries.

The sanctions against Cuba followed Cuban expropriation without compensation of American property valued by the US Department of Commerce at \$1 billion and the imposition of discriminatory taxes and licenses on American products. The US objectives of the sanctions against Cuba formulated by the Under Secretary of State George Ball were 1)to reduce the will and ability of Castro's regime to export subversion and violence; 2)to make plain to the Cubans that the present regime cannot serve their interests; 3)to demonstrate to the people of the American Republics that Communism has no future in the Western Hemisphere; and 4)to increase the cost (to the Soviet Union) of maintaining a Communist outpost in the Western Hemisphere. M.Doxey insists that the success of the US policy in terms of first three objectives was open to question, but there could be no denying the heavy cost to the Soviet Union which the embargo on Cuba had represented.[23]

Analyzing a target's reactions to sanctions in the Rhodesian case, M.Doxey pointed to the fact that the UN sanctions gave a strong impetus to import substitution and the future development of manufacturing industry of Rhodesia.

Almost an opposite point of view is presented by M.S.Daoudi and M.S.Dajani. The authors hold that "economic sanctions are effective and useful even if we do not explore all their complex potentials".[24] Ironically, this conclusion was based on examination of a great variety of examples (including the US sanctions against the USSR) which brought other scholars to an opposite conclusion. Characterizing the impact of the UN sanctions on Rhodesia (one of the mostly cited example of failed sanctions) the authors emphasize that there was never any serious effort to make sanctions work. Most of the countries that voted for the sanctions did not bother to implement them and declined to join in efforts to make them more effective. Nevertheless, even these partial sanctions affected the Rhodesian economy (for example, the tobacco industry) and along with other factors, led to the end of the Smith regime.[25]

As for the sanctions against the Soviet Union, the latter was able to circumvent the US embargo by buying grain from Canada and Argentina, but it did so only by paying much higher prices and accepting serious shipping delays.

Here we come to the question of a criterion of successful sanctions. Are they successful only when they force the target to change its policy or cause its

economic collapse? If not, what else can be the criterion and how can we estimate the contribution of the economic sanctions to only a partial deterioration of the target's economy? or to only partial change of its policy?

We can single out a group of scholars who concentrate on examination of economic sanctions against the Soviet Union (Adler-Karlson, Becker, Mastanduno). The Soviet economy is different by being a non-market one.

In the majority of works scholars indicated that economic sanctions promote import substitution and future development of the production of the embargoed good by the target. But this can be said about a free market economy where demand either can be met by import or, when the imported goods are embargoed, can cause an increase of domestic supply. This is a typical reaction of a market economy. In a non-market economy like the Soviet this mechanism may not work since supply is determined not by the demand but by political decisions. Imports in a centralized economy are also a result of political decisions based on calculation that it is cheaper to import than to produce by oneself. The usual problem of a market society is "how to sell", while the problem of a non-market society is "how to buy". That is why a denial of foreign goods to a market society can be even beneficial, first, stimulating local production and, second, protecting it from foreign competition. At the same time a denial of foreign goods to a centralized non-market society can cause increase of cost of production and therefore slowing down its economic

growth.

This last point about slowing down the economic growth is rather important when we try to estimate the effectiveness of economic sanctions. In the common view they are considered effective in two cases: 1) they force the target to change its policy and 2) they cause an economic collapse of the target country. These goals cannot be achieved when sanctions are imposed on the Soviet Union. But does it necessarily mean that they failed? We can talk about a slow economic growth rather than economic collapse. At the same time, it is almost impossible to estimate how much the growth was slowed down. That is why even a successful economic sanctions against the Soviet Union (in terms of slowing down its economic growth) can be declared a failure just because they did not force it to change its policy.

Gunnar Adler-Karlsson [26] discusses the Western economic embargo policy against the Communist part of the world. Defining "embargo" as "a prohibition imposed by law upon commerce either in general or in one or more of its branches", Adler-Karlsson analyzes all the politically motivated restrictions placed upon East-West trade in the period after 1947. He discusses the history of this policy which originated in the United States after World War II and which was reluctantly accepted by the West European governments, as well as the political forces which created the policy, and the economic effects which it may have had on East-West trade and on the balance of power between the Communist bloc and its Western adversaries.

The essence of the policy, writes Adler-Karlsson, is that the Western nations have created a joint institutional framework by which they try to stop or control the export of "strategic" goods to the Communist nations. The key phraseology in this concept is the understanding of "strategic". All parties in the Western world (which are defined as all non-communist nations, whether European, the United States or Third World nations, and whether they participate in the embargo or not) agree that weapons, ammunitions and most atomic energy materials are strategic. But many goods, such as steel and rubber, come under dispute when attempted to be defined by Western governments. Adler-Karlsson creates an "S-NS" axis (Strategic- Non-strategic) which shows the relative positions of the United States vis-a-vis Western Europe in their respective desires for defining what trading export goods qualify as strategic.

Adler-Karlsson shows that even with this dispute going on between the Western nations, embargoes and economic warfare were waged against the Soviet Union during the period from 1947. It could not be shown that the embargo policy from any single point of view had produced those results which its spokesmen had hoped it would. Neither in the economic, the military, nor the political spheres could it be proven that the embargo had had any positive effect for the West. Besides, the fact that Stalin used the embargoes as very evident and forceful examples of Western hostility to push the Eastern bloc together in a harsh manner, thereby blaming the harshness of the policy he anyway had intended to realize on the Western embargo, and that the Eastern

trade monopolies were fairly easily able to facilitate intra-country trade, as well as smuggling, between themselves, demonstrates that the West had not benefited from any aspect of the embargo policies.

Adler-Karlsson concludes that the embargo policy is very inefficient if not a failure. The Soviet Union used the sanctions as a political scapegoat to achieve its own ends in Eastern Europe. The embargo policy has obviously been a source of irritation in East-West relations to both sides but it is not possible to show that it has improved the Western position in the power struggle. Adler-Karlsson states that, by virtue of learning from this lesson as well as the lessons of other failed embargoes, "an embargo policy can hurt but it hardly ever kills".[27]

Abraham Becker concentrates specifically on US economic leverage on the Soviet Union. Considering Soviet vulnerability to external economic pressure he distinguishes three factors: 1)trade participation, e.g. the percentage of imports in total investments; 2)trade dependence, which is the Soviet ability to replace imports by its own production; and 3)trade vulnerability which he defines as likelihood of having to submit to foreign pressure.[28] Estimating the effectiveness of the economic sanctions in terms of US ability to change Soviet policy A.Becker concludes that neither a policy of denial (no trade at all) nor that of leverage (rewards - punishments) can be successful because of Soviet self-sufficiency and because the United States cannot expect support from other countries.

Michael Mastanduno also analyzes US-Soviet trade relations. He divides economic controls into three groups: economic warfare, strategic embargo, and tactical linkage. The economic warfare is intended to weaken the overall economy of the target state. Strategic embargo denies only items of direct and specific military utility. Tactical linkage seeks to influence the target's behavior.[29]

When imposing the sanctions the government of a sanctioning state has to overcome three sets of constraints: 1)stifle domestic opposition, 2)obtain the cooperation of other states, and 3)consider the response of the target (for example, the Cuban and Rhodesian cases, according to M.Mastanduno, demonstrated that economic pressure may stiffen the resistance).

The general conclusion of M.Mastanduno is that only a strategic embargo is likely to be effective in influencing Soviet military potential. Economic warfare and tactical linkage are impossible because of international and domestic constraints, and because of relevant Soviet independence from Western sources. At the same time he remarks that if a state can make missiles and cannot make grain - selling it the grain will help it to divert more resources to the missiles production. That is why "if trade controls are to be used for strategic purposes, economists have generally advocated economic warfare - based on the bottleneck effect - rather than a strategic embargo".[30] Still M.Mastanduno holds that attempts to use economic instruments to achieve political objectives, other than in the form of strategic embargo, are likely to fail.

Speaking on ineffectiveness of economic sanctions we should compare them with other tools - military and diplomatic. Are they more effective? Economic sanctions are unlikely to achieve spectacular results, but they do provide an appealing alternative in situations in which diplomacy seems too weak and military intervention is too strong. The US embargo against Cuba did not topple Fidel Castro, but it weakened the Cuban economy and reduced the resources available both to Castro and the Soviet Union.[31] Even when the economic effects of sanctions are nil, the psychological or political effects may be worthwhile. They can contribute to isolation and denunciation of the target. Economic sanctions cannot destroy the target's regime but they can contribute to that end.

Economic sanctions can be successful against poor countries who depend excessively on exports of a single commodity. The Soviet Union which also depends more and more on exports of fuels also can be affected by manipulation of imports from it rather than of exports to it. Since the US fuels imports from the USSR are minimal such a manipulation is out of reach of this country. A lot depends also on a current market situation. However a US promotion of energy production in the world can lower fuel prices on the world market and hurt the Soviet Union more than a grain embargo.

F O O T N O T E S . C H A P T E R I .

[1] Vneshnjaja Torgovlja SSSR. Statisticheskii sbornik. Ministerstvo Vneshnei Torgovli, (Moskva: Finansy i Statistika) for 1970-1982.

[2] Narodnoje Khozjaistvo SSSR. Statisticheskii sbornik. TsSU SSSR, (Moskva: Finansy i Statistika).

[3] Morris Bornstein, ed., The Soviet Economy, (Boulder, Colorado: Westview Press, 1981), p.198.

[4] Morris Bornstein and Daniel Fusfeld, ed., The Soviet Economy, 4th ed., (Homewood, Ill., Irwin, 1974), p.237.

[5] Arthur Klinghoffer, The Soviet Union and International Oil Politics, (New York: Columbia University Press, 1977), pp.175-176.

[6] U.S. CIA, National Foreign Assessment Center, USSR: Long-Term Outlook for Grain Imports, A Research Paper, January 1979, p.VII.

[7] U.S., Congress, Senate, Committee on Banking, Housing and Urban Affairs, Proposed Trans-Siberian Natural Gas Pipeline. Hearings before the Committee, 96th Cong., 2d sess., 1981, p.47.

[8] U.S., Congress, Joint Economic Committee, Subcommittee on Priorities and Economy in Government, Western Perceptions of Soviet Economic Trends, a Staff Study prepared for the use of the Subcommittee, March 6, 1978, p.14.

[9] Johan Galtung, "On the Effects of International Economic Sanctions", in Miroslav Nincic and Peter Wallensteen, ed., Dilemmas of Economic Coercion, (New York: Praeger, 1983).

[10] Ibid., p.46.

[11] Miroslav Nincic and Peter Wallensteen, "Economic Coercion and Foreign Policy", in Dilemmas of Economic Coercion.

[12] Ibid., pp.6-7.

[13] Ibid., p.8.

[14] Jerrold Green, "Strategies for Evading Economic Sanctions", in Dilemmas of Economic Coercion.

[15] Ibid., p.62.

[16] Ibid., pp.81,82.

[17] Peter Wallensteen, "Economic Sanctions: Ten Modern Cases and Three Important Lessons", in Dilemmas of Economic Coercion.

[18] Ibid., pp.125,126.

[19] David Deese, "The Vulnerability of Modern Nations: Economic Diplomacy in East-West Relations", in Dilemmas of Economic Coercion.

[20] Klaus Knorr, The Power of Nations, (New York: Basic Books, 1975).

[21] Margaret Doxey, Economic Sanctions and International Enforcement, 2nd ed., (New York: Oxford University Press, 1980).

[22] Ibid., pp.2,74,78.

[23] Ibid., p.37.

[24] M.S.Daoudi and M.S.Dajani, Economic Sanctions, (London: Routledge and Kegan Paul, 1983), p.159.

[25] Ibid., p.160.

[26] Gunnar Adler-Karlsson, Western Economic Warfare (1947-1967), (Almqvist and Wiskell, Stockholm, 1968).

[27] Ibid., p.10.

[28] Abraham Becker, Economic Leverage on the Soviet Union in the 1980s, (Santa Monica: Rand, 1984), pp.21-29.

[29] Michael Mastanduno, "Strategies of Economic Containment", World Politics, July 1985, No.4, pp.505,506,514.

[30] Ibid., pp.506,512.

[31] David Baldwin, "Economic Sanctions Work", The New York Times, September 20, 1985, p.A31.

C H A P T E R I I

SOVIET INTEREST

1. Reasons for Changing Soviet Policy

The 1960s were a period of important changes in the economic structure of the Soviet Union. A gradual transition from industrial growth through quantitative increase of labor to growth through increasing labor productivity and efficiency of production started. The old way was exhausted. The USSR was getting into a new phase of intensification. [1] To maintain its previous economic growth rate the Kremlin needed significant injections of new technology into the Soviet economy.

Various Eastern European socialist countries came to grips with the transition problem earlier than the USSR and in all of them this process was accompanied by economic and political turmoil. The communist economies did not provide sufficient incentives to introduce new technology - there was no competition, the economies enjoyed guaranteed markets, there was also little relationship between research and production. [2]

The Soviet leaders did not learn the lesson and did not (or could not) prepare their country for the upcoming changes. They probably were preoccupied with numerous current problems that had little to do with the economy like, for example, power struggle before and after Khrushchev was ousted; or some believed that the enormous size and resources of Russia would tide them over the

troubles. Some tried to introduce reforms but failed because of resistance on the part of the Soviet bureaucracy. Since the reforms were aimed at increase of rights and responsibilities of local managers at the expense of the bureaucracy the latter could lose its privileged position if the reforms were carried out.

Meanwhile, the growth rate of utilization of Soviet labor force by extensive economic development was obviously higher than the growth of the labor. As a result, in spite of the continuing growth of the Soviet economy, the growth rate started to decline. This was an accelerating process which led to the situation when the economic growth of the USSR began to fall behind the world average. In the 1970s the Soviet Union's share in world production dropped. [3] The Soviet GNP grew at the rates of:

Year	Rate

1960-1965:	5.0%
1965-1970:	5.2%
1970-1975:	3.7%
1975-1980:	2.7%

The growth rate of labor productivity was going down too:

Year	Rate

1960-1965:	3.4%
1965-1970:	3.2%
1970-1975:	2.0%

1975-1980: 1.3%. [4]

In December 1969 Leonid Brezhnev said at the Plenum of the Central Committee of the CPSU that the Soviet Union had entered a new stage of economic development. "Until now we could develop our economy by quantitative factors, i.e. by increasing number of workers involved into production and increasing capital investments. This period of extensive development is coming to an end. We are already experiencing a labor shortage.... Now we need an intensification of the economy". [5] At the Plenum in November 1971 the Central Committee took a decision to resume directives for Soviet ministries and enterprises fixing labor productivity tasks. [6]

The importance of increasing labor productivity at that time was emphasized by decisions of the Five Year Plans (FYP). During the 8th FYP (1966-1970) 73% of the increment of industrial production came through increasing labor productivity. During the 9th FYP (1971-1975) increasing labor productivity gave 84% of the increment of industrial production and 80% of national income. [7] At the 10th FYP (1976-1980) it was necessary "to pay the most attention to increasing labor productivity". This was planned to produce 85-90% of the increment of the national income, 90% of the increment of industrial production, and 100% of agricultural production. [8] The target for industrial production was not fulfilled. Labor productivity gave only 75% of the increment and the 11th FYP (1981-1985) had the same target (90%) which set up for the 10th FYP. [9] At the 26th Party Congress (1981) it was said again that

"particular attention should be paid to increasing labor productivity" and the old task "to shift the economy to the intensive way of development" was set. [10] By and large, increases in labor productivity are to be responsible for almost all economic growth in the 11th FYP. [11]

The technological level of the Soviet economy was lower than that in the West. The ongoing industrial revolution in the Western countries was not matched in the USSR. [12] Ironically, Marxists insist that technological progress under communism will be faster than under capitalism. [13] Soviet propaganda argues that socialism in principle facilitates technological innovations while capitalism by its nature represses it. [14] The reverse situation was too dangerous for Moscow to admit both ideologically and militarily.

Under these circumstances, in the late 1960s-early 1970s the Kremlin turned to the West for trade and technology. This was coupled with efforts to accelerate technological modernization using its own resources. [15] A remark made by Soviet Foreign Trade minister Nikolay Patolichev that "the economic policy of the USSR toward capitalist countries is an objective economic need" can be interpreted as an indication that this turnaround from autarky to broad economic relations with the capitalist West was made by Soviet leaders against their will. [16] The turnaround was so sudden that Soviet ideologues and economists had to defend the thesis that a broad economic cooperation with capitalist world did not contradict Marxism-Leninism. [17]

Many Western scholars hold that the main reason for this step was the decline in the Soviet rate of economic growth. [18] So the Kremlin decided to try the old Peter-the-Great-approach to Russian economy - to learn from the West, to adopt there all the best that can be used in Russia, to fight the backwardness of its economy by using Western achievements, to send its own people to the West to study and even to work in order to get experience and then to make the same at home. At the end of the 17th century this approach appeared to be a success. Why cannot it be a success in the end of the 20th century?

A point should be made here. The Soviets could and can accomplish a modernization of their economy without Western technology and other help (credits, management expertise, etc.). But such a modernization would be out-of-date (technologically), the process would take more time, and it would cost more.

Soviet leaders also recognized that their trade with Eastern Europe had become economically less advantageous. Raw material and especially fuel prices were growing, but the Soviet Union continued to supply Eastern Europe with its materials at a price lower than on the world market in return for outdated machinery. [19]

The difficulties of satisfying rapidly growing consumers' demands, uncertainty and instability in agriculture (though by and large the Soviets enjoyed an increase of agricultural production, even per capita) had a political risk. [20] This also pushed Moscow to expansion of economic relations with the West.

Finally, the Sino-Soviet conflict of the 1960s reinforced the interest in the Soviet Union in accommodation with the West, and economic ties were considered a part of the process. [21]

Turning to the West for technology and agricultural products, Moscow had its own goals. The Kremlin started economic cooperation not because of a helpless situation but in order to accelerate and make cheaper its modernization. This means that the USSR is dependent on the West but not to the degree of vulnerability. At the same time, by starting such trade the Soviet leaders were not going to become a Western raw material appendage. This is well illustrated by the objectives they set in the cooperation.

One of the goals was to get provisional help in providing the population with agricultural products until the problem could be solved by the Soviet Union's own efforts. So, imports of Western agricultural products were accepted as a short-term solution. [22]

Another goal was to stimulate economic growth by injections of modern Western technology and capital equipment into the Soviet economy. This was seen as a means to give a new life to the sluggish Soviet economy. [23] The 11th FYP said that Soviet imports from the West were aimed at acceleration of the technological progress and that is why the country should buy only "progressive equipment" and up-to-date technological processes. [24] Sushkov, Soviet Deputy Minister of Foreign Trade, actually spoke about the necessity of importing the technological revolution when he declared that economic

ties with the West allow putting together "the advantages of the socialist system with the ongoing technological revolution in the world". He held that in the long run the ties would accelerate economic development of the Soviet Union. [25] Another high-ranking Soviet official and economist pointed out that cooperation with the West was necessary to accelerate scientific-technological progress of the USSR, to increase labor productivity and efficiency of production. [26]

An analysis of Soviet economic literature reveals that in the 1960s-1970s great attention was drawn in the Soviet Union to careful examination of experience of other countries (especially Japan) in importing technology and of its effect on economic performance. The conclusion of the examinations is that importing technology is much more advantageous than trying to invent it all by oneself. The decision to seek trade cooperation with the West in order to modernize the Soviet economy was largely the work of Khrushchev. [27]

The third major goal of the Soviet leaders was using import-led modernization and cheap and vast natural and labor resources of the USSR to increase exports of manufactured products, especially machinery, to the West so that later the Soviet Union would be able to compensate imports of Western technology by exports of manufactured goods rather than of fuels and other raw materials. At the 25th Party congress Leonid Brezhnev spoke about the necessity of increasing the share of manufactured goods in Soviet exports. [28] The 11th FYP also set the task "to improve the structure of Soviet export by increasing exports of machinery and other

manufactured goods". [29] The same was pointed out many times by Patolichev, Sushkov and other high-ranking Soviet officials. [30] In order to achieve the goal Moscow created special export enterprises capable of producing high-quality goods. [31]

A number of Western students of Soviet foreign trade also pointed out that the Kremlin wanted to increase exports of manufactured goods to the West but considered the task unlikely to be fulfilled for some time. [32]

2.Soviet Benefits.

The cooperation with the West offered Moscow three means of enhancing economic performance: sophisticated up-to-date machinery not available in CMEA countries, advanced technology (production processes covered by licenses and turnkey plants constructed by foreign firms), and credits. [33] Trade with the West gave them a technological short-cut since time and money were not spent on experimentation and development. [34]

Soviet leaders realized the importance of these advantages. Nikolay Patolichev wrote that the foreign economic strategy of the Soviet Union accelerated the growth of the Soviet economy. The development of economic ties was getting more and more important for solving economic problems of the USSR. [35] Especially was this true for a number of key industries development of which was boosted by using Western up-to-date technology. [36]

The Soviet chemical industry is the most conspicuous example of this. Together with development of machinery and fuel production the Soviets pay the most attention to the development of their chemical industry. It took the third place in percentage share of industrial investment after machinery and oil and gas industry in the 1960s and 1970s. [37] It was clearly one of the first-priority branches of the Soviet economy. Exports from the West helped to raise its technological level (especially in production of mineral fertilizers). [38]

Intensive development of the chemical industry allows the Kremlin to improve the situation in agriculture (chemical means of plant protection and pest control and mineral fertilizers were the first-priority branches of this first-priority industry). [39] At the same time, in the mid-1970s 36% of Soviet chemical equipment was imported. [40] According to the CIA, the compensation deals in the industry almost certainly are permitting it to develop at a rate that could not otherwise be sustained by the Soviet Union. Western equipment and technology have made major contributions to Soviet production of urea fertilizers, complex fertilizers, and ammonia. [41]

The success in the chemical industry also gave the Soviets an opportunity to earn badly needed hard currency by exporting chemical products. The agreement of 1973 with Armand Hammer included building four ammonia plants, an ammonia pipeline, and other construction and equipment. This was a long-term compensation deal which allowed the Soviet Union to pay back in ammonia for what it got. [42] Now ammonia is an important part of Soviet

exports to the West. It is the biggest item in Soviet exports to the USA. Ammonia is the means of payment to other countries building chemical enterprises in the USSR. For example, in the early 1980s Moscow received equipment from Italy for 12 chemical plants. The payment for the equipment is in ammonia. [43] Meanwhile, the depressed chemical market in Western Europe has already been hard hit by imports from the Soviet Union and Eastern Europe. [44] In the 1980s Soviet exports of basic chemicals are expected to grow. [45]

The cooperation with the West also presented to the USSR a sort of management school. It was an example teaching Soviet managers how to work. Speaking at the Plenum of the Central Committee of the CPSU in December 1972 Brezhnev spoke about one of the examples - the car plant in Togliatti built with Western help. The construction of the plant started in 1967 and in 1970 Moscow already got the first cars. "And what is the most important, by 1973 all the expenditures for construction of both the plant and the city will be completely returned. If we could build other enterprises like that our economy would develop much faster". [46]

Military application (direct and indirect) of the acquired Western technology was another plus for the Kremlin derived from the cooperation. It also made economic and military espionage easier for the USSR.

The trade with the West gave Moscow a provisional help in providing the Soviet population with agricultural products. This was one of the Soviet goals in the trade, and Western countries were ready to cooperate. Soviet

imports of agricultural products were constantly growing. In this area the Soviets in the short run were not vulnerable, though. The Soviet food difficulties did not stem from a decline of food products per capita. Throughout the period of 1960s-1970s Soviet agricultural production per capita was growing. Still, Soviet agricultural imports also increased. The first Soviet major grain purchase was in 1964 (about 10mmt). Then the USSR imported approximately 1.5 mmt annually. In 1972 after an unusually bad harvest Moscow bought 19 mmt of grain from the USA and smaller purchases from other states. [47] Since then grain imports grew from year to year depending on a particular year's harvest and reaching in the mid-1980s 40-50 mmt a year. Other agricultural imports (especially meat, butter, even potatoes) also increased.

There are a number of explanations of the situation. One of them points to an ambitious Soviet goal of enriching the diet of Soviet people. According to this explanation, the agricultural imports are aimed at an increase of production of meat, milk, etc. per capita. [48] They were not caused by any sort of hunger. From this point of view, any Western economic (agricultural) sanctions against the Soviet Union are practically futile. They can slow down the implementation of the Soviet goal but cannot cause a crisis situation which would push the Soviets to make concessions.

Another explanation which supplements the first one points to the fact that expanding agricultural production cannot meet growing demands of the Soviet people. Such a situation could lead to popular discontent. This forced

the Soviet leaders to work out and pursue the goal of enriching the Soviet diet and at the same time to import farm products as a short-run expedient. [49] Some Soviet scholars also wrote about this phenomenon in their country. V.Tikhonov, for example, said in 1977 that demands on agricultural products had a higher growth rate in the USSR than agricultural production. [50] This situation increases Soviet vulnerability to Western agricultural sanctions but only if the latter continue for a long period of time.

The third explanation also comes from both Soviet and Western sources. At the Plenum of the Central Committee in December 1977 Brezhnev said that Soviet agricultural production per capita was constantly growing but at the same time the country experienced a lack of agricultural products. According to the former Soviet leader, the major reason for this was a huge wastage in agriculture. [51] Soviet sources do not provide data on the scale of this phenomenon but probably it is underestimated in the West. The Economist Intelligence Unit (EIU) in its World Outlook in February 1980 said that wastage in Soviet agriculture accounts for 12% or more of total availabilities of grain, including imports. The Soviet Union uses 70% more grain as animal feed than the EEC although it has only 40% more cattle, 32% more poultry, and fewer pigs. Despite having 40% more cattle, the Soviet Union produces only 13% more of beef and 6% less milk than the EEC. [52] The figure on "Waste and Losses" given by the CIA for different years is higher than that provided by the European experts. [53] But this is what the Soviet leader said about the waste: "If

we cut short the waste at least in half then the need of the country in grain will be satisfied". [54] Does this mean that the waste approximately equals double grain imports of the Soviet Union? If it is so then even the most pessimistic Western calculation of the Soviet waste is smaller than the real picture.

Given the nature of the Soviet regime, it is hard to assume that the Kremlin spends its precious hard currency for agricultural imports just in order to improve the diet of Soviet people. Apparently, the Soviet leaders have to do so. This increases their vulnerability to Western agricultural sanctions. On the other hand, the problem of the Soviet Union is not hunger. That is why the USSR may be vulnerable to long-term agricultural sanctions rather than to short-term ones of the sort of the grain embargo of 1980-1981.

In any event, the economic cooperation with the West allows Moscow to ease up economic and social constraints inside the country without resorting to too risky decisive reforms. The imports from the West (industrial, technological, and agricultural) help Moscow cope with a number of economic, military, social, and political problems. All this can be considered as Moscow's gains from the economic ties.

3. Soviet Concern.

In analyzing East-West economic relations Western scholars usually emphasize Pro et Contra of the cooperation for the Western countries and different gains the USSR derives from it. The Contra of the ties for the Soviet side are often neglected. Meanwhile, there are a

number of negative points for the Soviet Union as well which can diminish the enthusiasm of the Soviet elite toward the cooperation or beef up the anti-cooperation faction of it.

As has been said, the trade allows Moscow to avoid or postpone decisive economic and social reforms (as, for example, an introduction of a limited form of private property in agriculture which, according to some, can dramatically improve the situation in Soviet agriculture [55]). Such reforms can be a source of political contamination that makes them too dangerous for the position and privileges of Soviet bureaucracy. On the other hand, the expanded ties with the West also are a source of political contamination. They have to be accompanied by increasing influx of Westerners into the Soviet Union and frequent travels of Soviet specialists to the West. All this widens the contacts of Soviet people not only with Western technological ideas but with political ones as well.

The Soviets also are experiencing difficulties in absorbing the Western capital already acquired. This is another factor reducing Soviet interest in economic cooperation. Reluctance of cautious Soviet managers and bureaucrats to take risks brings about little incentives to introduce sophisticated imported (as well as domestic) technology. Introduction of some processes acquired under Western licenses takes an unusually long time. The purchased technology is not widely disseminated in a particular industry and some imported goods just are not used. [56] The slowness of assimilation and diffusion of foreign technology and goods has been widely noted in the

USSR. [57] L. Brainard called this "the indigestion problem" of the Soviet economic system. [58] Difficulties in providing back-up supplies and management for the introduction of Western technology contributed to the problem. [59]

One of the Soviet goals in the economic cooperation with the West was to stimulate development and modernization of the Soviet economy by using imports of modern technology and machinery. But due to the nature of the economic and political system the economic growth had a relatively low rate. The growth rate of industrial production in the 1960s-1970s was as follows:

Year	Rate

1960-1965:	6.6%
1965-1970:	6.3%
1970-1975:	5.9%
1975-1980:	3.6% [60]

If before the mid-1970s annual real growth of GNP in the Soviet Union was higher than in the USA, then in 1976-1981 it was already lower (3.5% in the USA and 2.9% in the USSR). [61] Most Western observers expect the 1980s too to be a decade of slow growth for the Soviet economy. [62] Apparently, imports from the West cannot be a solution of the problem without a reorganization of the Soviet economic system at the same time. The failure to fulfill this goal coupled with a parallel failure of import-led growth in Poland can also contribute to a decline of willingness of the Soviet elite to continue the cooperation with the West.

Speaking of import-led economic growth of the Soviet Union one should not overemphasize the significance of Western exports to that country. The Soviets do not have enough hard currency to start a large-scale import-led modernization. In the beginning of the 1980s total Soviet imports equaled about 12-13% of Soviet GNP, while those from the West - only about 5%. [63] At the same time the portion of Soviet high technology imports from the West was relatively small, which further reduces Moscow's vulnerability to "high technology sanctions". For example, by one definition of high technology products developed by the US Department of Commerce, the USSR imported about \$2.3 billion of high technology items in 1980 or only about 12% of the total value of 1980 Soviet imports from the industrial West. [64] The problem here was not only obstacles to high technology exports to the Soviet Union made by Western governments for politico-military reasons but a hard currency crunch on the part of the USSR as well. The necessity to import substantial amounts of agricultural products from the West aggravated the situation. Time and again Soviet representatives said that without credits there would be no substantial trade with the West. [65] On the other hand, influx of Western credits could stimulate Soviet imports only in the beginning. Later the necessity to return the debts would lead to a sort of a balance between new credits and payments for previous ones. This fact, together with Poland's experience, made the Kremlin pursue a more cautious credit policy. The real source of hard currency for the USSR was fuels and other raw materials exports. But, as it has been said, Moscow resented the idea of becoming a raw material appendage of

the West.

That is why another major goal of Soviet leaders was to increase exports of manufactured products in order to earn foreign exchange badly needed to pay for imports. This brings us to the necessity of examining major trends of Soviet foreign trade during the 1970s- early 1980s (the time of intensive influx of Western technology into the Soviet Union). The primary source on the question is the Soviet statistical yearbook "Vneshnjaja Torgovlja SSSR". In order to answer the question to what degree the Soviets were successful in fulfilling their goal all categories of Soviet imports and exports given in the statistical collection were divided into four groups: 1)Manufactured products which include machinery, equipment, means of transportation, chemical products, and industrial consumer goods given in tables 9 and 10 of the Soviet statistical collection. This does not include metals and metal products and products of the pulp and paper industry which are in other groups in the Soviet collection. It was not possible to calculate them separately in other tables and then to add them into my figures of "manufactured products" because the other tables are incomplete. The other three groups are: 2)Agricultural, timber, and related products, 3)Fuels and electric energy, and 4)Ores, metals, and metal products.

The data show that Soviet imports and exports of manufactured products grew constantly during the period (imports - from 7732 million rubles (mr) in 1972 to 29052 mr in 1982 and exports - from 3820 mr to 11306 mr respectively). But at the same time the Soviets bought more manufactured products than they sold and the gap

between imports and exports of the products was increasing. If in 1972 the difference between the imports and the exports was 3912 mr, then in 1982 it was already 17746 mr. In 1972 Soviet exports of manufactured products paid for 49.4% of imports of the products and in 1982 - only for 38.9%. This indicates that so far the Kremlin has failed in its efforts to increase exports of manufactured goods so that the latter could compensate for growing imports.

The exports of ores, metals, timber, and agricultural products grew even more slowly and could not fulfill the task either. Their share in general Soviet exports was declining constantly. The same can be said about the manufactured products. The fuels were the only item whose share in general Soviet export increased greatly (from 17.7% in 1972 to 52.3% in 1982). This compensated for all increases in Soviet imports.

The situation with machinery, the most important part of manufactured products, was even worse. In 1972 its exports covered 65.2% of Soviet imports of machinery and in 1982 - 42.0%. So the decline was even faster than the average of manufactured goods in general (from 49.4% in 1972 to 38.9% in 1982).

The USSR was more successful in promoting its exports of chemical products, another part of manufactured goods. In 1972 exports of chemicals reimbursed 64.4% of the imports while in 1982 - already 78.9%. This might be an example when improvement of Soviet chemical industry with Western help really led to increases of its exports which outpaced growing imports

and thus hurt producers of chemical products in the West. Without Western technological injections into the Soviet chemical industry in the 1970s, the West could export more chemical products to the Soviet Union and the Soviet competition on the world chemical market would be insignificant. But still, in 1982 the Soviets imported more chemical products than they exported. So, the result here is that the position of the West is not bad but could be even better without technological injections into the Soviet economy.

The same can probably be said about agricultural products. Massive purchases of Western machinery for Soviet agriculture and fertilizer industry have not yet led to a stable decline of Soviet imports of agricultural products, though the imports in all likelihood would be higher if the West refused to sell its machinery and technology for Soviet agriculture and fertilizer industry. But even with Western willingness to sell the technology, the share of agricultural products in general Soviet imports grew (though insignificantly) from 23.1% in 1972 to 26.8% in 1982. In 1981 that share was even higher (31.2%), but it is hard to say how stable the declining trend was. In this sector of the Soviet economy still too much depends on weather conditions though there is no doubt that Western technology and fertilizers help improve the situation. This in the long run can bring about a reduction of Soviet agricultural imports.

It is more relevant to the major question of the work to examine trends of Soviet trade with non-Communist countries rather than with the world in general. On the other hand, it seems unnecessary to single out only Western developed countries because Soviet trade with the Third World also affected Western producers by presenting an additional competition in the markets of less developed countries.

The Soviet statistical collection does not provide data directly necessary for our analysis, but it can be calculated from different tables of the yearbooks. Tables 9 and 10 give the distribution of Soviet exports and imports to and from socialist countries as a percentage of total Soviet trade with these countries. Table 3 shows Soviet exports and imports from this area in rubles. So, we can calculate the distribution of Soviet trade with Communist countries in rubles. Then subtraction of Soviet export or import of a particular commodity to and from the Communist region in rubles from general Soviet export or import of the same commodity will give us the distribution of Soviet trade with non-Communist countries in rubles. Using that figure we can also calculate the distribution of specific commodities as a percentage of total Soviet trade with non-Communist area.

When we compare general Soviet imports with those from non-Communist areas, the most conspicuous thing is that if in the Soviet general imports manufactured products dominated throughout all the period under consideration, then the same imports from non-Communist countries were three-four times smaller and developed

almost in a parallel manner with agricultural imports. On the one hand, this points out the insignificance of the imports of manufactured products from the West for the Soviet Union in terms of their ratio (in monetary expression) to general Soviet imports of the products and to the Soviet GNP. This might indicate Soviet self-sufficiency, relative independence, and invulnerability from Western sanctions pertaining to exports of manufactured products. On the other hand, high quality, uniqueness, and urgent need for a number of particular Western manufactured goods make them more important for the Soviet economy than the ratio can indicate. Time and again Soviet leaders point to a great importance of Western products, especially technologically advanced ones, to the Soviet economy regardless of their relatively small share in Soviet imports. [66]

Other new trends in Soviet trade are increases of metal and metal products and even fuels in imports. While the shares of manufactured and agricultural products by and large declined from 39.4% in 1972 to 35.8% in 1982 for manufactured products and from 39.8% to 35.2% for agricultural products, those of fuels increased from 4.1% to 7.8% and of metals - from 11.2% to 14.7%. The increase for fuels may be explained by the oil price hike of 1979 (though the price rise in 1973 did not affect negatively the Soviet import at all). Besides, the upward trend of fuel expenditures in the late 1970s was accompanied by sharp increases of Soviet revenues from fuel exports. On the other hand, this can reflect the difficulties the Kremlin is experiencing with its

metallurgy and energy sector.

Soviet exports of manufactured products to non-communist countries grew constantly and evenly but much slower than to the world, including Soviet satellites. In 1972 Soviet exports of manufactured products paid for 52.7% of the imports of the same products from the non-Communist area, while in 1982 - only for 35.8%. The share of manufactured products in Soviet exports dropped from 22.4% in 1972 to 11.3% in 1982.

The structure of Soviet exports to the non-Communist world in 1982 was much worse than in 1972, i.e. before the significant injections of Western technology into the Soviet economy. If in 1972 all four groups of exports were rather close to each other, then in 1982 only one group (fuels) dominated Soviet exports. This means that so far the Kremlin has failed to fulfill its goal of increasing the role of manufactured products in its exports. This also means that in case of a reduction of Soviet fuel export revenues Moscow will not be able to maintain the current level of imports from Western countries. Accordingly, the West cannot count on the Soviet Union being a great market for Western goods in the future. The question is how far into the future the Soviets will be able to keep up their high level of energy exports.

The influx of Western technology has not brought about substantial increases of Soviet exports of manufactured products, but from 1978 the growth rate of Soviet imports of these products started to slow down.

This was probably due to the lack of hard currency and increasing purchases of agricultural products in the late 1970s.

Being unable to increase the share of manufactured products in its exports Moscow had to rely more heavily on exports of fuels. But in order to increase oil and gas production it had to distract resources from development of machinery and other industries to fuel exploration. In the 1960s-1970s investments into the oil and gas industry as a percentage share of total industrial investments were constantly growing at the expense of other branches of industry:

Trends in Investment Priorities

(percentage share of industrial investment)

Oil and gas industry

Year	Rate

1959-1965:	11.6%
1966-1970:	12.9%
1971-1975:	13.8%
1976-1979:	17.4% [67]

The failure to increase exports of manufactured products and becoming a raw material appendage of the West may become another factor discouraging the Kremlin from trade.

Though the USSR was not vulnerable to short-term economic sanctions, its increasing dependency on the West, especially on agricultural imports, contradicted in the eyes of Soviet leaders the traditional autarchical

approach to foreign economic relations. Being subject to economic sanctions raised a desire of Soviet leaders to regain maximum economic independence.

The analysis of negative (for Soviet leaders) aspects of the cooperation with Western countries does not mean that Moscow would decide to return to the level of trade of the 1950s-1960s. But a more cautious approach of the Kremlin may become an additional factor slowing down a further growth of trade. The Soviets may double their efforts to reduce the agricultural dependency of the West. They may import Western technology more cautiously and selectively and pursue a more conservative credit policy.

4. Soviet East-West Trade Policy.

In order to counter the negative aspects of economic cooperation and to maximize the positive ones Moscow has worked out a specific foreign trade policy. An analysis of Soviet writings on foreign trade shows the existence of two points of view on the question of trade with the West. [68] Due to the nature of the Soviet political regime which requires conformity it is difficult to single out individuals or groups in the Soviet elite taking this or that stance, though such attempts have been made. [69] But it is possible to characterize two approaches to the foreign trade in the Soviet Union.

The first point of view is the continuation of the old policy of autarky. It tends to the position that the USSR should import from the West only items absolutely essential to Soviet economic development and should

export only in order to earn foreign exchange needed to pay for the imports.

The second point of view tends to the stance that the Soviet Union should export as much as it can in order to buy more up-to-date technology. Imports of non-technological goods (like grains, etc.) and outdated manufactured products should be cut down and replaced by Soviet production. At the same time the Soviet Union should increase exports of manufactured goods. This point of view was associated with the idea of import-led growth.

Let us consider the two positions in more detail. The first one dominated Soviet bureaucracy until the 1960s. In the 1960s-1970s it yielded to the second view but in the 1980s, after Poland's experience and after realizing that expanded influx of Western technology into the Soviet did not bring about essential results, it probably regained some of its popularity. Though the second view still prevails among the Soviet elite, it is influenced by a more cautious and restrained approach to trade.

William Turpin characterized the first policy as autarky. It required the greatest possible economic self-sufficiency and reduction of trade with the capitalist West as much as possible. He wrote that the Soviet Union was determined to avoid dependence on foreign and particularly Western sources of supply while remaining free to use the Western market for tactical and strategic advantages. Such a policy requires Moscow to limit imports only to goods of vital importance which

cannot be produced at home or can be produced in insufficient quantities. [70] Though Soviet imports of manufactured products are relatively modest they are allocated typically in priority sectors to help relieve critical bottlenecks. [71] Another feature of this policy is that the Soviets try to import machinery and equipment that produces products rather than the products themselves. [72]

In 1968 Gosplan (Soviet State committee on planning) sent a directive called "provisional methodology of determining economic effectiveness of foreign trade" to state controlled Soviet foreign trade institutions. It said that only those items that were essential for the increase of the economic and technical level of the Soviet Union could be imported. Import also was supposed to provide Soviet economy with goods production of which could cost more than import. As for exports, it was supposed to compensate the currency spent on the imports. [73]

Such a policy definitely restrained Soviet trade. It controlled the trade by implicit export and import quotas that made it possible for Moscow to have low tariffs. [74] Though the first point of view does not prevail now it still affects Soviet foreign trade policy.

The second point of view has prevailed in the Soviet foreign trade policy since the late 1960s. Leonid Brezhnev was one of the champions of the new policy. He connected it with the need to enter a new stage of intensive economic growth. Ties with the West were seen by him as essential for promoting technological

innovations in the Soviet Union. [75]

The proponents of this point of view spoke out for expansion of economic relations between the East and the West and tried to influence Western public opinion toward this goal. The Soviet Union started the campaign for increasing trade in the 1950s when a need for Western technology was emerging. [76] By the 1970s when the need for the technology increased and the idea became more popular in Moscow the campaign was widened. Soviet propaganda set forth different arguments for increasing trade. This helps to affect Western public opinion. For example, the argument that the American allies trade with the Soviet Union and the USA loses lucrative orders was used by Soviet propaganda as far back as in the 1950s. [77] Soviet propaganda vigorously maintains the arguments that economic cooperation strengthens peace, gives jobs in Western countries, etc. [78] The Kremlin insists that it always has tried to reach broad cooperation with the West but capitalist governments stood in the way of it and only by the 1970s numerous successes of the Soviet Union in development of economy, technology, and science forced the West to start trade with the USSR. [79]

In its foreign trade the Soviet Union prefers long-term economic relations. Probably its bureaucratic inertia and sluggishness push it in this direction. It is very difficult for their huge bureaucratic machine to operate in a situation changing fast. Western businessmen say that the Soviets prefer doing business with people whom they are used to. [80] Besides, long-term stable relations cannot disrupt their economic plans. [81] The Kremlin always emphasizes that it is a

reliable and stable partner. [82] Despite the difficulties in the energy sector Moscow insists that it will have enough fuels for itself and exports. [83]

In its relations with the West Moscow tries to separate economic questions from political and military ones. [84] It insists that development of trade should not depend on the political situation. Doing this the Kremlin uses widely the thesis of impermissibility to interfere in the internal affairs of other states. [85] According to Moscow, using trade for achieving foreign policy objectives has no future, economic sanctions are always ineffective. [86] It denies the thesis that the Soviet Union needs trade relations more than the West. [87]

There is a great deal of hypocrisy and double standard in this stance. In the first place, trade and foreign aid have always been tied with political goals. [88] In many cases economic sanctions have been effective. Best known examples of this are the oil embargo of 1973, British economic sanctions against Iran in 1953, etc. Second, the Soviet Union has often resorted to economic sanctions as an instrument of political pressure against other states. In 1956 it stopped oil shipments to Israel, in the early 1960s it reduced exports and withheld spare parts to apply political pressure on China, it delayed trade negotiations to influence Finland's domestic politics in 1958, it encouraged the Arab oil embargo of 1973-1974, praised the 1967 oil embargo against the United States, Great Britain, and West Germany, calling it "a concrete and effective expression of Arab solidarity". The

Kremlin persuaded the Arab states to continue the embargo when the Arabs wanted to call it off. [89] On September 5, 1973, "Pravda" wrote: "In light of the energy crisis.... the importance of oil as an economic factor is constantly increasing. As a result, additional opportunities are being created for the Arab countries to use this important lever for political ends". Leonid Brezhnev said at the 25th party congress: "We consider our foreign economic relations as an effective means of reaching both economic and political goals". [90] A high-ranking Soviet official wrote: "Economic and political factors determine selection of Soviet trade partners". [91] "The international political significance of foreign economic ties of the Soviet Union is increasing" - declared the Soviet Foreign trade minister. [92] The Soviet Union was one of the most ardent advocates of imposing economic sanctions against Rhodesia and South Africa. In 1980-1981 the USSR's export of oil and oil products to the USA plummeted from 160 million rubles in 1979 to 30 thousand rubles in 1981. Actually this was an oil embargo in retaliation for the US grain embargo. [93]

In its foreign economic strategy the Soviet Union widely uses competition between different countries trying to achieve both economic and political goals. The political goal is to divide the Western countries, to cause frictions and controversy between them. [94] Economically the Soviets develop cooperation with weaker firms and countries, giving them lucrative orders and tempting stronger countries by the argument "others trade and you lose good orders". This propaganda argument, by

the way, the Soviets applied not only to the United States but to Western European countries and Japan as well. So the Soviet strategy is "from Finland-Italy to the USA".

The predicament of being a subject of economic sanctions especially in the agricultural sector reinforced the autarchial tendency in Soviet policy. Now Moscow tries (so far unsuccessfully) to reduce food imports from the West. In May 1982 L.Brezhnev introduced the so called Agricultural program. He stressed "the need to reduce imports of foodstuffs from capitalist countries". [95] The Soviet leaders do not set the goal of food self-sufficiency, though. Apparently they consider such a goal unfeasible for the time being. The 11th FYP (1981-1985) set the goal of "reliable provision of the country with agricultural products" thus avoiding the term "self-sufficiency" either. [96] At the same time Moscow tries to diversify food imports sources. [97]

An important aspect of Soviet foreign trade policy is stubborn political and economic pressure on the USA in order to gain the status of a most favorable nation. [98] According to some Western specialists, it will not increase significantly Soviet exports as most of them are raw materials and basic chemicals which are subject to either no or very low tariffs. The exports of Soviet manufactured products are probably hampered more by poor quality and insufficient service than by the tariffs. [99] The explanation of Moscow's attempt to gain MFN status lies in the fact that it takes seriously its goal of increasing exports of manufactured goods in the

future. In addition, they can use the denial of the MFN status for propaganda purposes pointing to "the bad will" of the USA.

Because of its inability to produce competitive goods for export the Soviets are seeking new forms of cooperation which are supposed to boost Soviet exports of manufactured products. They most prefer two models: compensation deals and the joint venture model.

In the compensation model the Western supplier is repaid through production of the plant or equipment supplied. The agreement provides for a Western long-term credit which covers delivery to the Soviet Union of machinery, equipment, materials, puts Western licenses at Soviet disposal, and an obligation to buy in the Soviet Union a part of the enterprise's production (usually 20-30% of it every year) during a long term (10-15 years). The Western purchases of the product cover the full amount of the credit together with interest. So, the Soviets do not have to pay for the construction of the enterprise at all and can have 70-80% of its products during 10-15 years and 100% of the products after that period. The object remains the property of the USSR during the whole period and the Soviet side does not share the profits from exploitation of it with a foreign company. Compensation deals usually include three agreements: on export of equipment to the Soviet Union (which is covered by Western credit), on import of the product from the Soviet Union in compensation for the Western credit, and the credit agreement. [100]

The compensation deals can be divided into two groups: the stretched compensation when the Western supplier provides equipment, products, and technology for building an object in the Soviet Union and then gets a part of the products in compensation; and the turn-key compensation when the Western supplier entirely builds the object. [101] The Soviets also are looking for a new type of credits for compensation projects: the credit redeemable only if the project is successful. In 1975 they got this type of credit from Japan for development of the oil-gas deposits on the Sakhalin Island. [102]

The significance of the compensation deals for the Soviet Union is rather high: it provides free capital, technology, and expertise. The compensation projects brought about a substantial increase of production in the Soviet Union of basic chemicals and raw materials. They sharply increase labor productivity in a number of industries, allow Moscow to save capital investments and to direct them into other areas (including military), and the last but not the least, they increase and guarantee future Soviet exports. [103]

The number of compensation deals is growing, so are Soviet exports of "compensation products", but almost all major agreements are for raw materials or basic chemicals, such as urea, ammonia, polyethylene. [104] The Kremlin wants such compensation deals which will increase its industrial exports. This was plainly and categorically put many times by Soviet leaders, high-ranking officials, party congresses. [105]

The major obstacle to this is that the compensation of a Soviet debt takes a long period of time. During the time the products (if they are not raw materials) become obsolete and marketing of them in the West falls below expectations. This fans Western businessmen away from compensation deals with the Russians in manufactured products. [106]

The Kremlin sees a way out of the situation in industrial coproduction with Western firms. [107] It put forward another, joint venture model. The Soviets started to study possibility of joint ventures in the late 1960s- early 1970s. [108]

In this model Western partners typically provide technology, managerial skills, market, and capital, and the Soviet Union provides labor and raw materials. [109] So this is another way to get through to the Western market but now with manufactured goods. This form of cooperation stands between the compensation model and direct investments of a foreign firm into the economy of a home-country. After construction of an object the foreign company continues to participate in the production process, getting for this a part of the products. The foreign company provides also the market and being involved into production process, elaborates the products, introduces new technology, increases labor productivity. So the product does not become obsolete, otherwise the Western company finds it difficult to market it. At the same time the Soviet side giving only its cheap labor and raw materials gets the rest of the products. The part of the products which goes to the foreign company is used as means of repayment of Soviet

debt and as a compensation for the continuing Western management.

The major difference from the compensation model is that the West not only builds and object but provides management and engineering too. It is rather important for the Soviets since more than the technology itself the Soviet Union needs Western management system to get maximum effect from the purchased technology. [110]

The coproduction increases Soviet industrial exports, it gives up-to-date technology, allows saving capital investments for other industries. It also gives the Soviet Union managerial skills and reduces the time required for assimilation of the latest technology. In this form the West constantly helps the Soviet Union to elaborate production. [111]

On the other hand, the Western firms are attracted to this form of cooperation by the possibility of using cheap Soviet labor and raw materials. Unlike the areas of cooperation in the compensation model the cooperation in the joint-venture model covers machinery, including aviation, agricultural machinery, means of transportation, oil and gas equipment, electronics, nuclear energy, plasma welding, and consumer goods such as color TVs, etc. [112]

In addition to these two forms of cooperation the Soviets write about joint Soviet-Western companies for marketing Soviet goods and for joint research. They also lease Western machinery instead of buying it. But these forms are not widely used. [113]

The development of the compensation model and coproduction reduces a possibility of using economic sanctions against the Soviet Union because it further interlaces Soviet and Western economies. Other long-term forms of economic relations, such as credits, long-term trade agreements, etc. also reduce this possibility. At the same time the Soviet Union remains relatively invulnerable to short-term economic sanctions.

F O O T N O T E S . C H A P T E R I I

[1] Joan Spero, The Politics of International Economic Relations, (London: Allen and Unwin, 1977), p.255; Morris Bornstein, "East-West Economic Relations", in Morris Bornstein, ed., The Soviet Economy, (Boulder, Colorado: Westview Press, 1981), p.195; U.S., Congress, Joint Economic Committee, Soviet Economy in the 1980s: Problems and Prospects, Hearings before the Committee, 97th Cong., 2nd sess., 1982, Part 1, p.147.

[2] Spero, p.255.

[3] According to Frankfurter Allgemeine Zeitung, 29 March 1980, p.15, the USSR's share in world production was 11.7% in 1950, 13.1% in 1960, 13.2% in 1970, and 9.8% in 1980.

[4] Soviet Economy in the 1980s, Hearings, Part 1, p.154.

[5] Leonid Brezhnev, Ob osnovnyh voprosah ekonomicheskoi politiki KPSS na sovremennom etape, (On Major Questions of the Economic Policy of the CPSU in our Time), Vol.1, (Moskva: Politizdat, 1979), p.454.

[6] Ibid., Vol. 2, p.79.

[7] Ibid., Vol. 2, p.291; Osnovnye napravlenija razvitija narodnogo khozyaistva SSSR na 1976-1980 gody, (Major directions of the development of Soviet economy in 1976-1980), the 10th Five Year Plan (FYP), (Moskva: Politizdat, 1976), p.5.

[8] 10th FYP, p.13.

[9] Osnovnye napravlenija ekonomicheskogo i socialnogo razvitiya SSSR na 1981-1985 gody i na period do 1990 goda, (Major developments of the economic and social development of the USSR in 1981-1985 and till 1990), the 11th FYP, (Moskva: Politizdat, 1981), pp.8,24.

[10] Ibid., pp.13-14.

[11] Facts on File, Yearbook, 1982, Vol.XLII, (New York: Facts on File, Inc., 1983), p.283.

[12] Holland Hunter, "Soviet Economic Problems and Alternative Policy Responses", in Morris Bornstein, ed., The Soviet Economy, p.349.

[13] Bruce Parrott, Politics and Technology in the Soviet Union, (Cambridge, Mass.: The MIT Press, 1983), p.3.

[14] Hunter in Bornstein, ed., The Soviet Economy, p.349.

[15] Spero, p.3.

[16] V.A.Brykin, ed., Za materializatsiju razrjadki (For materialization of detente), (Moscow: Mezhdunarodnye otnoshenija, 1980), p.6.

[17] I.L.Sheidina, "O sotrudnichestve v oblasti nauki i tehniki" (On cooperation in the area of science and technology), S.Sh.A., January 1974, No.1, p.39; "Pod uglom zrenija ekonomiki, obaor konferencii "Leninskaja teorija imperializma i revolutsionnye sily sovremennosti"

(From economic point of view, a review of the conference "Lenin's theory of imperialism and revolutionary forces of our time"), ME i MQ, July 1970, No.7, p.57.

[18] See, for example, Parrott, p.231; Spero, p.255, etc.

[19] Bornstein, The Soviet Economy, p.196.

[20] Spero, p.254.

[21] Ibid.

[22] Soviet Economy in the 1980s, Hearings, Part 1, p.XII.

[23] Walter Clemens, The USSR and Global Interdependence, (Washington: American Enterprise Institute for Public Policy Research, 1978), p.5; U.S., Congress, Joint Economic Committee, East-West Trade: The Prospects to 1985, Studies prepared for the use of the Committee, 97th Cong., 2nd sess., 1982, p.275.

[24] 11th FYP, p.85.

[25] Brykin, pp.142, 143.

[26] Ibid., p.51.

[27] Ja.A.Pevzner, Gosudarstvo v ekonomike Japonii (The state in the Japanese economy), Moskva, 1976, p.49; M.Baskakova, "Osobennosti nauchno-technicheskoi politiki Japonii", (Japanese scientific and technological policy), ME i MQ, No.2, 1980; Arthur Klinghoffer, The Soviet Union and International Oil Politics, (New York: Columbia University Press, 1977), p.35.

[28] Brezhnev, Ob osnovnyh voprosah ekonomicheskoi politiki, p.325.

[29] 11th FYP, p.85.

[30] Brykin pp.11, 15, 21, 65, 141; E.S.Shrshnirov, ed., SSSR-SShA: Ekonomicheskie otnoshenija, (USSR-USA: Economic Relations), (Moskva, Nauka, 1976), p.290; V.N.Shenaev, Materializatsija razrjadki: ekonomicheskie aspekty, (Materialization of Detente: Economic aspects), (Moskva: Mysl, 1978), p.36.

[31] Brykin, p.73.

[32] Bornstein, The Soviet Economy, pp.226, 245; U.S., Congress, Joint Economic Committee, Soviet Economy in a New Perspective, A compendium of papers submitted to the Committee, 91st Cong., 2nd sess., 1976, p.710.

[33] Bornstein, The Soviet Economy, p.196.

[34] Klinghoffer, p.35.

[35] Brykin, pp.7, 9.

[36] Ibid., p.160.

[37] Soviet Economy in the 1980s, Hearings, Part 1, p.189.

[38] Bornstein, The Soviet Economy, p.219.

[39] F.Rushing, "Soviet Chemical Industry", in Soviet Economy in a New Perspective, p.540.

[40] Ibid., p.543.

[41] CIA, National Foreign Assessment Center, Soviet Chemical Equipment Purchases From the West: Impact on Production and Foreign Trade, A Research Paper, October 1978, pp.ii, 6.

[42] Shenaev, p.254.

[43] Brykin, p.150.

[44] Bornstein, The Soviet Economy, p.227.

[45] Ibid.

[46] Brezhnev, Ob osnovnyh voprosah ekonomicheskoi politiki, Vol. 2, p.113.

[47] Spero, p.254.

[48] Bornstein, The Soviet Economy, p.274.

[49] G.Clark, "Soviet Agricultural Policy", in Harry Shaffer, ed., Soviet Agriculture, (New York: Praeger Publishers, 1977), p.47.

[50] V.A.Tikhonov, "Ob industrializatsii selskogo hoziaistva", (On industrialization of agriculture), Voprosy ekonomiki, 1977, No.10, p.71.

[51] Brezhnev, Ob osnovnyh voprosah ekonomicheskoi politiki, Vol. 2, p.449.

[52] The Economist Intelligence Unit, World Outlook, 1980, February 1980, p.2.

[53] CIA, National Foreign Assessment Center, USSR: Long-Term Outlook for Grain Imports, A Research Paper, January 1979, p.15.

[54] Brezhnev, Osnovnykh voprosakh ekonomicheskoi politiki, Vol. 2, p.449.

[55] See, for example, Roy and Zhores Medvedev, Khrushchev, gody u vlasti, (Khrushchev, years of power), (Ann Arbor: Xerox University Microfilms, 1975) among many others.

[56] Parrott, p.276; Franklyn Holzman, International Trade Under Communism, (New York: Basic Books, 1976), p.163; Marshall Goldman, USSR in Crisis. The Failure of an Economic System, (New York: Norton, 1983), p.43.

[57] Clemens, p.20; For example, Soviet Deputy Minister of Oil Industry Khalimov was reported dismissed for dumping imported chemicals in oil fields, see Facts on File, 1981, p.899.

[58] Bornstein, The Soviet Economy, p.219.

[59] Parrott, p.277.

[60] Soviet Economy in the 1980s, Hearings, Part 1, p.154.

[61] Business Week, 19 October 1981, p.72.

[62] Soviet Economy in the 1980s, Hearings, Part 1, p.147.

[63] U.S., Congress, Joint Economic Committee, Allocation of Resources in the Soviet Union and China, 1982, Hearings before the Subcommittee on International Trade, Finance, and Security Economics, 97th Cong., 2nd sess., 1982, p.225.

[64] U.S., Congress, Joint Economic Committee, East-West Trade: The Prospects to 1985, Studies prepared for the use of the Committee, 97th Cong., 2nd sess., 1982, p.281.

[65] Shershnev, p.212; Shenaev, pp.263-264.

[66] Brezhnev, Ob osnovnykh voprosakh ekonomicheskoi politiki, Vol. 2, p.112.

[67] Soviet Economy in the 1980s, Hearings, Part 1, p.189.

[68] Clemens, pp.15-16.

[69] See Parrott, p.6.

[70] William Turpin, Soviet Foreign Trade, (Lexington, Mass.: Lexington Books, 1977), pp.8, 10, 79.

[71] Bornstein, The Soviet Economy, p.218.

[72] Turpin, p.5.

[73] Ibid., pp.103-104.

[74] Ibid., p.81.

[75] Parrott, pp.256, 262.

[76] Glen Smith, Soviet Foreign Trade, (1918-1971), (New York: Praeger Publishers, 1973), p.37.

[77] Ibid., p.265.

[78] Leonid Brezhnev's speech on American TV on June 24, 1973, in Brezhnev, Ob osnovnyh voprosah ekonomicheskoi politiki, Vol. 2, p.147; V.Malkevich, East-West Economic Cooperation and Technological Exchange, (Moscow: Social Sciences Today, 1981), pp.35, 41.

[79] Malkevich, p.27.

[80] Turpin, p.59.

[81] Brykin, p.52; Klinghoffer, p.31.

[82] Brykin, p.9.

[83] Journal of Commerce, 9 June 1981, p.23B.

[84] Brykin, pp.34, 36; Facts on File, 1981, p.136.

[85] Shershnev, p.241.

[86] Malkevich, pp.21, 23.

[87] Brezhnev, Ob osnovnyh voprosah ekonomicheskoi politiki, Vol. 2, p.146; Shershnev, p.221; Brykin, pp.20, 63.

[88] Quincy Wright, The Study of International Relations, (New York: Appleton-Crofts, 1955), p.239; Spero, p.9.

- [89] Klinghoffer, pp.12, 158, 159.
- [90] Brezhnev, Ob osnovnyh voprosah ekonomicheskoi politiki, Vol. 2, p.324.
- [91] Brykin, p.90.
- [92] Ibid., p.10.
- [93] See Vneshnjaja trgovlja SSSR, 1979, 1981.
- [94] G.Sorokin, "Problemy teorii vsemirnogo khozjaistva", (Theoretical problems of world economy), Voprosy Ekonomiki, 1983, No.5, p.134.
- [95] Facts on File, 1982, p.391.
- [96] 11th FYP, p.45.
- [97] Facts on File, 1981, p.501; Business Week, 6 June 1983, p.29.
- [98] Brykin, p.81; Klinghoffer, p.26.
- [99] Turpin, p.83; Spero, p.274.
- [100] Brykin, pp.143, 153, 154; Malkevich, p.116.
- [101] Malkevich, p.116.
- [102] Brykin, p.154.
- [103] Bornstein, The Soviet Economy, p.221; Brykin, pp.143, 144, 171, 172.
- [104] Bornstein, The Soviet Economy, p.226.

[105] Shenaev, p.40; Brykin, p.160; Brezhnev, Osnovnyh voprosah ekonomicheskoi politiki, Vol. 2, p.325.

[106] Brykin, p.186; Bornstein, The Soviet Economy, p.197.

[107] Leonid Brezhnev, Leninskim kursom. Rechi i statii, (Lenin's direction. Speeches and articles), Vol. 6, (Moskva: 1978) p.55; Brykin, pp.11, 15; Shenaev, p.41.

[108] Soviet Economy in a New Perspective, p.715; Brykin, p.181.

[109] Spero, p.267.

[110] Bornstein, The Soviet Economy, p.226.

[111] Brykin, pp.183, 185, 186; Malkevich, p.103.

[112] Brykin, p.187; Malkevich, p.109; Shenaev, pp.42, 224.

[113] Shenaev, p.37; Malkevich, pp.129-132.

C H A P T E R I I I

US INTEREST

1. Reasons for Changing US Policy

If the Soviet Union turned to cooperation with the West mostly for economic reasons, the United States got into cooperation with the Soviet Union for political ones. In the 1960s, especially after the Cuban missile crisis of 1962, the idea of preventing by all means a nuclear war with the USSR gradually occupied many minds in the West. New doctrines of relations between Western democracies and the Soviet Union were being worked out.

One of the most influential and pervasive was the idea associated with the name of Henry Kissinger, transition from the policy of confrontation to negotiations and cooperation with Moscow. Now this was considered possible because unlike in the previous times the Soviet Union was no longer seen as a revolutionary state. It was a status quo power preoccupied (after Stalin's death) with internal problems of economic development and raising the standard of living. Ideological clashes with communist China were a clear evidence of that.

These changes in Soviet policy coincided with the transition of the country's economy from extensive to intensive ways of development. The Soviet Union definitely experienced some troubles coping with the problem. Even in the 1950s it displayed willingness to

expand economic cooperation with the West.

All this provided a golden opportunity for the United States to give the Soviets a helping hand in order to stimulate the country's further departure from strict revolutionary ideology, to get in exchange some political concessions, to stop Russian expansionism, and ultimately to secure peace in the world at a time when the third world war became unthinkable.

As a result of such cooperation Moscow was supposed to become tied to the West so much that a disruption of the ties would be too painful and unacceptable for Soviet leaders. This could give the USA a possibility to manipulate Soviet policy by giving economic benefits for "good behavior" and withdrawing them for a continuation of expansionist foreign or repressive domestic policy. [1] On the other hand, the United States could not get tied to the Soviet economy significantly because of American economic superiority and greater flexibility. That is why a possible temporary disruption of the economic relations with the Soviet Union would not be painful to the United States.

By that time major American allies had already been involved in profitable cooperation with Moscow. Western Europe and Japan depend on foreign trade more than the USA. A number of branches of their industries sold the bulk of their production to the East. [2] That is why US allies have been traditionally reluctant to apply export controls to the USSR and why they exerted pressure on the USA to abolish such attempts. [3]

For American business the Soviet market also was seen as having an enormous potential. The Soviet Union is the biggest country in the world, with great natural resources most of which have not been tapped yet. In the late 1960s the USA lost its oil self-sufficiency and in the early 1970s the energy crisis emerged as one of its hottest problems. The quest for raw materials, especially fuels, also pushed American and other Western firms to develop relations with the Soviet Union. The USSR was seen as a possible alternative source of energy which could cushion Arab oil blackmail. The West could diversify fuel imports, reducing dependence on the Middle East and thus balancing between the Arabs and the Russians.

At the same time the cheap labor force in the Soviet Union, the absence of strikes and independent unpredictable labor unions made the country a reliable safe partner and cooperation with it in labor-intensive, raw materials-intensive areas a lucrative one.

The relations with the USSR apparently have been profitable for US business. In the mid-1970s 400 US firms dealing with Moscow were polled about Soviet trade. The majority chose not to respond. 168 responded. Of them 74% evaluated the experience of their companies in the Soviet market as profitable. 9% reported significant losses. But, probably, other losers had chosen not to respond. [4]

The Western firms' willingness to expand relations with the USSR was interpreted by the Soviets in a Marxist way: the leading force of a capitalist's actions is the

pursuit of profit. This makes him develop relations with socialist countries. [5]

Another factor pushing American firms to cooperate with the Russians was that the relations were often based on credits guaranteed by the government. [6] This reduced the risk of such a cooperation passing it over from the firm and the bank to taxpayers. After the OPEC countries raised oil prices in the 1970s, Western banks had great liquidities as oil producers deposited most of their assets in Western banks. [7] At the same time borrowings in the West were hampered by the recession of the 1970s which many link to the same oil price hikes. In this situation the banks were eager to loan money to other (including socialist) countries. The latter were considered even more reliable than the Third world.

The continuing Vietnam war, political instability and turmoil inside the USA, newly shaky position of the US dollar in the early 1970s, recession and unemployment which became an acid political issue, growing surpluses of agricultural products, deteriorating position of the American farmers - all these factors brought about an intense pressure on the US government on the part of businesses, banks, farmers' organizations, and political groups advocating detente in order to start a new economic policy toward the Communist East and follow the course already set by American allies.

2. US Benefits and Concerns

The expanded economic relations had their "Pro et Contra" for the USA as well as for the USSR. The question of trade with the Soviet Union evoked intense controversy in the USA after the Soviet invasion of Afghanistan and the imposition of martial law in Poland. This question was important in US relations with Moscow during the Carter administration even before the Afghanistan occupation. It still dominates (together with military issues) the US approach to the Soviets.

The importance of the issue stems from the fact that it is not only economic but also (and even more so) a political question. It is connected with another, bigger one: to what extent can the USA use economic sanctions as a political weapon in its relations with a major adversary - the Soviet Union. If it cannot be used as a political tool what else (short of war) can be done in response to another Soviet aggression? The issue becomes particularly complicated because it affects US relations with its allies.

As a first step to comprehending it we can systematize the positions of the opponents and proponents of economic ties with the USSR. This can clarify our own position and add to a better understanding of the problem.

Proponents of trade with the USSR have pointed out a number of economic and political reasons for the development of such trade. Economically, they held, the USA as well as the free world in general benefit from this trade. It improves the trade balance of the USA as

the latter exports to the Soviet Union more than it imports. Elimination of this trade would lead to an increasing deficit of the US trade balance. Besides, all in all the Soviet Union is an attractive market. [8]

Trade with Soviet Russia increases employment in the United States, providing thousands of jobs in the country. It guarantees future orders in the form of additional service, spare parts, etc. The trade may relieve the difficult situation of American farmers caused by the surpluses of grain in the United States. Even with low grain prices they would gain from large sales to the Soviet Union. Refusal to trade with Moscow for political reasons will not bring about significant pressure on the Russians as American competitors, especially the Western Europeans and Japanese continue to develop economic relations with the Soviets and the United States loses big orders. Such a situation reduces American competitiveness on the world market. Economic sanctions against the Soviet Union are "shooting ourselves in the foot" as Moscow loses less than the United States. Such sanctions do not change Soviet behavior but do seriously damage the US economy. Economic sanctions are just futile because the Soviet Union is relatively self-sufficient. [9]

It is necessary to help the USSR to develop its energy sector, it is said. This would prevent Moscow from becoming a competitor of the West for the Middle East's oil. World oil supplies would be increased and that might slow down the oil price rises. In general, stimulation of oil production outside OPEC will bring about a reduction of the West's dependency on this

politically unstable organization. In this sense the Soviet Union is an alternative to OPEC. Western Europe imports Soviet oil and gas for mutual benefits. If the USA cooperated too it could import Soviet fuels as well as rare metals. Besides, development of the Soviet energy sector, the pipeline from West Siberia to Western Europe, may be the only way of repaying the Soviet bloc's debts. [10]

The West can also acquire Soviet technology through this cooperation. There are some areas, such as welding technology and high-voltage power lines, where the Soviet Union is thought to be superior. On the other hand, there is no economic threat to the West from present and future Soviet competition. The Soviet Union will not be able to catch up technologically with the USA through import of technology. There is nothing dangerous in export of some technology to the USSR, and the risk that Moscow will blackmail the USA (after it gets American technology and the time comes to pay back its debts) is exaggerated. [11]

According to the proponents of economic cooperation, the West can derive political benefits from it too. The trade increases interdependence between the USSR and the West. Expanded economic ties strengthen detente that in the long run leads to peace. Through trade we can affect Soviet policy by giving rewards if its behavior is good and by punishing it, by withdrawing the reward, if the behavior becomes aggressive. [12]

It is also argued that the USA should help the Soviet Union because growing prosperity there may lead to the rise of more pluralism, interest groups, and civil liberties, as well as to the relaxation of ideological control. Technological and managerial skills will become more important than ideological purity, revolutionary fervor will subside as the standard of living improves, and "liberalization" of the system will become economically functional. On the other hand, a tough policy toward Russia will bring about a nationalistic upswing and cohesion of the Russians vis-a-vis the West. The sanctions against the USSR also damage our ties with allies. [13]

The opponents of the trade defended their point no less vigorously. They started with the assumption of fundamental hostility of Soviet communism toward the capitalist West. That is why expanded economic ties could not and cannot strengthen detente and peace. On the contrary, during the 1970s (the heyday of detente) the Kremlin undertook an unprecedented military buildup and continued its expansionist foreign policy. Moscow undertook all sorts of subversive activities against the West. What is more, for its military buildup the USSR widely used that same economic cooperation which was supposed to promote peace. Many American specialists pointed to the military application of Western technology by the Soviet Union. At the same time military application of the technology may be unclear in the beginning because in recent years the leading edge of new technology has increasingly been developed by the private sector for commercial applications and only later for

military ones. As a consequence, increased commercial contacts with the Soviet Union may result in the outflow of significant technologies before the application of similar technologies to advanced weapon systems becomes apparent. [14]

The Soviet military buildup can be propped up by the West indirectly too as a nation's military might depends ultimately on its economic resources. By freely selling the Soviet Union vital equipment and technology the United States and its allies are not only helping Moscow economically but also allowing it to allocate more resources to its military machine. Meanwhile, the USA has only limited unilateral leverage in terms of its ability to control technology transfer to the East. In the long run it is costly to American taxpayers because it forces the US government to increase defense expenditures. On the contrary, if we want peace, we should be tough. By being tough on trade the United States can contain the Russian threat to peace. The USSR is a military giant with economic and national crises. Therefore tough policy toward it will bring about a collapse of a dangerous hotbed of war. [15]

Some went further: even if Moscow does not exploit economic exchanges to enhance its military might, there is no point in building up the Soviet state into a true economic superpower by improving its technological base and managerial techniques; by granting it long-term credits sometimes tantamount to aid; by facilitating its capacity to wreck the delicately balanced mechanisms of interdependence worked out between like-minded governments in the free world. By modernizing the Soviet

system we help to create a more vigorous economic rival to the West. [16]

The Soviet Union gains more than the West from the trade and even can reduce the technological gap between the East and the West. Besides, economic cooperation makes industrial espionage easier for Moscow. [17]

Other seemingly positive points of the trade (US trade balance, jobs, linking and liberalization of the East, energy cooperation) are rejected by the opponents to it too. The trade with the Soviet Union cannot constantly improve the American balance because the USSR cannot forever run a deficit with all its trading partners. A temporary solution to the problem would be Western credits. But how long can the Eastern debts mount up? There is a risk of default or Soviet blackmail of the West after the East gets technology and the time comes to pay back the debts. These credits are binding the hands of the West. The latter is becoming "more sensitive - perhaps even vulnerable - to the strings manipulated by the supercorporation known as the Soviet Union. Moscow may be able to influence even the government of the United States through the intermediary of the Chase Manhattan Bank or the many other firms (and farms) looking for profits in the vast Soviet market". Thus linking the East to the West turned out into linking the West to the East. In any event, subsidized export credits for the Soviet Union are a reward for Moscow at a time it is engaged in a military buildup. [18]

The trade with the Soviet Union provides jobs in the short run. But later, when the USSR develops its production in a number of industries (with Western help) it will be able to compete successfully with the West and push it off the world markets, using its cheap labor and resources. So in the long run it will cause more unemployment.

Cooperation with Moscow in the energy sector also cannot ease the world energy situation because of the fundamental hostility of the Kremlin toward the West. In the 1960s and 1970s (even having enough oil) the Soviet Union encouraged Arab states to oil embargoes and oil price raises. This contributed greatly to the price hikes. On the contrary, suffering energy difficulties and having to buy expensive oil on world markets the Soviets will stop such a policy and will press the Arabs to push the oil prices down.

Besides, as a result of the cooperation with the Kremlin in the energy sector Western Europe and Japan can become too dependent on the Soviets. Any energy deal with the USSR can be used by the latter as an instrument of political pressure in the Arab manner. Oil can be cut off at a time of crisis.

Finally, the trade with Moscow helps it to promote economic development without effecting any significant reorganization of their system and thus allows it to avoid liberalization. On the contrary, they may actually increase authoritarian controls to counteract any political growth of "bourgeois" tendencies which could be brought about by the extension of trade contacts with

Western states. [19]

These are the arguments of the two sides. An analysis of them reveals the major assumptions of the proponents and opponents of the trade. For the latter, the Soviet Union is an enemy which does not even try to conceal its intention to destroy the West's system (basic tenets of Communism). We cannot change it. Therefore, it is meaningless to prop it up. For the former, the USSR is not an enemy. In the long run we all are people, citizens of the Earth. If we give them a helping hand now it will bring about mutual understanding and peace.

Analyzing the arguments, I concentrate on the most important points: effect of the cooperation on the US economy, promoting of peace, and US security. As the arguments of the two sides indicate, the issue of economic relations with Moscow is rather intricate and far from being one-dimensional. So far neither side has proved that it was right. The cooperation apparently has a dubious effect on both countries.

The trade, certainly, improves the trade balance of the United States. However, the Soviet side does not have enough hard currency to make great purchases in the USA and that is why US exports to the Soviet Union are either insignificant in comparison with the deficit of the US trade balance or must be financed at the expense of American credits. In the long run one expects the credits to be repaid and that will reduce Moscow's purchasing power. In order to pay for its imports the Kremlin has increased dramatically its exploration, extraction, and exports of oil and natural gas. Now

they, not credits, are the major source of Western currency for the Soviet Union. But still the Soviets are experiencing a lack of hard currency and, as it has been shown in the second chapter, the prospects for a substantial increase of Soviet exports are slim. Thus, the United States can hardly expect a significant improvement of its trade balance by expanding the US-Soviet trade.

It is true that the cooperation has a positive impact on the situation of American farmers, unemployment, and the world energy crisis by reducing Western dependency on OPEC. In spite of Moscow's efforts so far Soviet-Western trade has been developing mostly within the framework "machinery, agricultural products, and fuels". So, the fears that injections of Western technology into the Soviet economy could lead to substantial increases of Soviet exports of manufactured products and thus can bring about more unemployment in the West so far have not been realized.

On the other hand, there are a number of negative economic effects of the ties. The USSR has significant difficulties in financing its imports. In addition to efforts to increase exports of manufactured products it undertakes great efforts to earn hard currency by expanding its foreign economic operations - in shipping, fishing, banking, selling arms to underdeveloped countries and gold to developed. Still, Western credits have to be an important financial source of expanding Soviet imports. The credits have contributed to inflation in the West by increasing purchasing power of a country which does not have enough hard currency to buy

all it can after receiving the credits. They also may become hostages in Moscow's hands and additional instrument for diplomatic pressure on the USA and its allies.

In 1977, in his article on Soviet-American trade Daniel Yergin pointed out an example of defaulting by a Communist North Korea. [20] Yergin said that "Moscow has never defaulted. But we cannot be sure that this behavior will last forever".

However, in the history of the Soviet Union there were at least two examples of defaulting: after 1917 when the Soviet government refused to pay back Russian and Provisional government's debts, and after the Second World War when it refused to return the lend-lease debt. In 1972 an agreement was reached about paying the lend-lease debt through 2001, but the American side agreed to cut down the amount of the debt (from \$10.8 billion to \$722 million [21]). In addition, this was done in exchange for new loans and a trade agreement. The Soviets paid only \$12 million the day the agreement was signed and nothing more. So, the USSR has refused to pay back its debts twice. The first debt was rejected by the Soviet government on the ground that it was taken by Tsarist and Provisional governments. The second debt was officially admitted by the Kremlin in the agreement of 1972 and has not been paid.

The most important thing is that the Kremlin uses the present debt as an instrument of political pressure. Unless it is granted the regime of MFN Moscow refuses to pay the lend-lease debt. [22] Another political

consequence of these credits in the West is rather significant: "Western European officials and bankers say they want to keep communist regimes politically and economically stable so they can pay back their mountainous debts". [23] In the mid-1980s total Soviet debt to the West reached \$19 billion. However, this did not cause much concern in the West because the Soviet debt service ratio (ratio of a debt payment in a certain year to total hard currency earnings per year) was relatively small due to the large size of the Soviet economy and foreign trade operations.

Though by and large the American economy benefits from the trade with the USSR, there are examples of it having had detrimental effects. In the Summer of 1979 13 US chemical companies and farm cooperatives complained that Soviet ammonia was being sold in the United States at prices that in some cases were below US ammonia production costs. More facilities were being closed down in the industry and production was falling. The Soviet ammonia plant was built with the help of Occidental Petroleum Corp. The US International Trade Commission ruled in October 1979 that the ammonia imports from the Soviet Union were disrupting the US market. [24]

During the Nixon administration Occidental Petroleum Corp. signed an agreement about delivering to the Soviet Union one million tons of superphosphoric acid a year for 20 years. It can lead to the situation by the end of the century when the store of inexpensive, easily mined phosphates used for production of fertilizers will almost be used up. What will remain in the United States will be either low grade or, as in the vast deposits of the

Rocky Mountains, very costly to get out. If its phosphate runs out the USA will have to import it from Morocco. This could force American farmers to rely heavily on sources abroad and could leave the United States at the mercy of another foreign cartel. At the very least, the price can be expected to rise. [25] However, by and large and apart from a number of particular cases economic relations with the Soviet Union seem to be beneficial for the US economy.

On the other hand, the argument that the economic cooperation strengthens detente and promotes peace is rather doubtful. In general historical parallels do not corroborate such a promotion. Before the World War I and the World War II trade between future enemies was at the highest point but it did not prevent the wars. [26] Apparently other factors are much more important for strengthening peace than a level of economic cooperation. One of the major factors is mutual willingness to compromise and to coexist. The Soviet Union did not show this willingness. It always, even in the heyday of detente, refused to abandon its ultimate goal of destruction of the capitalist system, i.e. it refused to coexist peacefully.

During detente the USSR did not stop its anti-Western activity ("support of anti-imperialist struggle") in propaganda and material and military aid to all anti-Western movements, including terrorists. The USA also could be accused of similar actions against international communism. But the important difference was that the Soviet activity was aimed at breaking the status quo in the world while a similar anti-communist

activity conducted by the United States was aimed at maintaining the status quo. The Soviet Union tried to spread communism all over the world while the United States (using the same methods as Moscow) tried to stop the spread of Communism.

The Soviet Union has always rejected ideological detente, reducing it only to economic and military spheres. At the same time any Western attempt to propagate ideas of freedom and democracy in the Soviet camp was called "interference into internal affairs of the socialist countries". But a logical question is: Why can one interfere in the internal affairs of South Africa and cannot interfere in the internal affairs of Poland or the Soviet Union?

Mutual discontinuance of ideological propaganda by the West and the Soviet Union in practice would mean a discontinuance of the propaganda by the Soviet Union in the West. The propaganda of the West in the USSR is minimal due to the restrictions imposed on Soviet people by the authorities of the USSR. In other words, the "ideological war" is going on the territory of the West but not in the Soviet Union. No wonder that the Kremlin does not accept ideological detente.

During the 1970s (the time of intensive economic cooperation) the USSR was engaged in an unprecedented military buildup which far exceeded defensive needs and raised suspicions in the West of offensive intentions of the Soviet Union. This issue is not a subject of this work. The point here is only to emphasize doubtfulness of the thesis that widening economic cooperation promoted

peace. But this was a major reason for the USA to turn to the cooperation!

Another major negative point of the cooperation which seems to be admitted by both advocates and opponents of the trade is the military application of American technology in the Soviet Union. In November 1979 the International Finance Subcommittee of the Senate Banking Committee had testimony presented by Commerce Department officials on whether the US technology exports were contributing significantly to the Soviet Union's military build-up. Both opponents and advocates of the trade admitted that they were contributing to the buildup. Marcuss, Acting Assistant Secretary of Commerce for industry and trade, one of the most ardent proponents of the cooperation with the USSR, said that yes, they were used for military purposes by the Soviet Union but this was known from the beginning and the United States still should continue the trade. [27]

The military significance can be considered from two sides: indirect and direct. First, to a great extent the military might of any nation ultimately depends on its economic might. That is why by helping the Soviets to develop their agriculture, transportation, and industry the United States helps to increase Soviet economic potential which indirectly makes it easier for Moscow to increase its military machine. Compensation projects in non-military areas and selling the Soviets technology (which would save efforts and time) and even grains allows the Kremlin to reallocate investments from non-military sectors into military ones. The same holds true for the USA, but the centralized non-democratic

Soviet regime makes the reallocation of investments into military sectors much easier than in the decentralized democratic United States. Besides, there are no compensation objects built in the USA by the Soviet Union, there are no technological break-throughs bought by US firms from the USSR, etc.

Second, there are many examples mentioned by US press, Congress, and government of direct military application of US technology by the Soviet Union. The Soviet ZIL truck complex built with American aid is producing not only military trucks but missile launchers as well. The technology that came with navigation and electronic orientation devices bought from an American firm, Litton Industries, is being used to help Soviet planes and ships to track American submarines. Other US electronics for a civilian air-navigation system have been converted to use in computers for missile guidance. Precision ball bearings bought from Bryant Grinder Corp. of Vermont are said to have aided the Soviets in developing their MIRV missiles. The Kama River truck plant built with American help is turning out trucks for military use, and so on.

In 1978 the White House decided to involve itself in the process that leads to approval or denial of technological exports to communist countries. The major reason for that was that too often the White House got involved in the licenses when it was almost too late.

One can argue about importance of particular technology for military purposes, about the fact that American technology which gets to the Soviet Union often

is obsolete, and so on. But the fact is: US technology is being used by the Soviet side to develop its military machine which seems to be just as good as American, and larger.

In their book American Multinationals and American Interests C.Bergsten and T.Moran, writing on ties of multinationals with the Soviet Union, added some new points to the matter: "Economic detente will always put the United States at a bargaining disadvantage in view of the greater impact of lobbies in Washington than in Moscow". The Soviet "centralized structure of economic management enables it to exploit effectively the competition among American (and others) multinationals". "Multinational corporations can become hostages to host-country interests and, if left unsupervised, may act as ambassadors of host-country rather than home-country policies." [28]

3. US East-West Trade Policy

a) US Legislation

At the moment of imposing economic sanctions against the Soviet Union in 1980 President Carter was bound by a number of legislative acts and international agreements relevant to the trade with the USSR. These were adopted or concluded before or during his tenure at the White House. For better understanding of the situation in which the President and his cabinet had to carry out the action it is necessary to give a survey of the most important legislation, especially the Export Administration Act of 1979.

In 1949 the Export Control Act, and in 1969 the Export Administration Act, were adopted. Under these acts limitations were placed upon exports by American firms. The acts required licenses for exports of some US technology and goods to Communist countries. Later receiving the licenses depended on US-Soviet relations and on the head of the Department of Commerce, who gave them. Thus, Carter had a relatively free hand in the field of export of technology.

Nixon's visit to Moscow in 1972 marked the beginning of expansion of the economic cooperation between the two countries. Nixon signed the Declaration of Principles, article 7 of which said that the United States and the Soviet Union regarded commercial and economic ties as an important and necessary element in strengthening their bilateral relations and thus would actively promote the growth of such ties. Also there was signed the Agreement

to cooperate in the fields of science and technology. Later the exchange has been largely a one-way affair, with the Soviet Union importing the American technology but providing little in return.

In October 1972 the United States signed the Trade Agreement with the Soviet Union granting nondiscriminatory (most favored nation - MFN) tariff treatment to Soviet goods. It was a trade pact which included settlement of the Soviet Union's World War II lend-lease debt. The lend-lease agreement required that the USSR pay by July 1, 2001, a total of \$722 million in principal and interest (the Soviet debt was \$10.8 billion, and before the agreement the American side asked \$800 million, but even this figure was cut down). [29] Moscow made a first payment of \$12 million on October 18 (the day the agreement was signed), but then the payments stopped since the Soviet Union did not get MFN.

The question of MFN was put before the US Congress late in 1974 when the 1975 Trade Act was under consideration (President Ford signed it in January 3, 1975). The trade bill gave the president the authority to eliminate tariffs of 5% or lower and to reduce by three-fifth tariffs above 5%. Then on the initiative of Senator Jackson and Representative Vanik the Congress adopted the amendment prohibiting normal trade relations with a communist nation unless the president stipulated, and the Congress agreed, that the country allowed free emigration. Thus, with the USSR prohibiting free emigration it did not receive MFN.

At the same time the Congress passed the Stevenson amendment on export credits (on the Export-Import Bank Authorization Bill). In 1972-1974 the Bank had provided \$469 million in credits. The amendment set a \$300 million limit on further credits over the next 4 years. [30] This ceiling the president could raise if he found it in the national interest, subject to a Congressional approval. So, the amendment would bring the Export-Import Bank's operation under closer Congressional supervision.

The grain agreement with the Soviet Union of 1975 was another important legislation which was inherited by Carter. President Ford concluded the agreement late in 1975 after he had tried to place a temporary curb on grain sales to the USSR. But in his action he immediately encountered angry and well organized farm state protests. Ford hastened to lift that embargo after only two months and to sign a five-year agreement (October 1976 - September 1981). [31]

In August 1975 the State Department disclosed that the United States was exploring the possibility of exchanging American grain for Soviet oil. In October 1975, when the White House announced the grain agreement, it also released a letter of intent, signed that day in Moscow, to conclude an agreement for the USA to buy up to 200,000 barrels a day of Soviet oil and oil products. But the oil agreement was never concluded and as a result President Ford signed an utterly disadvantageous agreement with the USSR. Its disadvantage was determined by giving a free hand to the Soviet Union in purchasing American grain and thus introduced uncertainty and

instability to the US economy.

The agreement committed the USSR to import 6-8 mmt of grain annually. If the Kremlin wanted to buy more than 8 mmt in any year the pact called for consultations with US representatives before further deals were closed with American firms. Usually every fall the US Agriculture Department announced that the Soviet Union would be permitted to purchase much more than 8 mmt of American grain (in October 1979, for example, it was permitted to buy up to 25 mmt during the fourth year of the agreement, October 1979 - September 1980). At the same time the USSR did not have to buy this amount of grain and always kept its plans in secret. So, the range of what the USSR could actually buy was between 6 mmt and 25 mmt. In addition, the purchase of soybeans, rye, oats, and rice was outside the coverage of the agreement and not counted as part of the minimum or maximum amounts.

As it turned out later, the spirit of the agreement was politically in favor of the Soviet Union too. If Moscow refused to buy more than 6 mmt of grain this was considered as an action within the framework of the deal. But if the USA refused to sell more than 8 mmt (which also was within the agreement) this was considered as a political action, a grain embargo, and a move against detente. The provision of the deal that the Soviets could buy more than 8 mmt of grain if the US government approves this actually was interpreted as "the Soviet Union can buy more than 8 mmt after automatic approval of this by the American government".

Before the imposition of economic sanctions against the USSR in 1980 the most recent and important legislative act pertaining to US-Soviet trade was the Export Administration Act of 1979. [32] It was approved by the US Congress late in September 1979 and it took effect upon the expiration of the Export Administration Act of 1969.

The Act states that "exports of goods or technology without regard to whether they may provide a significant contribution to the military potential" of American adversaries were detrimental to the national security of the United States and thus approved export controls by the President. [33] Though it called upon the President to minimize restrictions on exports of agricultural products and to use export controls "only after full consideration of the impact on the economy of the United States", it still allowed the President to use such restrictions in three cases: 1)if he determines that the exports contributed to military potential of a US adversary; 2)if these restrictions were necessary to further US foreign policy; and 3)if they were necessary "to protect the domestic economy from the serious inflationary impact of foreign demand". [34] So, the President can restrict exports of any commodity for national security or foreign policy purposes.

On the other hand, the Act says that the President should not impose export controls for foreign policy or national security purposes if the goods were "available without restrictions from sources outside the United States in significant quantities and comparable in quality to those produced in the United States". But it

was the President who was to determine all these conditions. [35]

The Act also says that "the President in every possible instance shall consult with the Congress before imposing any export controls" and it presented six criteria for export controls application: the probability that the controls would achieve the intended foreign policy purpose; compatibility of the controls with foreign policy objectives; reaction of other countries; effects of the controls on US export performance and the competitive position of US companies; the ability of the United States to enforce the controls effectively; and foreign policy consequences of not imposing controls. [36] This gave the Congress the opportunity to interfere in the President's action and was the most important restriction of the President's freedom of action.

Consequently, the inheritance which Carter got when he came to the White House bound him only by one definite obligation: to supply the USSR with 6-8 mmt of grain annually. He had a free hand in export of technology. His administration inherited unsettled questions about lend-lease debt and the MFN regime. The credits to the Soviet Union depended on Carter and the Congress. A great deal in American-Soviet relations depended on Carter but here he did not have a definite or consistent position. His general attitude toward the Soviet Union one could define as "detente and human rights": an incompatible mixture. Carter seemed to understand this by the end of his presidency. The United States could pursue a policy of detente toward the USSR but in this

case it had to forget about human rights there (which the Soviets insisted on). Or it could fight for human rights in the USSR but in this case it had to reject detente.

b) Development of US-Soviet Trade and US Trade Policy Under the Carter Administration

Economic relations between the USA and the USSR during the Carter Administration went through a number of stages. After the Jackson-Vanik and Stevenson amendments were adopted the trade between the two countries continued to grow. This was a result of long-term agreements of American firms concluded before the amendments. The decline of the trade started only in 1977, the first year of the Carter Administration. In that year American imports from the Soviet Union slightly increased but exports plummeted from \$2.3 billion in 1976 to \$1.6 billion in 1977. It was the first decline in US-Soviet trade since 1972. The major reason for that was a good Soviet grain harvest in 1976 which allowed the USSR to cut short its imports of agricultural products. [37]

It also was the first attempt to force Americans to repeal the Jackson and Stevenson amendments. The Soviet Union reduced purchases in the USA and placed more orders in other countries. In the end of 1976 Brezhnev told American businessmen that between the end of 1974 and the end of 1976 up to \$2 billion in contracts were diverted to other countries. [38]

At the same time Moscow was conducting an energetic propaganda campaign against "discriminating trade legislation of the USA" which was the cause of Soviet diversion of the orders to other countries. The campaign was partially successful: the amendments were not repealed but the idea that such a situation ran counter to US national interests became more popular in the American public and business circles. Nevertheless, in 1977 the US was the Soviets third largest Western trading partner, behind West Germany and Japan.

The trade policy of the USA at this time was built up as a resultant of the controversy in the administration, Congress, and pressure of numerous interest groups and business.

Within the Administration, the principal exponent of the usefulness of economic warfare was Zbigniew Brzezinski, the president's National security adviser. Almost since the start of the Carter Administration he had argued that withholding of trade from the Soviet Union and other communist countries would cause them economic problems and weaken the Soviet Union as a strategic threat to the United States. He was aided by former Secretary of Energy James Schlesinger and sometimes by Department of Defense officials.

On the other hand, a no less powerful faction in the Administration headed by Secretary of State Vance, Commerce Secretary Kreps, and Treasury Secretary Blumenthal spoke out for widening detente and economic ties with the USSR.

The Congress, also sharply divided, was another major force affecting the President's decisions. It was in the way of any serious attempt to change the status quo. This meant, in the first place, that the Administration could not count on repealing the Jackson-Vanik amendment in the face of powerful opposition on the Hill.

The Congress was against any attempt to export high technology goods to the Soviet Union. In June 1977, 65 congressmen signed a letter to President Carter asking him to bar the sale of an advanced computer system to the Soviet Union. The Congressmen argued that the USSR might use it to strengthen itself militarily. "Soviet assurances that this computer will be used for peaceful purposes are unreliable at best, and there is no practical method of monitoring the uses to which the computer is put" - the letter said. The computer was manufactured by Control Data Corp. It was a "brain center" of the Pentagon, the Air Force, and the National Security Council. [39]

In the Administration Brzezinski and other hard-liners also were against the sale. As a result, the Commerce Department soon announced that it would not grant Control Data an export license to sell its advanced computer system to the Soviet Union. [40]

However, this action did not mean Carter's intention to curtail "technological reward" to the Soviets in exchange for political concession. In the beginning of his tenure in the White House he really intended to widen detente, develop economic and cultural relations with

Moscow and to use them as a factor to curb spreading Soviet power in the world and to strengthen human rights in the USSR.

This step was made only under the pressure of the Congress and a part of the Administration. But already in the next year (1978) Control Data announced that it had received a Department of Commerce license to provide special computer-based technology to the Soviet Union and Eastern Europe. [41]

In July 1977 an agreement between the United States and the Soviet government was concluded in the field of science and technology. And in December 1977 the United States and the Soviet Union extended until 1982 their four-year-old agreement on agricultural cooperation. The agreement provided for three visits of American experts to the USSR each year to gather data on Soviet harvests.

All this showed Carter's intention to expand cooperation and to continue selling high technology and grain to the Soviet Union in larger amounts than fixed by the trade accord of 1975. In October 1977 the USA revised the ceiling to permit Moscow to purchase up to 15 mmt of grain during the year October 1977 - September 1978 without first notifying the US Agricultural Department.

On the other hand, the policy of the Soviet Union showed that Soviet leaders were not going to make any concessions in exchange for the "technological and grain reward". Early in 1978 the Cuban intervention on Ethiopia's behalf in its war against Somalia and also Vietnam invasion of Cambodia took place. The Kremlin

stood behind these events.

In February 1978 the US State Department warned that US-Soviet relations would suffer if Soviet-sponsored intervention in the Horn of Africa continued. The State Department said: "The character of our general relations also depends upon restraint and constructive efforts to help resolve local conflicts, not a use of the "economic lever", at least not yet.

Economic relations continued as if nothing had happened and the theory of "rewards - punishments" was not approved as policy. In March 1978 Dow Chemical Company signed a ten-year technical cooperation agreement with the Soviet State Committee for Science and Technology. The company also increased its exports of agricultural chemicals to the USSR. A spokesman for Dow said that the agreement was in accordance with the accord between the United States and the Soviet government concluded in July 1977 in the field of science and technology. [43]

The Kremlin felt comfortable with the US policy of verbal protests and continued its previous policy ignoring American hopes of Soviet concessions for the economic rewards. In the Summer of 1978 Soviet dissidents Sharansky and Ginsburg were convicted. This was a challenge to Carter policy of mixing detente with a struggle for human rights in the Soviet Union. This time the President again chose detente. Speaking about the convictions on a TV news conference Carter said: "I'd like to have better relations with the Soviet Union and have expressed displeasure in a very moderate way". This

"very moderate way" characterized all Carter's responses to the Soviet policy until 1980. At the news conference he rejected the idea of boycotting the Olympic games in Moscow in 1980 as a protest against Soviet treatment of dissidents. The President said that the United States "cannot interfere in the internal affairs" of the Soviet Union. [44]

However, a little later the White House decided to forbid the sale of an advanced computer for TASS (Soviet news agency). The decision was made in retaliation for the sentences given to Sharansky and Ginzburg. In addition, Carter ordered all sales of US oil technology to be placed under administration review. This meant that future sales of oil-drilling equipment and technology would have to be licensed by the special interagency committee. Previously, it was subject only to routine Commerce Department clearance. [45] Exporters also would have to obtain guarantees from other countries that neither the equipment nor their products would be reexported to the Soviet Union. [46]

This first clash of the Carter Administration with Soviet leaders on the problem of human rights in the USSR demonstrated an incompatibility of detente and serious struggle for human rights, incompatibility of the principle of "nonintervention in the internal affairs" of the Soviet Union and the possibility of pressing the Kremlin on the human rights issue.

At the same time another event affecting the US trade policy took place. That was the arrest of Crawford. On June 12, 1978, Francis Crawford, a

representative of International Harvester Co. in Moscow, was stopped in his car by Soviet police who hauled him into their vehicle. 24 hours later the US Embassy was told that he was being held for "systematically selling large amounts of foreign currency to Soviet citizens at speculative prices". [47]

In September 1978 in a Moscow city court he received a 5-year suspended sentence. State Prosecutor Ilyukhin recommended a suspended sentence on the grounds that Crawford was a first offender, a stranger to the Soviet Union, and a businessman who had helped improve Soviet-American relations. He was allowed to leave the Soviet Union the next day and did so on September 8, 1978. International Harvester, which suspended dealings with the Soviet Union in July, resumed its sales to the USSR on September 11. It was widely speculated that his arrest was in retaliation for the arrest (May 20) in New Jersey of two Soviet citizens on charges of spying. [48] Although there is no direct evidence that this incident affected the US Administration policy, it is clear that an event like that spoiled general atmosphere of Soviet-American relations and gave additional argument against the cooperation with the Soviet Union into the hands of its opponents.

The events of the summer of 1978 gave a start to sharp debates in Washington over economic sanctions against the Soviet Union. As has been said, Carter put sales of oil-drilling technology under administration control. Following assessments of Soviet economy which were reflected in the CIA report of 1977 on economic prospects of the USSR, the President realized that the

Soviet energy sector was one of the critical links for Moscow and this probably could be used as a lever to restrain the Russians. However, his response to Soviet actions was cautious and moderate. When putting these sales under administration control, Carter at the same time approved the sale by Dresser Industries of a \$144 million plant for manufacturing oil drill bits. This pushed hard-liners in the Administration and the Congress to start a vigorous campaign against the approval.

On August 7, 1978, Senator Jackson wrote a letter to Carter urging him to deny Dresser Industries a license for its welding machine or at least to delay the decision. But on August 9 the Commerce Department approved it. Brzezinski asked Secretary of Commerce Kreps to delay the action but she refused, insisting that Carter personally had cleared the decision, as had both the Defense and Energy Departments. Then Schlesinger, who had close personal ties to Jackson and great influence with Carter on strategic matters, sent a strong memo to Carter, urging reconsideration. Brzezinski, meanwhile, asked Secretary of Defense Brown to take a second look at the situation. Brown called Dr. Eugene Fubini, head of the Defense Science Advisory Board, who turned to Bucy of Texas Instruments to put together a panel to review the issue. The panel submitted a report on August 25 that said that the United States should not export the drill bit technology. The report also said the computer electronic welding technology should not be approved for export. [49]

At the same time a powerful faction in the Congress contended that the United States was bolstering the economy and military might of the most dangerous potential enemy. However, the administration as well as the Congress was divided over the trade issue with the Soviet Union. Secretary of State Vance, Commerce Secretary Kreps, and Treasury Secretary Blumenthal argued for the trade and widening detente. They said that the USSR had made scant progress in narrowing the technological gap between two countries despite the growing infusion of Western know-how; that trade with the USSR helped to reduce the trade deficit; that the Western Europeans and Japanese would take more orders from American industry; that expanded economic relations strengthened detente. At the same time the Administration became a subject of intense pressure from some parts of American industry for an easing of restrictions. [50]

This controversy ended up with failure of the hard-liners. In September 1978 Carter reaffirmed the sale of sophisticated American oil technology. His decision ended a heated month-long argument over the plan by Dresser Industries to sell the plant to the Soviet Union. [51] At the same time the USSR bought 150 petroleum pipelayers and 112 bulldozers from the Caterpillar Tractor Co. [52] In October 1978 Control Data received a Commerce Department license to provide a computer-based technology to the Soviet Union. This was done in spite of the fact that in 1977 the Commerce Department had announced that it would not grant the license.

All this indicated a definite swing in the Administration's policy toward a broad liberalization of the trade with Moscow. However, it did not reduce pressure on the President. In October 1978, 60 prominent American businessmen demanded in an angry letter to Carter that the government issue a "public statement detailing the economic consequences" when it blocked exports for foreign policy reasons. Export controls were becoming "increasingly burdensome" - the business leaders said, citing the decisions barring the sale of computers to the Soviet Union and requiring licenses for the export of oil equipment. The letter was signed by General Motors Chairman Thomas Murphy, Exxon Corp. President Kauffman, Chase Manhattan Corp. Chairman David Rockefeller, and 57 others. [53]

Until the end of 1978, the Administration had scrupulously avoided any effort to move on the Jackson-Vanik amendment in the face of powerful opposition on the Hill. Now administration strategists thought the time had come to tackle the issue too. But the Administration had no intention of raising the issue until it got ratification of a new SALT treaty through the Senate. Senator Jackson was a principal critic of the treaty and no one wanted to antagonize him by raising the sensitive issue of Jackson-Vanik amendment before ratification. [54]

To improve chances of repeal of the amendment Carter sent Blumenthal and Kreps to Moscow. About 400 American businessmen visited Moscow together with them. They met with Soviet officials on the future of US-Soviet trade. Both sides spoke for widening trade relations, but

Brezhnev warned Americans that trade would decline if the US restrictions (including the Jackson-Vanik and Stevenson amendments) were not lifted. [55]

In 1978, trade between the United States and the Soviet Union increased by 50% over the previous year. However, it did not reach the level which existed before Carter came to the White House. The increase of 1978 was in agricultural exports to the Soviet Union, while non-agricultural exports showed even a slight decline of 4%. That year US grain exports to the USSR exceeded even the pre-Carter level. In 1976 the Soviet Union purchased 12 mmt of grain, in 1977 - 6 mmt, and in 1978 - 14 mmt. [56]

During these years (1978-1979) US-Soviet trade developed faster than the average rate if Soviet trade with developed non-communist countries. As a result, in 1979 the USA took second place after West Germany in Soviet trade with industrial West. [57] This did not bring a substantial improvement of the American trade balance though.

Meanwhile, there appeared new negative sideproducts of fast development of the trade. In the final days of 1978 67 Congressmen again warned Carter that the Kremlin used American technology to continue its massive buildup of strategic and conventional forces.

In August 1978 Armand Hammer, chairman of Occidental Petroleum Corp., presided over the opening of an ammonia storage plant near Odessa, the USSR. The plant was a part of the 20-year, \$20 billion fertilizer exchange deal with the Soviet Union. [58] But already in the summer of

1979, 13 American chemical companies and farm cooperatives started a struggle against Occidental Petroleum over importing anhydrous ammonia from the USSR. In July 1979 they complained that Soviet ammonia (by that time the second commodity of Soviet export to the USA after oil and oil products) was being sold in America at prices that in some cases were below US ammonia production costs. A number of domestic facilities were closed down in the industry. The agreement called for Oxy to market Soviet ammonia, urea, and potash. In return Oxy got a guaranteed market from Moscow for its superphosphoric acid. [59]

The United States uses about 17 mt of ammonia annually. In 1978, ammonia imports from the Soviet Union leaped from practically nothing to 300,000 tons, in 1979, - to 800,000. In 1980 they were expected to jump up to 1.2 mt. [60] The US International Trade Commission (ITC) recommended October 5, 1979, that President Carter impose a 3-year quota on imports of anhydrous ammonia from the Soviet Union. The ITC ruled that the imports from the USSR were disrupting the American market. [61] The problem was left unsolved until 1980 when actions were taken as a part of economic sanctions against Moscow.

In the fall of 1979 new testimony was presented about military application of American technology by the Soviets. Dr. Vorona, a Pentagon intelligence expert, testifying before the Senate Procurement Subcommittee in November 1979, said that the Soviet Union apparently had used US sophisticated machines to improve the accuracy of its largest and most deadly nuclear missile. He also said that an entire series of Soviet computers were based

of IBM-360 and IBM-370 computers.

At the same time the International Finance Subcommittee of the Senate Banking Committee heard testimony presented by Lawrence Brady, Deputy director of the Commerce Department's Office of Export Administration. He said that US technology exports were utilized by the military establishment of the USSR and increased its military capability. [62] His opponent, Stanley Marcuss, Acting Assistant Secretary of Commerce for industry and trade, speaking for continuation of technology exports to the Soviet Union did not deny that the Soviets used American technology for military purposes. [63]

In September 1979 the first Soviet forces (3 battalions) entered Afghanistan. They secured the key airfields of Begram and Kabul. [64] Meanwhile, the Carter Administration continued "business as usual" policy. In October federal officials gave permission for the Soviet Union to buy up to 25 mmt of wheat and corn in the next year (between October 1, 1979 and September 30, 1980). [65]

By and large, Carter's attitude toward trade with the Soviet Union was more liberal than that of the Nixon-Ford Administrations. The USA submitted the majority of exceptions requests to the COCOM list of controlled items since the mid-1970s. Starting from 1977 US exports of computers to the USSR was liberalized too. [66] At the same time Carter's trade policy toward the Soviet Union was extremely inconsistent. The President did not have a definite stance on the issue. His policy

hinged not on a certain set of principles but on the pressure exerted on him. Carter's general attitude "detente and struggle for human rights" was incompatible. That is why he changed his policy depending on the pressure. Besides, his Administration was sharply divided on the issue too.

On the other hand, the struggle in the Administration brought about the resignation of several advocates of expanding cooperation with the USSR. Commerce Secretary Kreps, Treasure Secretary Blumenthal, Secretary of State Vance, Deputy Assistant Secretary of Commerce for Trade Regulation Marcuss left the Administration at different times for different reasons. The Commerce Department was reorganized. This was the triumph of the view held by the National Security Council that trade with the Soviet Union could be used as a political weapon. [67] However, as further events demonstrated, this policy also failed to change Soviet behaviour.

When US Ambassador to the USSR, Thomas Watson, expressed concern early in December 1979, to Andrei Gromyko about reports of Soviet troop movements on the Afghanistan border the Soviet Foreign Minister stated: "The reports are wrong. We don't know what you're talking about". [68] Nevertheless, on December 17 (a week before the main forces invaded), Soviet airborne troops entered Afghanistan. [69] Sometime after mid-December, when the Soviet buildup on the Afghan border was evident, the White House raised the idea of a grain embargo with Secretary of Agriculture Bergland and Under Secretary Hathaway. This indicated that the

Administration did not have any contingency planning and that the Soviet intervention was a total surprise for it.

FOOTNOTES. CHAPTER III.

[1] Stanley Hoffmann, Primacy or World Order, (New York: McGraw-Hill, 1980), pp.45-46.

[2] U.V.Piskulov, "Torgovo-economicheskie otnoshenija SSSR s promyshlenno razvitymi capotalisticheskimi stranami", (Trade and economic relations of the USSR with developed capitalist countries), in V.A.Brykin, ed., Za materializatsiu razrjadki, (For materialization of detente), (Moscow: Mezhdunarodnye otnoshenija, 1980), p.111; U.S., Congress, Senate, Committee on Government Affairs, Soviet Energy Exports and Western European Energy Security, Hearing before the Subcommittee on Energy, Nuclear Proliferation, and Government Processes, 96th Cong., 2nd sess., 1981, p.46.

[3] U.S., Congress, Senate, Committee on Banking, Housing, and Urban Affairs, East-West Trade and Technology Transfer, Hearing before the Subcommittee on International Finance and Monetary Policy, 97th Cong., 1st sess., 1982, p.109.

[4] Walter Clemens, The USSR and Global Interdependence, (Washington: American Enterprise Institute, Public Policy Research, 1978), p.90.

[5] Piskulov, p.82.

[6] Shenaev, ed., Materializatsija razrjadki: ekonomicheskie aspekty, (Materialization of detente: economic aspects), (Moscow: Mysl, 1978), pp.260, 263.

[7] David Blake and Robert Walters, The Politics of Global Economic Relations, 2nd ed., (Englewood Cliffs, New Jersey: Prentice-Hall, 1983), p.183.

[8] For example, in 1979, the year before the Afghanistan sanctions, the US trade deficit was \$37.3 billion and the surplus of it with the Soviet Union was \$2.7 billion - U.S.Department of Commerce, US Foreign Trade Annual, 1973-1979, July 1980, pp.3,23,27; Daniel Park, Oil and Gas in Comecon Countries, (New York: Kogan Page Publishing Co., 1979), p.221.

[9] Facts on File, Yearbook, 1982, v.XLII, (new York: Facts on File, Inc., 1983), p.584; Western Europeans go beyond this. In connection with the difficulties with hard currency that the Soviet Union is experiencing, many in Europe insist that the West should give Moscow credits, even subsidized ones, in order to stimulate exports and thus produce jobs - Facts on File, 1982, p.417; U.S., Congress, Senate, Senator Pressler speaking on a US-Soviet grain agreement, 97th Cong., 2nd sess., 13 July 1982, Congressional Record, vol.128, No.89, p.S8081; Glen Smith, Soviet Foreign Trade, (New York: Praeger Publishers, 1973), p.301; Morris Bornstein and Daniel Fusfeld, ed., The Soviet Economy, 4th ed., (Homewood, Ill., R.D.Irwin, 1974), p.432; "Should Export Controls be a Political Weapon?", Business Week, 12 Sept. 1983, p.69.

[10] The USSR in the 1980s, Colloquium held 17-19 January 1978 in Brussels, NATO-Directorate of Economic Affairs, p.49; Blake and Walters, p.189; "Trying to outbluff Reagan in the pipeline poker game", Business

Week, 16 August 1982, p.42.

[11] Marshall Goldman, USSR in Crisis. The Failure of an Economic System, (New York: W.W.Norton and Co., 1983), p.44; Glen Smith, p.288; Franklyn Holzman, International Trade Under Communism, (New York: Basic Books, 1976), pp.163-164.

[12] Arthur Klinghoffer, The Soviet Union and International Oil Politics, (New York: Columbia University Press, 1977), p.269; Stanley Hoffmann, Primacy or World Order, (New York: MacGrow-Hill Book Co., 1980), p.46.

[13] Klinghoffer, p.293; "Should Export Controls be a Political Weapon?", Business Week, 12 Sept. 1983, p.69; the Trilateral Commission in the conclusion of "East-West Trade" in 1982 also came to the conclusion that Reagan's sanctions against the pipeline may slow down the pipeline construction but the more serious consequence was the dividing impact on the Western alliance - Christian Science Monitor, 7 Sept. 1982, pp.7-10.

[14] U.S., Congress, Senate, Committee on Agriculture, Nutrition, and Forestry, Soviet Bloc Debt and Financial Integrity of CCC. Hearings before the Committee, 97th Cong., 1st sess., 1982, p.7; Committee on Banking, Housing, and Urban Affairs, East-West Trade and Technology Transfer. Hearings before the Subcommittee on International Finance and Monetary Policy, 97th Cong., 1st sess., 1982, pp.47, 59; Committee on Banking, Housing and Urban Affairs, Proposed Trans-Siberian Natural Gas Pipeline. Hearings before the Committee, 96th Cong., 2nd

sess., 1981, pp.27, 73, 74; Committee on Governmental Affairs, Transfer of Technology to the Soviet Union and Eastern Europe, Hearings before the Permanent Subcommittee on Investigations, 92nd Cong., 1st sess., 1977, Part 2, p.4; U.S., Congress, Joint Economic Committee, Allocation of Resources in the Soviet Union and China - 1982, Hearings before the Subcommittee on International Trade, Finance, and Security Economics, 97th Cong., 2nd sess., 1982, Part 8, p.70; "Technology Transfer: a Policy Nightmare", Business Week, 14 April 1983, p.94.

[15] Proposed Trans-Siberian Natural Gas Pipeline, Hearings, p. 67; East-West Trade and Technology Transfer, Hearings, p. 57; "Should Export Controls Be A Political Weapon?", Business Week, 12 September 1983, pps. 68-69; Wall Street Journal, 13 October 1980, p. 23; Christian Science Monitor, 7 December 1982, p. 7.

[16] Walter Clemens, The USSR and Global Interdependence, (Washington: American Enterprise Institute for Public Policy Research, 1978), pp.87-88.

[17] Holzman, p.126; Clemens, p.98; Wall Street Journal, 13 Oct. 1980, p.23; Proposed Trans-Siberian Natural Gas Pipeline, Hearings, pp.58-62.

[18] William Turpin, Soviet Foreign Trade: Purpose and Performance, (Lexington, Mass.: Lexington Books, 1977), p.133; U.S., Congress, Senate, Committee on Governmental Affairs, The Rising Soviet and East European Debt to the West, Selected Comments prepared for Permanent Subcommittee on Investigation, 92nd Cong., 1st sess., 1977. pp.13-14; Soviet Bloc Debt and Financial

Integrity of the CCC, Hearings, p.3, Senator Kasten (Wisc.) said at the Hearings: "The inference is incredible - that we must continue to prop up the military government of Poland and the rest of East Europe in order to save our financial system"; Clemens, p.19; Fred Bergsten and Theodore Moran, American Multinationals and American Interests, (Washington: Brookings Institution, 1978), p.446; Soviet Bloc Debt and Financial Integrity of the CCC, Hearings, p.7; East-West Trade and Technology Transfer, Hearings, pp.14, 19.

[19] U.S., Congress, Senate, Committee on Governmental Affairs, Soviet Energy Exports and Western European Energy Security, Hearings before the Subcommittee on Energy, Nuclear Proliferation, and Government Processes, 96th Cong., 2nd sess., 1981, p.1; Proposed Trans-Siberian Natural Gas Pipeline, Hearings, p.120; Klinghoffer, pp.177, 217, 193.

[20] Daniel Yergin, "Politics and Soviet-American Trade: The Three Questions", Foreign Affairs, (April 1977), p.536.

[21] Congressional Record, 18 March 1980, p.S2558.

[22] E.S.Shenaev, ed., SSSR-SShA: Ekonomicheskie otnoshenia, (The USSR-USA: Economic Relations), (Moscow: Nauka, 1976), p.279.

[23] US News and World Report, 6 October 1980, p.76.

[24] Fact on File, 1979, p.802.

[25] Fortune, 7 April 1980.

[26] Michael Tatu, "US-Soviet Relations: A Turning Point?", Foreign Affairs, vol.61, No.3, 1984, p.601.

[27] U.S., Congress, Senate, Committee on Banking, Housing, and Urban Affairs, Trade and Technology, Hearings before the Subcommittee on International Finance, 96th Cong., 1st sess., 1979, pp.59, 60, 61.

[28] Bergsten and Moran, pp.444, 445, 446.

[29] Congressional Record, 18 March 1980, p.S2558.

[30] Foreign Affairs, April 1977, p.532.

[31] Foreign Affairs, Fall 1980.

[32] See the full text of the Act in US Code, Congressional and Administrative News, 1979, 96th Cong., 1st sess., vol.1, (St.Paul, Minn.: West Publishing Co., 1980), pp.93 stat. 503-93 stat. 536.

[33] Ibid., p.93 stat. 503.

[34] Ibid., p.93 stat. 504.

[35] Ibid., p.93 stat. 506.

[36] Ibid., p.93 stat. 514.

[37] Facts on File, 1978, p.229.

[38] Yergin, p.518.

[39] Facts on File, 1977, p.469.

- [40] Ibid., p.501.
- [41] Facts on File, 1978, p.841.
- [42] The New York Times, 26 February 1978, p.1.
- [43] The New York Times, 1 March 1978, p.D9.
- [44] Facts on File, 1978, p.549.
- [45] "The Rising Sentiments Against Sales to Russia", Business Week, 11 September 1978, p.60.
- [46] Facts on File, 1978, p.634.
- [47] "Moscow's Uneasy Americans", Business Week, 3 July 1978, p.25.
- [48] "And Now, Signs of a Thaw", Newsweek, 18 September 1978, p.48; Facts on File, 1978, p.742.
- [49] "The Rising Sentiments Against Sales to Russia", Business Week, 11 September 1978, p.60.
- [50] The Washington Post, 20 November 1978.
- [51] "Trade as a Weapon", Newsweek, 18 September 1978, p.53; Facts on File, 1978, p.743.
- [52] Facts on File, 1978, p.821.
- [53] Ibid., p.804.
- [54] "Gunning for Jackson-Vanik", Business Week, 27 November 1978, p.155.
- [55] Facts on File, 1978, p.966.

- [56] Vneshnjaja Torgovlja SSSR, 1977, 1978, 1979.
- [57] The New York Times, 27 March 1980.
- [58] Facts on File, 1978, p.670.
- [59] "A fight over ammonia raises a pungent issue", Business Week, 30 July 1979, p.34.
- [60] Ibid.
- [61] Facts on File, 1979, p.802.
- [62] Trade and Technology, Hearings, pp.76, 79.
- [63] Ibid., pp.60, 61.
- [64] John Griffiths, Afghanistan: Key to a Continent, (Boulder, Colorado: Westview Press, 1981), p.188.
- [65] U.S., Congress, House of Representatives, Committee on Foreign Affairs, An Assessment of the Afghanistan Sanctions: Implications for Trade and Diplomacy in the 1980s, Report for the Subcommittee on Europe and Middle East, 96th Cong., 1st sess., 1981, p.24.
- [66] Ibid., pp.66-67.
- [67] The New York Times, 16 January 1980, p.D1.
- [68] Joseph Nogee and Robert Donaldson, Soviet Foreign Policy Since World War II, (New York: Pergamon Press, 1981), p.280.

[69] Griffiths, p.189.

C H A P T E R I V

COLLISION

1. Soviet Intervention in Afghanistan

The Soviet takeover of Afghanistan was not a sudden unexpected action. It was a long-term, cautious, and gradual process during which Afghanistan was drawn into the Soviet sphere of influence. Before the coup of 1978 some 1300 Soviet technicians were in Afghanistan. The Soviet Union supplied the country with military assistance and weapons as well as economic aid. With the overthrow of Daoud in 1978, four times as many Soviet military and technical advisers were sent to Afghanistan. Although there is no evidence of direct Soviet involvement in the 1978 coup, it is clear that Daoud's post-1976 tilt toward the West disturbed the Soviets and that they supported the coup once it was accomplished.[1]

After the coup of April 1978 when Taraki came to power, Moscow suggested to him that he insure his regime against counter-revolution by entering, in December 1978, into the kind of defence treaty which had enabled the Soviet Union to secure unpopular regimes by military force elsewhere. [2] Meanwhile, the scale of popular struggle against the regime was constantly increasing. In March 1979 Amin replaced Taraki as Prime Minister but Taraki remained titular head of the state. However, Amin's extremely cruel regime could not cope with mass resistance either. The uprisings spread all over the country. In the summer of 1979 the Soviets had an option

either to lose a friendly communist regime on their border or to intervene. [3]

In September 1979, the first Soviet forces (3 battalions) entered Afghanistan. On December 17, 1979, seven Airborne divisions (a division equals 3 regiments of 3 battalions each containing 4-5 hundred men) occupied certain positions in Afghanistan. These are the best trained, paid and equipped troops in the Soviet Union. The Airborne divisions do not come under any army command but answer directly to the Politburo. In the end of December the main army invaded. On December 27, 1979, Amin was ousted, executed, and replaced by former Deputy Premier Karmal. By the end of December, 1979, the Soviet troops had occupied all the key towns, airfields, and highways. [4]

By this action the Kremlin made a new precedent: from now on the Soviet Union could intervene overtly not only into any country of the socialist camp in order to prevent its transition from the Soviet to Western sphere (as, for example, in Czechoslovakia in 1968) but also it could invade a Third World country which had been in the Soviet sphere of influence. Thus, the Brezhnev doctrine "you do not abandon a communist regime" was expanded to the Third World countries which proclaimed the "building of socialism" or at least to peripheral countries deemed vital to Soviet security. By this act the Soviets wanted to make certain that any territory which at any time has come under communist rule remains so. But at the same time Moscow reserved the right for itself to undermine any pro-Western regime (to support "anti-imperialist wars of liberation"). In other words, the Soviet stance meant

that whatever changes occurred in the world map could affect only the holdings of the Western map. [5]

2.The Sanctions of 1980

On December 28, 1979, President Carter said that as a result of the Soviet push into Afghanistan his opinion of Russians had changed more dramatically during one week than during the previous two and a half years. [6] The Soviet invasion apparently was unexpected to him. There was no contingency planning on this occasion. The sanctions were devised between the invasion and Carter's January 4, 1980, speech. [7] American response was delayed and later was elaborated over the course of several months.

It would be wrong to say that the Carter Administration did nothing in response to the Soviet gradual takeover of Afghanistan before 1980. Its response was covert actions against Soviet covert actions. But the popular resistance to socialist experiments which were accompanied by extreme cruelty apparently was the foundation of the uprisings in Afghanistan. Unwilling to spoil detente Carter paid little attention, at least openly, to the Soviet takeover. He did not warn Moscow against possible intervention in Afghanistan as Moscow warned the West against possible intervention in Iran. [8] At the same time American concern about Soviet military activity on the Afghan border expressed by US Ambassador Watson early in December 1979 and the discussion of a possible grain embargo in case of Soviet invasion with Secretary of Agriculture in late December indicate that the President

had information on the Soviet preparation for the invasion.

Confronted with the Soviet action Carter had a number of options. In the briefing for members of Congress in January 1980, Carter said that the Administration had three types of options: military, political, and economic actions. [9]

"Rules of the game" restrain American and Soviet leaders from using their military forces directly against each other. So, if the Soviet Union intervened in Afghanistan the United States could not use its military forces there against Russians. It was possible, however, to use military forces of American proxies (Pakistan or others). This could cause, though, Soviet intervention in Pakistan. Another possibility was to provide Afghan guerrillas with American weapons, including missiles (as the Soviets provided Vietnamese guerrillas). This provision could be done through US proxies. But the military option was ruled out because Carter was against it.

The political option referred to US efforts in the UN - condemnation of the Soviet Union by the General Assembly and mobilizing world public opinion against the Soviet action. This was the least dangerous in terms of disrupting international stability but at the same time the least effective and the most dangerous for Carter politically as he had already gained the reputation of a weak president.

Under these circumstances, the economic option was the most attractive and feasible for him. The emphasis was put on a grain embargo. Here the American position was the strongest. The USA supplies 40% of all the wheat traded internationally, 75% of corn, and 80% of soybeans. [10] So, the United States was a major force in the world grain trade. However, from the beginning Carter declared that he never believed that the restrictions on grain exports and UN resolution would cause the Soviets to withdraw from Afghanistan. [11]

On January 4, 1980, Carter announced a sharp curtailment of US grain sales to the Soviet Union and other measures in retaliation for the Soviet invasion. The measures announced were:

1) 17 mmt of grain ordered by Moscow were not to be delivered. Exempt were 8 mmt the United States delivered in 1980 under the terms of the 1975 grain agreement. Regulations requiring validated licenses for the exports of agricultural commodities to the Soviet Union went into effect on January 7, 1980. By this date about 5.5 mmt of grain had either been shipped or loaded in preparation for export, leaving some 2.5 mmt to bring total exports up to the 8 mmt. [12]

2) The sales of high technology equipment were suspended until further notice. Among the items were advanced computers and oil-drilling equipment. There were two types of licenses for high technology commodities: validated - for more sophisticated technology, and general - for less sophisticated. On January 4, Carter did not ban exports of less advanced

goods exported under general licenses. Export of technology under the validated licenses was suspended and later resumed but under tighter licensing criteria than before. Annual high tech exports under validated licenses ranged from \$258 million to \$183 million in 1975-1979. As a result of the sanctions they were expected to drop to around \$50 million in 1980 instead of \$200 million as predicted before. In effect, they were higher. During the first nine months of 1980 they totaled \$74.2 million, though this was considerably lower than the level for the same period of 1979 (\$155.4 million). [13] On January 8, Carter formally directed the Secretary of Commerce Klutznick to begin a review of US policy on exports of high technology to the USSR and to suspend the issuance of new validated licenses until the review was completed. The next day he instructed Klutznick to suspend previously issued validated licenses and to bar their shipments, again, pending completion of the review. [14]

3) Soviet fishing privileges in American waters were curtailed, depriving the Soviet Union of 350,000 tons of fish in 1980. On January 8, 1980, the United States restricted the Soviet allocation for catches within the US 200 mile Fishing Conservation Zone from a possible 432,000 tons to 75,000 tons. This was not a violation of the 1976 Fishing agreement with the USSR. The permit to catch 75,000 tons of fish in 1980 had been issued already and Soviet fishing vessels had begun operations off Alaska. The Administration decided not to reduce this catch. Thus, the Administration's handling of the restrictions on Soviet fishing rights was similar to its

approach to grain exports in which the basic agreement was not scuttled, although the amount supplied was reduced. [15]

4)The opening of new American and Soviet consular facilities were delayed indefinitely and any new cultural and economic exchanges were deferred. By this step the Administration curtailed the scientific and technological exchange programs established by eleven agreements during the 1972-1974 period. These agreements envisaged cooperation in the following fields: the environment, medicine and public health, space, science and technology, agriculture, oceanography, energy, transportation, atomic energy, artificial heart research, and housing and construction. As a result of the sanctions, activities within the framework of the agreements were three times less than in 1979. [16]

5)Boycott of the 1980 Summer Olympics in Moscow. Actually, the final decision to boycott the Summer Olympic games came later. On January 4, 1980, Carter only warned that the United States might not participate. On January 20, in a TV appearance he set a one-month deadline for the Soviet Union to withdraw from Afghanistan. Only after the deadline, on February 20, was the boycott decision taken. On the other hand, according to the Olympic Charter, it was not the US government but the US Olympic Committee who could take the boycott decision. The House of Delegates of the US Olympic Committee voted for the boycott only in April 1980. [17]

After the invasion of Afghanistan Carter also made a number of political decisions contradicting the previous policy of detente. On January 2, 1980, he asked the Senate to delay indefinitely consideration of the SALT II Treaty and recalled US Ambassador Watson from Moscow for consultation. On January 23, in the State-of-the-Union message to the Congress he warned that the United States would use military force to repel an attack on the Persian Gulf. In addition, the Soviet intervention accelerated the US-Chinese accommodation which particularly irritated the Kremlin. On January 6, 1980, Defense Secretary Brown visiting Peking, called for "complementary actions" between the United States and China to counter Soviet expansion. [18]

Thus, together with political measures, President Carter decided to apply the economic weapon in response to the USSR's expansion. But the weapon was used only half-way. While the Soviet leaders were breaking all norms and agreements having occupied an independent and weak country, Carter decided to fulfill all contractual obligations. In September 1980, the Bulletin of the US Department of State said that the administration had deliberately avoided sweeping measures such as a total trade embargo. "We wish to leave the door open for rebuilding our economic relations if the Soviet Union withdraws from Afghanistan" - said the Bulletin. The explanation for the Administration's response was rather unconvincing since when declaring the sanctions, Carter said that he did not expect the Soviet Union to withdraw from Afghanistan. What was the point of "leaving the door open" if it was clear from the beginning that the

USSR would not withdraw? Besides, why was it not possible "to rebuild our economic relations if the Soviet Union withdraws from Afghanistan" after a total trade embargo?

In the proclaimed American response nothing was said about cessation of agricultural and technological deliveries to the Soviet satellites. Trade with Eastern Europe went on. There was only a warning not to divert US exports to the Soviet Union. But some observers were skeptical about Eastern Europe's willingness or ability to insure that no diversion of embargoed US technology or grain occurred. Warsaw Pact countries were planning, prior to the embargo, to import about 16 mmt of grain in 1980. In the months following the embargo, that import total grew to more than 18 mmt, despite the year's vastly improved East European harvest prospects. [19] On the other hand, Carter Administration officials insisted that the leakage was "minimal" or "modest". [20] Still, there remained the question of whether CMEA countries were, in fact, separable from the Soviet Union.

The measures did not envisage cessation of scientific and cultural exchanges with the USSR. It was said that only new exchanges were deferred. Meanwhile, there were numerous indications of the inadequateness of such exchanges. In spite of the fact that official actions were not taken, by the Summer of 1980 scientific exchanges dropped by 80%. Student exchanges continued.[21]

Industrial imports from the Soviet Union were not stopped. These imports were minimal but they gave Moscow badly needed hard currency.

These measures were considered as temporary from the beginning. Cessation of the sales but not suspension of them was discussed. All sanctions reflected the Administration's willingness to preserve previous agreements with the Kremlin and to keep open the option for restoring activity to a higher level if the political situation improved.

The first weeks of 1980 were marked by numerous articles in the American press: the sanctions must be long, we should not repeat 1968 when after several months after the Soviet invasion of Czechoslovakia, the West resumed normal relations with the USSR. In unison, in the mid-January 1980, Carter declared that normal trade would not soon be resumed with the Soviet Union. [22] In September 1980 the Bulletin of the US Department of State said the grain embargo would continue as long as the Soviet Union continued its aggression against Afghanistan. However, Carter later began to soften gradually the position taken in January 1980.

Before examining further American policy two questions should be answered: why did Carter react to the Soviet action this way? and what were the aims of the sanctions? The reasons for the President's reaction to the Soviet intervention can be considered from three points of view: 1) action of the President as a rational actor; 2) action as a result of political pressures on the President; and 3) action as a result of personal stress.

From the first point of view, Carter's concern that the Soviet invasion, if not reacted to, might serve as a pattern for future Third World ventures led him to impose the economic sanctions. [23] Carter also was afraid that the Soviet invasion of Afghanistan was only the beginning of a greater invasion of the Middle East and taking control of the Middle East oil. This could put the choice war and nuclear holocaust or capitulation before the West. In his Address to the Nation in January 4, 1980, the President said that the invasion was "a stepping-stone to possible control over much of the world's oil supplies".

In addition, the Soviets broke the rules of the game: they used their forces directly in a neutral sphere and demonstrated an extraordinary cynicism. Such a policy had to be met by decisive measures. The most decisive (short of war) were broad economic sanctions even if the President did not believe in their effectiveness.

At the same time, Carter had been under constant political pressure on the part of hardliners in his Administration and the Congress even before the Soviet intervention. In order to preserve detente he tried hard to react softly to previous Soviet actions, including gradual takeover of Afghanistan. But the negative feedback the policy had received before the intervention gradually built up and the decisive Soviet action became a pretext for abandoning it.

In previous years Carter had earned the reputation of a weak president. Now he wanted to demonstrate his decisiveness. It was the same factor that pushed Kennedy to act decisively during the Cuban missile crisis in 1962. In order to gain maximum support for his policy in the country, the Congress, and in the world, Carter created a crisis situation by playing up the significance of the Soviet action. He called the intervention "the greatest threat to peace since the World War II". [24] Being the leader of a popular stance against the Soviet Union could improve his political position before the presidential elections.

At the time when he was working out the response to the Soviet intervention Carter was under pressure trying to solve other important problems: the hostage crisis, inflation, unemployment, the energy crisis, low level of popularity before the presidential elections, etc. All three points of view taken together can give an explanation of why the President reacted to the Soviet invasion this way.

Economic sanctions have been widely used in international relations for political purposes. Usually they aim at making a country change its policy by punishing it economically for adversary action (aggression against another country, persecution of opposition, support of a hostile nation like in the case of the Arab oil embargoes, etc.). When the wide economic cooperation with the Soviet Union was just starting, the possibility to affect Moscow's policy by giving it rewards or punishing it economically was one of the decisive factors which convinced the American government

to promote the trade.

Economic sanctions can also aim at reducing an adversary's national power in the struggle for power in international relations. This calls for a long-term denial of strategic materials, goods, or important technology. The American economic policy toward the Soviet Union during the Cold War might be an example of such a policy. The sanctions of this type necessitate a change in overall trade policy. In time they stop being sanctions and become a new economic policy.

The American economic sanctions against the Soviet Union in 1980 were neither of the first nor the second type. Often members of the Carter Administration underlined that the sanctions were not intended to reflect a change in overall US trade policy. [25]

Some members of the Administration suggested that the aim of the sanctions of 1980 was to induce a change of Soviet policy, namely a Soviet withdrawal from Afghanistan. Deane Hinton, Assistant Secretary for Economic and Business Affairs of the Department of State, for example, said that the purpose of the sanctions was to impose a heavy price on Soviet aggression in order to hasten Soviet withdrawal from Afghanistan and to deter similar actions elsewhere. That is why the Administration intended that the sanctions would remain in force until Soviet troops were fully withdrawn. [26]

Contradictorily to this Carter said that he did not believe the sanctions would cause the Soviet Union to withdraw from Afghanistan. [27] The grain embargo was not expected to induce a Soviet withdrawal, but was

intended to inflict damage on the Soviet feed grain - livestock complex. Carter said that the intent was not to starve Soviet citizens but to deny them a planned improvement in their diet. [28]

Finally, the aim was clarified as sending a message, in other words, expressing American dissatisfaction with the Soviet aggression in a situation when it was not possible to change Soviet policy. The sanctions were a clear signal of the importance attached by the United States to the Soviet action. They were also intended to make the Soviet Union pay a price for the aggression so that to deter it from further actions of this kind. At the same time, the US Administration took care not to abrogate the formal agreements with the Soviet Union, not to destroy the framework of East-West relations. [29] The question of how high the price for the aggression was and to what extent the Soviets were deterred from further actions will be considered in the parts on economic and political effects of the sanctions. The point to be made here is that initially the American side considered economic cooperation as a lever which could be applied in order to manipulate Soviet policy. But when the time for the application came, the US Administration did not find itself in the position to change the Kremlin's policy and the goal of the sanctions was much more moderate and vague.

The idea of the economic sanctions and particularly the grain embargo gained support in the USA in early 1980. On January 6, The New York Times wrote that "in nonfarm states the measures are presumed to be popular". The farmers backed Carter on the embargo too. The

Congressmen from farmers' states who polled their constituency on the issue reported that. [30] In January 1980 Carter won a two-to-one margin of victory in the Iowa Democratic Party caucuses.

Acting on its own, the International Longshoremen's Association directed its members to stop handling Soviet ships and cargoes in ports from Maine to Texas and in Puerto Rico. All this showed support which was given to the sanctions and the will of common people to follow the adopted course even more decisively than it was being done by the Carter Administration.

At the same time, Carter, experiencing pressure from opposite forces in the Administration, was afraid of using excessively hard measures. The Administration stood up to criticism of the position of the International Longshoremen's Association. Soon Longshoremen, responding to a federal court order, loaded American grain on a vessel headed for the Soviet Union. [31] The grain involved was not covered by the sanctions.

In preceding years as well as in 1980 the Carter Administration was split between advocates and opponents of wide economic cooperation with the USSR. After the occupation of Afghanistan, a number of advocates of trade were replaced by persons who stood for "punishment" of Moscow. They considered the sanctions as temporary measures, believing that after an appropriate punishment a gradual restoration of previous relations would take place. Such a punishment would prevent the Kremlin in the future from resorting to the policy of expansionism. Carter held about the same stance. This was shown by his

speeches and by the fact that the advocates of trade were replaced not by hard-liners but by people who stood only for temporary punishment of the USSR.

The Commerce Department had argued strongly against restrictions for political purposes. On January 9, 1980, a new Secretary of Commerce, Philip Klutznik, who supported the policy of "punishment" was appointed. He said that he would like to see the trade with the Soviet Union resumed. Treasury Secretary Blumenthal was replaced by William Miller. Secretary of State Vance said on January 12, "We are not planning at this point to take any other measures [against the Soviet Union]". [32] But in May 1980, he also resigned and was replaced by another advocate of "punishment", Muskie. On the grain embargo Muskie said: "That is a tough policy toward the Soviet Union. It may not deter them or cause them to reverse their course, but it's going to hurt them with an impact, I'm sure, on their future policies". [33]

So, after Afghanistan a transformation took place in the policy of the Carter Administration toward the USSR not from detente to a breaking off, but from detente to "punishment", that is to say to a temporary suspension of detente.

Besides this main line of the new policy of the Carter Administration two others took place. On the one hand, advocates of breaking off economic relations with the USSR (Brzezinski, Warren Christopher, Deputy Secretary of State, officials of the Defense Department) argued that the United States should try to deny the

Soviets not only items of potential military value but also anything that could significantly improve Soviet economic efficiency and growth.

On the other hand, the advocates of the policy "business as usual" (some officials at the State and Commerce Departments) were against the economic measures, pointing out the damage which the USA would suffer and the possibility for the Soviet Union to buy goods in other countries. Gradually, the latter trend became stronger and the advocates of "punishment" began to speak for the policy "business as usual". This was due, partially, to the change of mood in the country and partially to the fact that the Democratic Administration had very few true hard-liners.

The Congress, voicing interests of different groups in the USA, also was an interlacing of different biases. In 1980 about 30 bills and resolutions on questions relating to US-Soviet economic relations were offered in the Congress, let alone the numerous debates and speeches. Generalizing this material one can distinguish the following trends in the Congress.

For rescinding the grain embargo.

For the sanctions but at the same time for rendering more assistance to American farmers.

For the grain embargo and other sanctions against the USSR.

For different measures aimed at making the trade restrictions more effective.

For using economic sanctions against the countries which did not cooperate with the USA in its attempt to affect Soviet policy.

For a total trade embargo and abandoning detente.

For banning exports of fertilizers to the Soviet Union.

For banning import of Soviet industrial goods.

For cessation of scientific exchanges with the Soviet Union.

Some congressmen supported several initiatives. Such a pluralism of responses reflected different and often contradictory interests of certain areas and sectors of American population.

The debates over the grain embargo began right after it was imposed. As one could expect, they were initiated by representatives of farm states. In January 1980, Congressman Leach (Iowa) offered a resolution (H.Con.Res.237) disapproving the decision to embargo grain sales to the USSR. Senator Dole (Kansas) also was against the embargo from the beginning. Later he was a leader in attempts to achieve its lifting.

However, the Congress as a whole supported the idea of economic sanctions against the Soviet Union. The farmers in the beginning supported the measures too. Many of their representatives in the Congress did not speak against the sanctions. In the beginning they just

sought to make the measures less harmful for the farmers. They put forward certain proposals (loans, isolation of embargoed grains, establishment of land diversion payment program, purchase and distribution of food to assist other nations, etc.). The congressmen from the agricultural states offered to prohibit exports of fertilizers to the Soviet Union because it was profitable for farmers as it led to a decline in prices for fertilizers in the USA which in turn could reduce production cost for the farmers.

An active struggle against the grain embargo began in June 1980, after USDA gave US grain companies permission to sell non-American origin grain to the Soviet Union. Department of Agriculture notified Cargill Grain Co. that the Administration was lifting its request that US companies keep their foreign affiliates from trading grain to the Soviet Union. [34] This flared up emotions at the Hill and led to introduction of several bills demanding the embargo be lifted.

On the 20th of June, 1980, Senator Dole offered a bill (S2855) to rescind the agricultural commodity export embargo to the Soviet Union. The same day two similar bills were submitted in the House of Representatives (H.R.7635 - Harkin from Iowa and H.R.7632 - by Abdnor from S.Dakota). Thus, the Administration's gradual and silent cancellation of the stated program led to the demands for its immediate and complete cancellation.

However, at that time the opponents of the embargo did not have a majority in the Congress. Undoubtedly, they influenced the decisions of the Administration but

failed to achieve the rescinding of the embargo. In the Summer of 1980, a bad harvest in the world became known. The opportunity to increase exports of grain to other countries appeared. A trade grain agreement with China was concluded. All this suspended the hot debates in the Congress.

The position of the Congress in 1980 on the issue allows these conclusions: The majority of the Congress was in favor of the sanctions against the USSR and the Congress was more decisive on the issue than the Carter Administration.

The Congress opposed the grain embargo but not other elements of the program of January 4. The opposition to the grain embargo was not for the sake of saving detente (which many in the country and the Administration favored) but for improving the situation of the farmers. Carter could have received the support of the Congress if he had made greater steps to improve the farmers' situation at the expense of tax-payers. In this case he could even have increased sanctions against the USSR.

The measures against the Soviet Union in 1980 were the continuation of the struggle on the issue in the Administration and the Congress as well as all over the country. In their turn the measures caused new debates. Hundreds of articles and statements reflecting different positions have been published. Leading the campaign for tough licensing rules against the Soviet Union was organized labor. [35]

Early in 1980 most farmers' organizations, including The American Farm Bureau, supported the sanctions too. But in the Spring they began to withdraw their support for the embargo. The sanctions were considered to be a temporary step. That is why the American farmers were worrying that a decline in Soviet cattle herds would mean less need for US grain even after the embargo was lifted. [36]

On the other hand, most businessmen dealing with the USSR expressed the belief that, as in the past, a gradual return to trade would occur. The majority of them thought that unless the Administration was successful in obtaining each of the US industrial allies' cooperation in carrying out these sanctions, US efforts would not be successful. [37] When in the Spring of 1980, it became obvious that the allies did not follow the USA but, on the contrary, took advantage of the situation, the criticism of the sanctions in the United States increased too. Since the measures were considered as provisional the firms selling technology were worrying that in the future it would be difficult to restore normal relations with the Soviet Union. [38]

Thus, the indecisiveness of Carter who considered the sanctions not as a transition to a new policy but as temporary "punishment" contributed to instability in American business because his policies were hurting the country's economy.

The American companies leading in Soviet business were the most resolute opponents of the sanctions. Among these companies was Occidental Petroleum which exchanged

superphosphoric acid for Soviet chemicals, built chemical storage facilities and ammonia pipeline. Occidental chairman Armand Hammer fought against the Jackson-Vanik amendment though the amendment did not touch his business. The threat to him was more general - that spoiling relations with the USSR would spoil the atmosphere in which his Soviet business was flowering.[39]

The history of the economic sanctions against the USSR is a history of their gradual lifting. It was easy to do because the program of January 4 was not concrete (except the point of the grain embargo).

Three main questions were the subject of hot debates in the Administration in 1980: 1)the policy in the sphere of high technology sales to the Soviet Union, 2)export of American phosphates and import of Soviet ammonia, 3)export of oil drilling equipment and technology.

In the high technology sphere the US government, on January 9, suspended all exports of sophisticated technology and machinery to the Soviet Union. The action suspended all existed licenses and froze all shipments under contracts. The suspension was to remain in effect from 4 to 6 weeks, pending the administration review of its overall policy on exports to the USSR. [40]

On January 11, the Commerce Department announced that it had refused to issue export licenses to the USSR. It included computing systems, seismic data processing equipment, etc. [41]

On January 21, the Commerce Department canceled two licenses for exporting spare computer parts to the Soviet Union. The parts had been destined for the Kama River truck plant which was accused of manufacturing trucks for the Soviet army. [42]

In order to reduce the leakage of the technology used by the USSR for military purposes the Commerce Department began an investigation of illegal sales of technology to Moscow since 1978. It turned out that in a number of cases US manufacturers had deliberately violated export controls on equipment considered militarily significant. The goods were routed to the Soviet Union through dummy companies in other countries or were sent out of the United States without the required licenses. [43] In other cases the Soviets used legally bought American technology for military purposes.

As a result of the investigation Carter came to the conclusion that the best real way to preclude Soviet usage of American technology for military purposes was imposing an embargo on sales of any kind of high technology equipment to the Soviet Union regardless of its intended purpose. Such a step was made by the Administration as a temporary measure. [44]

In March 1980, the results of a review of new policy on high technology exports became known (on January 9 there was only a suspension of exports until the new policy would be accepted). On March 18 the Commerce Department announced that it would tighten controls on American exports of high technology products, a move that ended weeks of intense debate within the Administration.

[45] By that day Carter suspended about 700 export licenses that allowed American companies to ship advanced equipment to the Soviet Union. [46]

Another question related to the agreement of the Occidental Petroleum with the Soviet Union. The Soviets were to ship annually 440,000 tons of ammonia till 1979 and 1.5 million tons annually for the period 1980-1997. [47] In exchange the United States delivered to the USSR phosphates which was the biggest non-crop item exported to the USSR from America. [48]

According to the USDA, the soil in many Soviet agricultural areas is deficient in phosphorus, and phosphatic fertilizers promote rapid plant growth and early maturation. Since the growing season is short in many areas of Russia, the use of phosphatic fertilizers was important. [49] With extensive US financial support, including Export-Import Bank loans, American phosphates had become the basis of the fertilizer industry in the Soviet Union. In 1979 American exports of phosphates to Russia totaled \$97 million, in 1980, it had been projected at \$400 million. Short-run impact of a phosphate embargo against the Soviet Union could be minimal but the longer-run impact on Soviet fertilizer production could become severe. [50]

The issue had been hotly debated in the Carter Administration for two months after the Soviet invasion of Afghanistan. Brzezinski and Agriculture Secretary Bergland wanted a complete ban on fertilizer trade with Moscow. Officials at the State, Commerce, and Treasure Departments and Oxi were against the ban. They had

contended that the ban would cause more harm to the United States than to the Soviet Union because the latter could find trading partners elsewhere. [51] Besides, the Soviets could refuse to repay the credits extended by the Export-Import Bank and private banks in 1974 for the project. [52]

On the other hand, US production of the superphosphoric acid accounted for about 90% of world capacity. The Soviet Union would not be able to replace much of the acid embargoed by the United States. [53] According to the General Accounting Office, there was a probability that the deposits of phosphates in the USA could become exhausted. [54] These factors pushed Carter to impose trade restrictions.

As far back as December 11, 1979, Carter refused to impose trade restrictions on imports of anhydrous ammonia from the USSR. He rejected a recommendation by the US International Trade Commission that quotas be imposed on the Soviet imports because they were causing injury to American ammonia producers. [55] But on January 18, 1980, Carter imposed the recommended quotas, reversing the decision of December 11. The one year limit was to restrict imports to one million tons. In 1979 the United States bought 0.9 mt of ammonia. The import total for 1980 had been expected to reach 1.2-1.4 million tons.[56]

On January 11, 1980, a high-level working committee at Carter's request was called up to decide the question of phosphate exports to Moscow. But the decision was not taken. [57]

On February 5, 1980, the new Commerce Secretary Klutznick announced that phosphates would require validated export licenses and that none would be granted until an interagency task force could further study the subject. [58] The delay of a month gave the opportunity to Occidental to send a big amount of phosphates to the Soviet Union before the suspension. [59]

On February 25 Carter ordered an embargo on shipment of phosphate fertilizers to the USSR for an indefinite period. A. Hammer had opposed a phosphate embargo. In the Summer of 1980, he was considering asking for its own third-party arrangement to ship phosphates from Tunisia, Morocco, and Mexico to the Soviet Union. [60]

The next question debated in the Administration was the export to the USSR of oil-drilling equipment and technology. Soviet oil production was expected to begin declining in the 1980s because of inefficient exploitation. Brzezinski and other hard-liners in the government wanted to ban the sale of any oil-drilling equipment. Some aides, however, had asked if it was in the American interest to limit Moscow's ability to modernize its oil industry. [61] The State Department warned about future confrontations in the Persian Gulf and urged sale of equipment to help the Soviets increase domestic output. Finally, under a compromise, the decision was made to ban the sale of oil-drilling technology but not oil-drilling equipment itself. Knowing about the leakage of the American technology which Moscow used for military purposes it is difficult to imagine that Carter really believed in the possibility of preventing leakage of oil-drilling technology and at

the same time continuing sales of oil-drilling equipment.

In the Summer and Fall of 1980, the pressure on Carter aimed at lifting the sanctions increased. A part of the Congress and farmers' organizations were striving to achieve a lift of the grain embargo. The coverage of the issue in the press also changed. If in the beginning of 1980 articles emphasizing necessity of long sanctions prevailed, then by the end of the year the mood changed and more and more attempts to prove disadvantages of the sanctions were appearing in the press.

The same transformation took place among American allies. The first reaction of the free world to the Soviet aggression was extremely negative. In Brussels, the Executive Commission of the European Community on January 7, 1980 suspended export subsidies and the granting of licenses for grain and dairy products to the Soviet Union. The Canadian External Affairs Minister said her country would not compensate the Soviet Union for any shortfall in its grain supplies resulting from the US embargo and, on January 11, Canada declared a cutoff of trade credits to the USSR and a halt to high technology exports. Australia, on January 9, also said it would not meet any shortfalls in Soviet imports from Australia's wheat stocks. [62]

At a January 12, 1980 conference of grain exporters held in Washington representatives of Canada, Australia, the EEC, and Argentina approved a statement that "there is general agreement among the export representatives.... that their governments would not directly or indirectly replace the grain that would have been shipped to the

Soviet Union prior to the actions announced by President Carter". [63] The countries made a public pledge to hold their 1980 grain sales to the Soviet Union down to "normal" levels. [64] The essence of the agreement in Washington was that the US allies would maintain the previous level of trade with the Soviet Union without any increase but the USA could not increase its grain exports to the areas which were considered European, Canadian, and Australian markets. The duration of the agreement was not specified. However, Argentina declined to cooperate fully in the embargo. [65]

In the field of high technology, unilateral American economic sanctions could have small impact as US sales of high technology products to the USSR were rather small and a lot could be replaced by other countries. That is why the Carter Administration undertook a number of efforts in order to achieve an agreement to grant no exceptions for the Soviet Union to the Coordinating Committee's (COCOM) list of exports that were banned to Communist countries. [66]

The Carter Administration also wanted to win allied agreement to expand the COCOM list to cover a much wider range of computers and software, oil and gas field equipment, steel mill equipment, communications equipment, advanced machine tools, chemical plants, and automatic production technology. The United States also was asking for a total cutoff of official credits to the USSR, a joint grain embargo, and an end to subsidized sales of butter, meat, and sugar by the EEC to the Soviet Union. [67]

However, the US allies did not want to restrict their high technology exports to Moscow. [68] Soon it became clear that the allies would back up the USA only partially. Europeans were against sanctions that would involve breaking formal treaties with the Kremlin. Western countries were tied to Moscow by many long-term trade and economic agreements, compensation deals, etc. Western Europe and Japan depend greatly on their exports, including exports to the Soviet Union. [69] The policies of all Western industrial countries toward the East differ from the American ones and generally are more trade promoting. [70]

In this situation the allies were willing to do little more than take token economic measures coupled with diplomatic protests. In February 1980, it was clear that West Germany (leading Soviet trade partner of the West) would continue its Soviet trade because most contracts were long-term and it was very difficult to cut them off. [71] In March 1980 Chancellor Schmidt said that it was difficult for West Germany to join in the US trade embargo against the USSR. [72] West Germany was more involved in East-West trade than other Western powers. In 1980 its trade with the Soviet Union and Eastern Europe was roughly equivalent to its trade with the United States. For West Germany trade questions were interlaced with non-economic ones: reduced danger of another Berlin crisis, repatriation of ethnic Germans from the Soviet Union and Eastern Europe, and achieving a better relationship with East Germany. [73]

The position of France was clear from outset: a continuation of normal commercial relations with the Soviets. It rejected in general the use of economic deals with Moscow after the American economic sanctions were imposed. In 1980 Rhone-Poulenc S.A. signed a ten-year contract with the USSR worth an estimated total value of \$6.5-8.6 billion over its lifetime. It provided for exchanges of French agricultural products, animal feed, agrochemical factories, and know-how for Soviet oil, naphtha, methanol, ammonia, and other materials. [74]

Japan, in return for providing equipment and credits for many projects in the Soviet Union, received long-term deliveries of raw materials. The joint projects were viewed as a means of obtaining guaranteed access to Soviet supplies of coal, timber, natural gas, etc. Such relations were also hard to disrupt at one stroke.

Canada, Australia, and the European Community increased their grain exports to the Soviet Union too. A big blow to the grain embargo was inflicted by the fourfold increase of Argentinian grain exports. The incentive for this was an attractive price, as much as 25% above the American selling price, paid by Soviet purchasing agents. Price on grains in the Summer of 1980 increased in Argentina by 20-30% since the embargo. At the same time, there were reports in the US Congress that Argentina was buying grains in the USA which were cheaper than Argentinian. [75] Between January and June 1980, Argentina sold 3.75 mmt of grain to the Soviet Union and in July 1980 it concluded a five-year agreement to sell the Soviets 4.5 mmt of grain annually. [76] In the end

of 1980 Canadian Prime Minister Trudeau lifted the partial embargo on grain sales to the USSR imposed by former Prime Minister Clark.

American restrictions on high technology exports also had the effect of shifting Soviet orders to other Western suppliers. By and large, the trade with the USSR of all major American allies, except Great Britain, increased in 1980 in comparison with 1979. All these factors put an additional pressure on the Carter Administration to lift the sanctions.

There was a gradual change in the stance of some members of the Administration. The advocates of the "punishment" of the Soviet Union were becoming advocates of the "business as usual" policy. In the Summer of 1980 US officials were dropping hints of a future relaxation of the grain embargo. [77] Despite previous rhetoric, the outcome of the review of export licenses that were suspended in January was unclear. [78] In November 1980 the Carter Administration approved export to the Soviet Union of \$79 million worth of big bulldozers to lay the natural gas pipeline to Western Europe. Defense Department officials objected to the sale on the ground that it might make Western Europe more dependent on Soviet energy supplies and more vulnerable to its diplomatic pressures. [79]

In December 1980, Carter extended the grain embargo and the other export controls for another year. [80] However, one can doubt if he would have done so if he remained in the White House for the second term. America gradually returned to the "business as usual" policy.

1980 was a presidential election year. Ronald Reagan, campaigning against Carter, criticized his response to the Soviet aggression. On February 15, 1980, Reagan said that Carter's foreign policy was based on "weakness and illusion". It should be replaced with one based on military strength. [81] Summing up Reagan's concrete proposals on the issue during the presidential campaign one can single out the following points: Reagan would not block farm exports if he were the President. He would "funnel" weapons (including missiles) through Pakistan to freedom fighters in Afghanistan, but he was against direct American military aid to them. He would blockade Cuba in retaliation for the Soviet aggression of Afghanistan. And as a general approach to the US-Soviet relations he would significantly increase US military spending. [82]

Having come to the White House, President Reagan repeated his pledge to provide the Afghan rebels with arms and called the grain embargo an unfair burden on US farmers. However, "for foreign policy reasons" it was kept in place until April 1981. [83]

Meanwhile, the pressure from the Congress and a part of the Administration for lifting the sanctions was increasing. In the Administration Secretary of Agriculture John Block was an advocate of ending the embargo promptly but others, notably Secretary of State Haig, reportedly thought that the timing was not right for it. On February 4, 1981, Reagan and the Cabinet discussed the issue for half an hour without reaching a decision. The Congress also was sharply divided. [84] In March 1981, Reagan mentioned increasing pressure from

farmers and legislators but said that the embargo would continue because of "the entire international situation." [85]

It was clear at the time that the sanctions would be lifted. The only question was: when. Finally, on April 24, 1981, Reagan ended the 15-month-old grain embargo. Sales of phosphates, soybeans, meat, and other non-grain products were immediately freed too. However, limitations on exports of high technology products and curtailed Soviet fishing privileges in American waters remained unchanged. The reason for ending the embargo was that it was recognized as ineffective. [86]

The new American policy toward the USSR was narrowed to a sharp increase of US military spending and a tighter control on technological exports. The USA tried to deny the Soviet Union technology that would strengthen its military might and to make Moscow divert resources away from its military buildup. For that goal Washington tried not to sell any technology that would allow the Soviets to leap ahead economically. [87] But even this policy met a staunch resistance from American allies, which was clearly demonstrated later during the attempt to deny Moscow Western technology for the natural gas pipeline from Siberia to Western Europe.

3. Soviet Reaction to the Sanctions.

Political Effect of the Sanctions.

The Soviet reaction to the American moves reveals some basic principles of Soviet foreign policy and also the political effect of the sanctions. By the late 1970s, in view of negative feedback received on detente there were more and more voices in the West against the policy. The potential for further growth of economic cooperation was almost exhausted. As a response to the Soviet military buildup Carter planned a substantial increase of American defense spending. That is why when calculating the consequences of the occupation of Afghanistan, Moscow apparently did not see what it could lose as a result of the intervention. Nevertheless, the Kremlin seemed to be surprised by the intensity of the response from the USA and its allies. [88]

Confronted with the American actions the Soviets had three options: 1. According to the "sharpening conflict" scenario Moscow could try to punish the Americans for the sanctions by suspending cooperation in the areas which were left untouched by Carter. They could declare an embargo on fuels and raw materials shipments to the West, stop export of ammonia to the USA, sever economic agreements untouched by the USA, suspend payments on the Western credits pending "normalization of relations" and blame the Americans for all this. At the same time Moscow could launch a massive propaganda campaign in the West to divide Western countries, isolate the US Administration, and humiliate the USA by forcing it to give up.

2. The second option was to withdraw from Afghanistan under some face-saving conditions, probably after conclusion of an agreement on neutrality of Afghanistan. The reciprocal concessions from the USA also could be gained through an intensive propaganda campaign. This could be a repetition of the Cuban missile crisis scenario.

3. The third option was to bide time, to live through the crisis without sharpening the conflict or a retreat. This was less dangerous than the first scenario and eventually could bring the same benefits.

The fact that the Kremlin did not choose the first option points out a high degree of caution in Soviet foreign policy. The sharpening conflict policy could deteriorate East-West relations to an unrepairable degree and cause an upsurge of conservatism in the USA which in turn could bring about an unprecedented rate of military spending. Such an adventurist policy has been rejected by the Soviet leadership ever since Khrushchev's foreign adventures. Brezhnev's generation of the Soviet elite apparently preferred to avoid whenever possible all extreme confrontations with the West.

This cautious Soviet foreign policy makes the Kremlin prepared to pull back when resistance of an adversary turns out to be stronger than anticipated. When the opponent chooses to strike back, it is surprisingly vulnerable and cooperative in joint efforts to avoid a world war. [89]

There are a number of examples in Soviet diplomatic history when the Soviet Union retreated under the pressure of a determined adversary (the Cuban missile crisis of 1962, the Berlin crises of 1948 and 1961, etc.). It always turned out that a possibility of a retreat had been prepared and thought over thoroughly beforehand. [90]

That is why we can conclude that the Soviets apparently prepared a way to retreat in the case with Afghanistan too but the pressure on them was not sufficient. The possibility of American military involvement in Afghanistan was almost zero and even in this case the USSR was stronger in the area.

Economic cooperation with the West is viewed necessary for modernization of Soviet economy but a disruption of the cooperation (especially a partial one as in the case of the sanctions of 1980) could not cause an economic collapse of the USSR. It could slow down modernization, make it more costly, and jeopardize the program of improvement of the Soviet diet but all this could not cause a crisis in the short run. And the sanctions were not considered as a long-term policy.

A withdrawal of Russian forces was possible approximately till the Summer of 1980. Later it could cause a military hazard because by that time the Soviet brutal, ruthless and indiscriminate campaign against both the guerrillas and civilians had built up a legacy of revenge among the Afghan population. Besides, the total collapse of morale in the Afghan army made a phased withdrawal and transfer of power to the Afghan forces

impractical. [91] Under the circumstances, Moscow adhered to the living-through option alternating threats and peace initiatives in its propaganda.

In the first place, the Kremlin presented its own version of the events. According to the Soviet version, Afghanistan had been a backward feudal country until the April revolution of 1978 directed it toward progress and happiness. But Western imperialist powers and their allies in the region did their utmost to return Afghanistan to its feudal past, restore exploitation and regain domination of that country. [92]

The countries most involved in the subversive activity against Afghanistan were the USA, Great Britain, China, and Pakistan. They sent terrorists-mercenaries of the CIA to Afghanistan. [93] The uprisings of 1979 were engineered and directed by the mercenaries of the CIA. At the same time the USA was preparing an overt intervention in Afghanistan. [94] On February 22, 1980, Brezhnev said that there was already intervention in Afghanistan from Pakistan. [95]

The president of Afghanistan in late 1979, Amin, also was a CIA agent (in other places, he just collaborated with the CIA). [96] After he usurped power, having killed the legitimate president of Afghanistan Taraki in September 1979, Amin conducted an extremely cruel policy. The CIA had a hand in the assassination of Taraki. [97] On December 27, 1979, Amin was overthrown by the Afghan people (not by the Soviet army). The allegation that the USSR stood behind this event is a lie. [98] Karmal became a new legitimate leader of the

country. He headed the government, the Revolutionary Council, and the People's Democratic Party of Afghanistan. [99]

On December 28, 1979, the new Afghan government asked the Soviet Union for a military help (version of the Afghan Foreign Minister Dost). [100] According to another version, there were "numerous appeals of the Afghan leaders" to intervene (version of the Soviet Foreign Minister Gromyko). [101] Such military help could be granted in compliance with the Soviet-Afghan Treaty of Friendship of December 5, 1978, Article 4, and Article 51 of the UN Charter which granted any country the right to provide military aid to a member state that appealed for such a help. [102]

In order to save the April revolution and to help the Afghan people, the USSR sent its troops to the country. This was justified because the United States, Pakistan, and China were covertly supporting Islamic insurrection there and because the imperialist intervention in Afghanistan created the possibility of making it an imperialist military bridgehead on the Soviet southern border. [103]

There are a number of discrepancies in the Soviet version. There was no American military intervention in Afghanistan prior to the Soviet intervention. But there was apparently a covert CIA activity as well as the KGB one. The propagandistic trick with the word "intervention" makes a covert activity and a military intervention equal. Since there are Soviet secret agents in the USA and American secret agents in the USSR one can

say (using the Soviet terminology) that there is Soviet intervention in the USA and vice versa.

To justify the Soviet occupation of Afghanistan the Kremlin referred to the 1978 Treaty of Friendship. But the Treaty mentioned a possibility of Soviet military intervention only in a rather vague way. It stated that both sides "will have consultations and with mutual consensus will take appropriate measures to provide security, independence, and territorial sovereignty of both countries." [104] The "mutual consensus" definitely required an invitation of the Soviet troops by the Afghan government. Amin did not invite them. At least, there are no reports on that. Besides, why should he invite Soviet troops if he was a CIA agent? So, it could have been done only by Karmal. Amin was overthrown and killed on December 27, 1979. This was announced by Karmal who made no public appearance in Kabul and whose address was broadcast by Tashkent Radio in the Soviet Union. All subsequent Afghan government statements were also issued by the Soviet news media. [105] According to the Soviet sources, Karmal became General Secretary of the People's Democratic Party of Afghanistan, Chairman of the Revolutionary Council, and Prime Minister only on December 28, 1979, and only on that day the Afghan government called on the USSR for help. [106] But the Soviet troops started the invasion on December 27, i.e. before the invitation. [107] The invasion was thoroughly prepared. The preparation also took place before the invitation. All this indicates that the Soviet explanation was a rather heavy-handed fabrication.

Another peculiarity is the text of the Afghan appeal. According to the Soviet sources, first it was broadcast by the Kabul radio on December 28, 1979 (when there were Soviet troops already in Afghanistan) and then it was published on January 1, 1980. [108] The appeal called on the USSR "to provide urgent political, moral, and economic aid, including military aid" (the text given in Russian in Pravda, January 2, 1980). To anyone familiar with the Russian language, this phrase is stylistically wrong, very unusual for Pravda. The correct form should be "to provide urgent political, moral, economic, and military aid". It looks like the phrase "including military aid" was added to the original text. The two texts of the appeal are different. In the version broadcast by Kabul radio on December 28 the words "including military aid" are followed by "for which the government of DRA has asked many times before." [109] In the published version the latter phrase is absent. [110] The correction was probably made because "before" there was the government of Amin.

The Soviet media praises two faithful "comrades-revolutionaries", Taraki and Karmal. But in September 1978 when Taraki was Prime Minister, General secretary of the ruling party, and Chairman of the Revolutionary Council, elements of Karmal's faction in the party were purged from the government in the wake of an alleged coup attempt. Karmal was ordered to return to Kabul from Czechoslovakia, where he was Afghanistan's Ambassador, to stand trial as a plotter, but he refused and remained in Czechoslovakia. [111]

The Soviet version of the events did not change many minds in the West but Moscow stubbornly stuck to its position later on. [112] Thus, the first principle of the Soviet foreign propaganda which can be derived from the case is "stick to your point no matter what, never change it, never admit your error or fault".

Another aspect of the Soviet propaganda was aimed at discouraging the West from using economic sanctions in retaliation for the aggression. In response to Carter's measures against the Soviet Union a statement by TASS in January 7, 1980, said: "If the White House intended to exert some kind of influence on the Soviet Union and its foreign policy, this is a hopeless undertaking. Such attempts flopped in the past and they will flop again now". [113] Soon after the economic sanctions were announced the Soviets declared that they would fail and would bring mere harm to the USA than to the USSR. The arguments later used in the USA that trade is beneficial to both sides, that it gives jobs in the West, etc. were presented lavishly. Brezhnev insisted that the Soviet Union could do fine without the connections with the USA. "I can guarantee that our plans to provide Soviet people with bread will not be cut down even by a kilogram". [114] Meanwhile, an editorial in "Pravda" admitted that procurement plans for meat, fowl, and milk were not fulfilled. [115]

In the spring of 1980, the USSR, trying to achieve a lifting of the grain embargo, began to publish false data about expected good crops in the Soviet Union. The April 4, 1980, The New York Times wrote: "Soviet press says that initial reports from the field point to a good

harvest in the fall [of 1980], large enough to avert any serious decline in meat production because of a shortage of feed grains. Despite unfavorable weather during the winter, "nothing has happened as yet to prevent the USSR from gathering the planned harvest", said an article in the English-language weekly Moscow News. In fact, agricultural specialists are looking to a bumper 1980 harvest, one that could lead to an increase in the output of meat and dairy production." This was pure disinformation.

In the fall the world learned about another disastrous Soviet harvest. The previous statements about the harvest were a lie aimed at influencing American public opinion. That public opinion came to the conclusion that the grain embargo failed to affect Soviet agriculture, and therefore it was a blunder. The news about "bumper 1980 harvest in the USSR" contributed greatly to raising demands to lift the embargo.

The Soviet economy failed to help Soviet propaganda. The 1980 harvest was far from "a bumper one". But still Soviet leaders claimed a victory, trying to discourage even further the use of economic sanctions. In August 1980 Brezhnev said that the US policy had failed because the goods barred for export by the American government were bought by the Soviet Union in other countries and it was American farmers and businessmen who lost. [116]

The second principle of the Soviet propaganda can be formulated as "discourage your adversary from any resistance; present arguments against the adversary's moves; use even false information to discourage him". In

its propaganda the Kremlin used threats and new peace initiatives simultaneously. The primary target of the threats was Western public opinion which in democratic countries can affect national leadership. [117]

There were economic threats also. While visiting West Germany early in 1980, Soviet Deputy Minister of Trade Yuri Krasnov stated that the Soviet Union "could turn off the natural gas tap" in a case of confrontation. An article in Izvestia on February 6, 1980, hinted that the Japanese fishing quota could have been cut deeply. [118] When President Carter slashed ammonia imports from the Soviet Union, the Soviets suggested that they could suspend payments on the \$180 million credit that they had borrowed from the Export-Import Bank to finance the ammonia plants. [119]

But mostly Moscow tried to intimidate Western public opinion by threats that US policy was leading the world to a nuclear war. There was nothing special about Afghanistan, it was said, but the real reason for the commotion was that Washington did not want detente and Afghanistan was only a pretext to bury it. [120] In February 1980, the Soviet Union resumed military maneuvers in Cuba and in March it announced that if the United States does not ratify SALT II then the Soviet Union would not adhere to its provisions (the USA had announced before that it would not ratify the Treaty but would adhere to it). [121]

Blaming Washington as a warmonger and threatening militarily and economically, Moscow at the same time presented itself as a peace loving country which stood

firm but did not want a war. To calm down a popular fear at that time that Afghanistan was only a beginning in the grand Soviet plan to take over the Middle East's oil fields the Kremlin tried to persuade Western public opinion that the fear was based on nothing. The Soviet Union would not go further, it would not interfere in the internal affairs of Iran or any other country. [122]

At the same time the Kremlin launched a cascade of peace initiatives. While in Washington more and more voices spoke out against detente and cooperation with the Russians (which frightened many people in Western countries), Moscow declared that it still stood for peace, detente, and cooperation with the West. It announced that it would withdraw its forces from Afghanistan as soon as "there is no necessity of their presence in the country". [123]

New peace initiatives were made at the meeting of the Politcommittee of Warsaw Bloc countries in May 1980 in Warsaw. They included proposals to stop the arms race and to strengthen peace. In addition, Brezhnev met with d'Estaing in Warsaw. It was the first summit with a Western leader after the occupation of Afghanistan. [124] Meanwhile, "the government of Afghanistan" made a peace proposal to settle the Afghan issue which included the end of military intervention in Afghanistan from abroad. This was a purely propagandistic maneuver as in the West this point could be (and was) understood as directed against the Soviet military presence. But later it turned out that "the government of Afghanistan" meant the cessation of military intervention in Afghanistan from the territories of Pakistan and Iran. That is why

the second point of the proposal mentioned appropriate agreements between Afghanistan and Pakistan and Iran. These countries were to guarantee that they would abstain from intervention into Afghan internal affairs in any form. Again this was not directed against Soviet intervention but only against Western and Chinese.

The Soviet Minister of Foreign Affairs Gromyko wrote that this program could be a precondition to negotiation on a withdrawal of Soviet troops from Afghanistan but even if an agreement is reached the Soviet Union would help Afghanistan "in guarding its independence". [125] This stance was reaffirmed by the Plenum of the Central Committee of the CPSU in June 1980. Again the Kremlin spoke out for peace, detente, and negotiations with the USA. [126] In other words, the Soviets insisted that if the world accepts Afghanistan as a Soviet satellite, the Soviet Union could withdraw its troops (after the order is restored in the country) but could occupy Afghanistan again if need be under a pretext of foreign intervention into internal affairs of the country from abroad. When the United States and Western Europe promised to guarantee that Afghanistan would be neutral in case of Soviet withdrawal, Moscow did not respond. [127] This again draws a line between the positions of the two sides: the USSR wanted Afghanistan as a Soviet satellite while the West wanted it neutral. Later, in February 1981, at the 26th Party congress Brezhnev clarified further the Soviet position on Afghanistan. He proposed a dialog with the USA, an international agreement on the Persian Gulf area, and other peace initiatives but emphasized that only international aspects of the Afghan

problem could be discussed. A discussion of the internal problems of the country was out of the question. [128]

In the summer of 1980 the Kremlin achieved another breakthrough in its after-Afghanistan foreign policy. West Germany's Chancellor Shmidt visited Moscow and met Brezhnev. The meeting gave the Soviets a golden opportunity to divide the West and to show the USSR as a peace loving country (while it continued quietly to bully Afghanistan).

The Kremlin suggested making an agreement on intermediate range nuclear weapons in Europe and made new proposals on mutual reduction of forces in Central Europe. All this was particularly important for West Germany and other European nations. Shmidt said at the meeting that being in the center of Europe, Germans could lose everything in a new war and they realised this. [129] Both sides considered detente a necessary policy. They agreed to follow old agreements, to continue economic and scientific cooperation, and signed a new long-term program of cooperation. However, an agreement on new Soviet proposals on military issues was possible only if the USA ratified SALT II. [130] So, this turned out to be only an artfully elaborated lure of Soviet propaganda. The Soviet goals were to get a summit with a Western European leader, to reassure continuation of economic cooperation when the USA asked to curtail it, and, thus, to increase antagonism between Europeans and Americans. All these goals were achieved. In August Moscow made proposals to Japan too but it did not work out as well as with Shmidt. [131]

In September 1980, the USSR stepped out with another peace initiative. It brought to the UN the proposal "On some urgent measures to reduce military threat". The proposal contained a refusal of extending military-political blocs, refusal to increase further military forces, and a one year moratorium on all nuclear tests. [132] The nature of the USSR and its allies allows a full military cooperation even without formal participation in a bloc while for Western democracies relying heavily on law and agreements the participation in a bloc is a necessary condition. A proposition by a non-democratic regime to refuse to increase military forces without control also makes no sense and can be regarded as a propaganda maneuver.

The aim of all the peace initiatives was to calm public opinion in the West and to distract its attention from Afghanistan. The abundance of peace initiatives launched by the Kremlin after the invasion allows us to single out another principle of Soviet foreign propaganda: "after a military intervention talk about peace more than anyone else".

At the same time Moscow did its utmost to shift attention of world public opinion from Afghanistan to other events. Manipulating world public opinion by drawing its attention to certain events and making other ones forgotten is an important task of Soviet foreign propaganda. In this art the Soviets hardly have their match. Western scholars repeatedly ask the question: how can they do it? Why did public opinion not forget about the Vietnam war while it calls the Afghanistan war "a forgotten war"? Why did the public opinion forget

about Soviet invasion of Czechoslovakia in 1968 so fast? Or another example: "In Tokyo, the masses roam the streets to protest the terms on which Okinawa is to be transferred to Japan; there is no news of demonstrations against Soviet refusal even to discuss the transfer to Japan of the Kurile Islands". [133] Why are there demonstrations against violations of human rights in South Africa and almost none against violations of human rights in the Soviet Union? Is the Soviet Union more democratic than South Africa? One can find scores of such examples.

Trying to answer this question one comes across an interesting phenomenon. The more dictatorial a regime is, the easier it can suppress any resistance or protests inside the country, the easier it can keep domestic and foreign media away from the events. So, if country A is not democratic but also not dictatorial enough to prevent any protests in the country, the protests will burst out and will be reported in the world as a sensation. If country B is dictatorial to such a degree that it can prevent any protest in the country or keep reporters away from its negative aspects, there will be no reports on the suppression in it.

The result is paradoxical: for world public opinion the more dictatorial country will look better (since there are no protests). People will see on TV demonstrations in Chile and South Africa (and brutal response to them on the part of the police) but they will not see demonstrations in the Soviet Union (and there are really almost no demonstrations or reporters are kept away from some which still occur). A common man just

forgets that in Nazy Germany there were also no demonstrations of protest and many people supported the regime.

When Soviet propaganda tries to manipulate public opinion in the West it counts on the fact that the attention of the people is drawn to sensations or at least to something new. If there is nothing new the event (even an important one) becomes forgotten. By suggesting to Western media certain sensations and making other events non-sensational or of a nothing-new kind, the Kremlin shifts attention from one event to another.

In our case Soviet propaganda did all possible to make the intervention in Afghanistan a nothing-new type event. The Soviet army had to help in this undertaking to the Soviet propaganda machine since the important thing here is a monopoly on information and for that Western reporters had to be kept away from the battle zones in Afghanistan. Only utterly courageous newsmen tried to get to the zones. But courageous men are rare in the world and it is possible and much safer and no less sensational to report on an Israeli raid on an Arab village than a Soviet raid on an Afghan one.

Having achieved a monopoly on information, the Soviets tried to persuade the world that there was nothing sensational in Afghanistan, that the Afghan army totally controlled the situation in the country, that life there was in a normal condition, the counterrevolutionaries were defeated, etc. [134] This routine-kind coverage of the events distracted attention from Afghanistan. Soon the Soviet war became a forgotten

one. The attention of public opinion was attracted more to the sanctions against the Soviet Union than to the war itself. The Western media did not want to write on Afghanistan since nothing-new reports were not sellable.

At the same time, when the American government tried to attract attention to the war it was blamed for interference into the internal affairs of the country and for trying to revive the spirit of the Cold war. [135] (But when the Soviet Union attracted attention to the Vietnam war nobody blamed the Kremlin for reviving the spirit of the Cold war). When the question of the events in Afghanistan was brought up in the UN the "government of Afghanistan" vigorously protested against the discussion because it was an interference into the country's internal affairs. [136]

On the other hand, world attention was shifted to other events, existing and imaginary: the hostage crisis in Iran, American preparations to attack Iran, a sensational American failure of the helicopter rescue of the hostages in Iran in the spring of 1980. [137] The Soviet Union launched an angry propaganda campaign against a possibility of supplying Afghan rebels with weapons by the United States. [138] And, of course, the attention was drawn to the economic sanctions and deliberations and their negative effects on the US economy. Thus, another principle of Soviet foreign propaganda is "try to shift world attention away from the events detrimental to Soviet prestige to the events detrimental to an adversary's prestige."

The propaganda campaign was aimed at making "living through the crisis" easier for the Soviet Union. It was supposed to reduce to a minimum the negative impact of the Soviet intervention on world public opinion. Propaganda was one of the most important tools of Soviet foreign policy. At the same time, it was accompanied by cautious deeds. Moscow did not follow up any of its economic threats. It continued to supply Western Europe with oil and natural gas, to pay back credits, to export ammonia to the United States. [139] It did not sever the ties which were left untouched by the US sanctions. In deeds the Kremlin was very cooperative in maintaining and widening the existing ties. When Reagan lifted the grain embargo in April 1981, the Soviet representatives immediately started talks to arrange extra grain sales (within hours after lifting the embargo). [140] Thus, the "sharpening conflict" option was rejected by the Soviet leaders.

Meanwhile, the Soviets tried to do their utmost to reduce economic dependency on the West. In August 1980 Brezhnev brought up the idea of the Food program till 1990 which was clearly aimed at reducing the Soviet dependency to a minimum. [141] The Politburo accepted the idea and decided to work out the program as a part of the 11th FYP (1981-1985). Brezhnev called upon members of the Central Committee to continue large investments in agriculture, to increase labor discipline, to grant more managerial freedom to local authorities, to increase the standard of living in agricultural areas in order to attract labor. [142] The 26th Party congress adopted the Food program in February 1981. It was emphasized that

the major difficulty was a lack of fodder grains (a Soviet import item) and a need to increase sharply the annual grain production was expressed (up to 238-243 mmt of grain a year). [143] The program was not fulfilled, a problem which caused new Soviet record agricultural imports from the West.

Another practical step was to diversify Soviet food imports. the USSR concluded long-term food agreements with Argentina (July 1980), Canada (May 1981), and Brazil (July 1981). [144]

Trying to assess the political effect of the sanctions one can consider not only what the Kremlin did but also what it did not do. Its general pattern of international behavior is "push for more gains as long as an adversary is pulling back". But having met decisive resistance it demonstrates great caution and tries to avoid a dangerous confrontation by all possible means. In our case one can assume that if the Carter response had been weaker than it was, the Soviets would have intervened more actively into events in Poland. There had been a number of precedents for such actions before (Czechoslovakia in 1968, etc.) as well as the Brezhnev doctrine. On the contrary now, trying to avoid a direct involvement in Poland, Moscow lost precious time and had to allow the Polish crisis to go rather far, a result which had a significant negative impact on Soviet prestige and the world communist movement. The fact that the Soviets did not intervene directly in Poland at the time of a crisis might be considered as a political effect of the US reaction to the Soviet occupation of Afghanistan because usually and according to the Brezhnev

doctrine the Soviets intervene decisively into events of a socialist country where socialism is in jeopardy. Their cautious approach toward the Polish crisis can be explained by willingness to calm down the world public opinion after the invasion of Afghanistan and harsh reaction to it on the part of the United States.

In its domestic policy the Soviet reaction to the crisis was to tighten the screws, to increase political control, consolidate even more. This reaction is common for the Soviets in all crisis situations. On the one hand, by jamming Western radio broadcasts they restricted even that minimal information which the Soviet people got from abroad before. They enhanced repressions against dissidents. It was at this time that Sakharov was sent into internal exile in Gorky. [145] The emigration from the Soviet Union was curtailed drastically. On the other hand, having restricted foreign information, Moscow increased anti-Western propaganda inside the country. The Soviet media was flooded with "demonstrations of the unity of the Party and people". [146]

The analysis of the Soviet reaction to the economic sanctions helps to outline a pattern of Soviet behavior in a crisis situation. In such a situation the Kremlin relies heavily on foreign propaganda. This plays a much greater role for the USSR than for the United States. The analysis here supports the hypothesis that in its propaganda Moscow tries to demoralize the adversary and to soften his resistance by an alternation of severe pressure and holding out the prospect of compromise. [147] The Soviets widely use division between Western allies. They are more tenacious than Western democracies

in holding gains which they have acquired. At the same time they are very cautious and cooperative in trying to avoid a dangerous confrontation. They are always prepared to pull back but it requires much greater pressure than that applied in 1980 by the sanctions to achieve such a pullback.

4. Economic Effect of the Sanctions

It is hard to estimate the impact of the sanctions on the Soviet economy because we have insufficient information on the economic situation in the USSR. Soviet statistics are hardly reliable, especially in a crisis situation when they also play a propaganda role. On the other hand, Soviet foreign trade statistics can be verified by publications of other countries and therefore cannot be falsified. What we can do is to point out those branches of the Soviet economy which could be affected mostly by sanctions and use indirect information to estimate approximately to what degree the sanctions were effective. One also should remember that the sanctions were not intended to starve Soviet people or cause economic collapse of the USSR.

In 1979, before the sanctions were imposed, American share of Soviet foreign trade was very low: only 3.5%. In 1980 it fell to 1.6%. On the other hand, the percentage of Soviet grain imports from the USA in total Soviet grain imports was rather high, more than 50%. In October 1979 Moscow made plans to import 35 mmt of grain in the next 12 months and about 25 mmt were to be supplied by the United States. [148] In the end of 1979 - first days of 1980 the Kremlin significantly speeded up

orders for US grains. As of January 3, 1980 (just before the embargo) the Soviet Union purchased totaled 21.4 mmt of grain. It was believed that the sudden rush of purchase orders came in anticipation of a US cutoff of grain sales. [149] This fact corroborates the estimation that the Soviets intended to buy 25 mmt of American grain before October 1980. However, 17 mmt were embargoed by Carter in January 1980 and the Soviet orders were not fulfilled (except 8 mmt).

American grains are used in the Soviet Union mainly for cattle feeding. So, the embargo could affect the meat production and the livestock in the USSR. In previous years with poor harvests the Soviets usually slaughtered their livestock, which had a profound negative impact on consecutive years. This happened, for example, after the disastrous 1975 harvest. In 1980 Moscow did all it could to avoid another slaughter. The latter could be dangerous politically and socially, causing more discontent among the Soviet population. Instead, the Soviets drew down grain stocks - by an estimated 17 mmt, and relied heavily on agricultural imports. [150] The situation was more than unpleasant for the Soviet leaders. The widespread food shortages caused a number of strikes in 1980. The biggest, in May, at the Togliatti motor works on the Volga River and at the Gorky auto and truck plant, were prompted by prolonged shortages of meat and dairy products in the entire Volga region. [151] The strikes were not large but in the repressive Soviet regime they are an outstanding fact. We certainly do not have sufficient information on the true degree of popular discontent in

that country. But one could imagine the degree of the food problem which could push people to strike even under that regime.

In the fall of 1980, foreign correspondents reported on increasing antagonism between the country and Moscow. [152] The situation seemed to get especially bad outside of the capital since the Olympic supply of Moscow took place at the expense of the rest of the country. Foreign correspondents noticed that tempers of Russian consumers were growing shorter as food lines grew longer. On October 21, 1980, Brezhnev admitted that Soviet agriculture was in great trouble. Meat production was 5% less than in 1979, butter output was down 4%, and the potato and sugar beet crops lagged. [153] Per capita meat and fat consumption fell in 1980. Milk and egg production fell down too. The economic plan for 1980 was not fulfilled. [154] All this with a growing population.

It is hard to say whether the shortfalls were a consequence of the embargo or the result of poor weather conditions and systemic problems in Soviet agriculture. The Soviets were able to replace most of the embargoed grain from other sources. But in any event, the timing for the grain embargo was propitious. The cost of importing grain from other sources was higher. The DIA estimated that the Soviet Union had to pay additional \$1 billion for grain imports because of the embargo. [155] The Soviet agricultural problems deepened. In 1981 the 26th Party congress decided to increase the private sector in Soviet agriculture (so called peasants' plots, cattle, etc.). The grain embargo seems to have contributed to this decision. This confirms the thesis

that pressure rather than detente and well-being can cause reforms in the Soviet Union.

The ban on phosphate exports to the USSR came too late to affect the 1980 crop. Besides, there were reports that Moscow managed to replace about half of the embargoed superphosphatic acid with imports of raw phosphate rock from Morocco and Mexico. Importing the rock is less convenient since it requires more processing and is highly corrosive. [156]

From the outset there was a widespread perception that the high technology restrictions could not have a great impact on the Soviet economy if the United States acted alone. In this area the effect of the sanctions was that it caused the Soviets to delay certain industrial projects and to spend more money as they tried to step up business with Western Europe and Japan. They also introduced serious uncertainties into the Soviet planning process at a time when the next FYP was in the final stages of elaboration. [157]

The Olympic boycott undoubtedly cost Moscow millions of dollars in lost revenues. [158] By and large, however, the effect of the sanctions on Soviet economy was not great. The major reasons for this were a high degree of self-sufficiency of the USSR, a small share of the USA in total Soviet trade, the fact that Moscow could purchase banned goods from other sources, and that the sanctions were short lived. A number of Western sources emphasized that the impact of the sanctions could be greater in the long run. [159]

The impact of the sanctions on American economy could not be serious either because of a very low share of the Soviet Union in US foreign trade. During the Carter presidency this share was about 1% of total American export while the US export to Canada was 25-30% and to Japan - 10-15%. [160] The American agricultural exports to the Soviet Union was greater but also insignificant: about 5% of total agricultural export. The exports of grain (the main item of US export to the USSR) totaled about 10%. [161] However, the grain embargo did not cover all US grain exports to the Soviet Union but only 68% of them. So, the sanctions could have a limited effect on American agricultural producers and a number of Soviet-oriented firms but not on the American economy in general.

After the imposition of the grain embargo the condition of the farm sector of American economy continued to worsen. At that time grain grower, farm groups, and some members of Congress tended to attribute all or most of the farm sector's economic difficulties to the embargo. [162] This seems to be inaccurate and dictated by political rather than economic reasons.

In the first place, the share of the banned agricultural (including grain) exports was too small to affect the farmers seriously. Second, even before the embargo, farm income in 1980 was forecast to be 20% less than in 1979, due to steep increases in the cost of inputs (rising costs of fuels, fertilizers, and credit) and the record 1979 crop. [163] If it was really the embargo which caused the worsening farmers' situation, then why did it not improve after the embargo was lifted

and normal agricultural exports to the Soviet Union restored? Third, in spite of the embargo, US exports of all agricultural commodities during fiscal 1980 reached a record \$40.5 billion, 27% higher than in 1979. [164] All this proves that the embargo had little to do with the deteriorating situation of American agricultural producers and the argument about "shooting ourselves in the foot" seems to be played up for political rather than economic reasons. However, it could have had some (though relatively little) negative impact.

In order to limit the impact of the grain embargo on American farmers and grain exporters, the US government took a number of steps. On January 7, 1980, it announced that it would buy the contracts for grain that had been earmarked for the Soviet Union before the embargo was imposed (13.7 mmt). The contracts were estimated to be worth \$2.25 billion. [165] The government also intended to buy the grain that dockworkers had refused to load for the Soviet Union. The Agriculture Secretary said that the Administration had stepped in to buy the unshipped Soviet grain to prevent its "having to be dumped on the market at disastrous prices". The Carter Administration also promised not to resell the grain below the January 4, 1980, prices. [166]

There were other measures aimed at alleviation of the farmers' situation: changes in regulations of the farmer-owned grain reserve to provide incentives for farmers who had not yet arranged for the sale of their grain to place it on reserve; purchases by the Commodity Credit Corporation (CCC) of up to 4 mmt of wheat for the foreign food assistance program; a pledge to institute a

paid acreage diversion program to prevent excessive production in 1980; the promotion of exports, especially through increases in funds available for CCC financing; incentives for the production of grain alcohol for manufacturing gasohol. [167]

As a result of Administration policy, by the end of January 1980, grain prices on the commodities markets had rebounded sharply from steep decline in the first days of January. As of January 19, corn prices were still below the pre-embargo level, while wheat and soybeans were higher in price. [168] Between February and May prices for all three commodities declined but in the summer of 1980 they climbed again. In July, corn prices were higher than they had been prior to the embargo. In October 1980, prices for corn and soybeans were above the pre-embargo levels. [169]

The embargo was expected to reduce the US balance of trade surplus in agricultural commodities. Instead, the embargo had the effect of rearranging the international grain trade. Other countries, notably Argentina, increased grain sales to the Soviet Union at the expense of traditional customers, who turned to the USA for supplies. At that time the Carter Administration signed grain agreements with Mexico (7.2 mmt a year) and China (6 mmt a year). [170] In 1980, the demand for grains in the world increased. That is why, despite the embargo, US agricultural (including grain) exports increased too. [171] The increased demand for grains in other countries was brought about not only by bad harvests in the world but also by the fact that the USSR bought grains at high prices in the countries which had not been its suppliers

before.

The technological ban could produce even a smaller impact on American producers due to a minimal Soviet share in the trade. Some major industrial deals fell through or were in danger of being scrapped as a result of the ban on the transfer of technology. Notably, the ban on export of spare computer parts and the engine assembly line for the KamAZ affected IBM and Ingersoll-Rand. Both companies described the impact on the corporations as "minimal". [172] The impact of the phosphate ban fell mainly on US producers of phosphates but US farmers benefited. The USA had to sell phosphates to other countries, this caused a price decline and, hence, losses for domestic producers. Occidental was the biggest loser. [173] The Olympic boycott affected a number of American firms, including travel agencies, but the export ban on goods related to the Olympics had a very little impact on the USA. [174]

The curtail of US exports to the USSR had another negative economic impact: it increased the deficit of the US trade balance. American exports to the Soviet Union in 1980 were expected to reach \$4.8 billion but it dropped to \$1.5 billion. [175] So, more than \$3 billion was added to the deficit because of the sanctions. However, it is hard to assess how much was really lost because the sanctions caused not a reduction of the US exports but shifted some of them to other countries (especially agricultural and phosphate exports).

By and large, the effect of the sanctions on both American and Soviet economies seems to have been relatively insignificant. They could not (and were not intended to) cause an economic crisis in the Soviet Union nor have a serious negative impact on the US economy.

F O O T N O T E S. C H A P T E R I V

[1] U.S., Congress, House of Representatives, Office of Senior Specialists, Congressional Research Service, Library of the Congress, Report for the Subcommittee on Europe and Middle East of the Committee on Foreign Affairs, An Assessment of the Afghanistan Sanctions: Implications for Trade and Diplomacy in the 1980s, 96th Cong., 1st sess., pp.13-14.

[2] John Griffiths, Afghanistan: Key to a Continent, (Boulder, Colorado: Westview Press, 1981), p.185.

[3] An Assessment of the Afghanistan Sanctions, p.15.

[4] Griffiths, pp.190-191.

[5] Richard Pipes, US-Soviet Relations in the Era of Detente, (Boulder, Colorado: Westview Press, 1981), p.39.

[6] The New York Times, 6 January 1980, p.2E.

[7] An Assessment of the Afghanistan Sanctions, p.21.

[8] Joseph Nogee and Robert Donaldson, Soviet Foreign Policy Since World War II, (New York: Pergamon Press, 1981), p.278.

- [9] An Assessment of the Afghanistan Sanctions, p.22.
- [10] Ibid., p.36.
- [11] Ibid., p.22.
- [12] Ibid., p.24.
- [13] Ibid., p.76.
- [14] Ibid., pp.64-65.
- [15] Ibid., p.93.
- [16] Ibid., pp.95-96.
- [17] Ibid., pp.79, 82, 84.
- [18] U.S., Congress, Senate, Committee on Foreign Affairs, Chronologies of Major Developments in Selected Areas of Foreign Affairs, January-March 1980, Foreign Affairs Committee Print, pp.59-60.
- [19] Robert Paarlberg, "Lessons of the Grain Embargo", Foreign Affairs, Vol. 59, No.1, (Fall 1980), p.150.
- [20] An Assessment of the Afghanistan Sanctions, pp.144-115.
- [21] US News and World Report, 16 June 1980, p.34.
- [22] The New York Times, 15 January 1980.
- [23] An Assessment of the Afghanistan Sanctions, p.19.

[24] Ibid.

[25] U.S., Congress, House of Representatives, Committee on Foreign Affairs, Review of Implementation of Basket II of the Helsinki Final Act, Hearings before the Subcommittee on International Economic Policy and Trade, 95th Cong., 1st sess., 1980, p.17.

[26] Ibid., p.4.

[27] An Assessment of the Afghanistan Sanctions, p.22.

[28] Ibid., p.38.

[29] Ibid., p.22.

[30] Congressional Record, 1980, p.H5472.

[31] Facts on File, 1980, p.169.

[32] The New York Times, 12 January 1980.

[33] US News and World Report, 12 May 1980, p.21.

[34] Congressional Record, 1980, p.H5471.

[35] The New York Times, 3 February 1980.

[36] US News and World Report, 21 January 1980, p.32.

[37] The New York Times, 21 January 1980.

[38] US News and World Report, 21 January 1980, p.32.

- [39] The Atlantic, July 1975, p.67.
- [40] Facts on File, 1980, p.9.
- [41] Ibid., p.28.
- [42] Chronologies of Major Developments in Selected Areas of Foreign Affairs, p.60.
- [43] Facts on File, 1980, p.135.
- [44] US News and World Report, 17 March 1980, p.51.
- [45] The New York Times, 19 March 1980.
- [46] Facts on File, 1980, p.204.
- [47] An Assessment of the Afghanistan Sanctions, p.53.
- [48] The New York Times, 26 February 1980.
- [49] An Assessment of the Afghanistan Sanctions, p.57.
- [50] Ibid., p.53.
- [51] The New York Times, 26 February 1980.
- [52] An Assessment of the Afghanistan Sanctions, p.58.
- [53] Ibid., p.57.
- [54] Ibid., p.54.
- [55] Facts on File, 1979, p.939.

- [56] Facts on File, 1980, p.45.
- [57] An Assessment of the Afghanistan Sanctions, p.55.
- [58] Business Week, 18 February 1980, p.72.
- [59] An Assessment of the Afghanistan Sanctions, p.56.
- [60] Business Week, 14 July 1980, p.113.
- [61] The New York Times, 19 March 1980.
- [62] Facts on File, 1980, p.9.
- [63] An Assessment of the Afghanistan Sanctions, p.37.
- [64] Robert Paarlberg, "Lessons of the Grain Embargo", Foreign Affairs, Vol.59, No.1 (Fall 1980), p.152.
- [65] An Assessment of the Afghanistan Sanctions, p.37.
- [66] COCOM was founded in the late 1940s to coordinate restrictions on exports to communist countries. It consists of the NATO nations minus Iceland and plus Japan. It makes additions to the list of restricted exports, subject to being overridden by national governments.
- [67] Business Week, 25 February 1980.

[68] An Assessment of the Afghanistan Sanctions, p.75.

[69] U.S., Congress, Senate, Committee on Government Affairs, Soviet Energy Exports and Western European Energy Security, Hearings before the Subcommittee on Energy, Nuclear Proliferation, and Government Processes, 96th Cong., 2nd sess., 1981, p.46.

[70] An Assessment of the Afghanistan Sanctions, p.123.

[71] The New York Times, 5 March 1980.

[72] Facts on File, 1980, p.205.

[73] An Assessment of the Afghanistan Sanctions, pp100, 101.

[74] Ibid., pp.99, 104, 105.

[75] Congressional Record, 1980, p.H5473.

[76] An Assessment of the Afghanistan Sanctions, p.41.

[77] Business Week, 14 July 1980, p.113.

[78] Business Week, 28 April 1980, p.42.

[79] The New York Times, 18 November 1980.

[80] An Assessment of the Afghanistan Sanctions, p.49.

[81] Facts on File, 1980, p.128.

- [82] Ibid., pp.13, 91, 128.
- [83] Ibid., 1981, pp.157, 214.
- [84] An Assessment of the Afghanistan Sanctions, p.50.
- [85] Facts on File, 1981, p.214.
- [86] Ibid., p.290.
- [87] Business Week, 7 September 1981, p.111;
Business Week, 2 August 1982, p.56.
- [88] Noguee, pp.280-281.
- [89] Pipes, US-Soviet Relations, p.27.
- [90] Hannes Adomeit, Soviet Risk-Taking and Crisis Behavior, (London: Allen and Unwin, 1982), p.322.
- [91] Griffiths, pp.191-192.
- [92] The Undeclared War. Imperialism Against Afghanistan, (Moscow: Progress Publishers, 1980), p.53.
- [93] S.Tsvigun, "Podryvnyje aktsii - oruzhie imperialisma", (Subversive actions - weapon of imperialism), Kommunist, No.4, (March 1980), p.110.
- [94] The Undeclared War, p.57.
- [95] Leonid Brezhnev's speech at the meeting with constituency on February 22, 1980, Kommunist, No.4, (March 1980), p.8.

[96] Pravda, 6 January 1980, p.5; Pravda, 17 March 1980, p.5.

[97] Pravda, 17 March 1980, p.5; Tsvigun, p.109.

[98] Pravda, 2 January 1980, p.4; Pravda, 6 January 1980, p.5.

[99] P.Demchenko, "Afghanistan: na strazhe zavoevanii naroda", (Afghanistan: guarding people's achievements), Kommunist, No.5, (March 1980).

[100] Pravda, 6 January 1980, p.5.

[101] A.Gromyko, "Razoruzhenie - nasushnaja problema sovremennosti", (Disarmament - an urgent current problem), Kommunist, No.11, (July 1980), p.8.

[102] Facts on File, 1979, p.973; Pravda, 4 January 1980, p.5.

[103] Pravda, 13 January 1980; Nogee, p.280.

[104] The full text of the treaty see in Pravda, 6 December 1978, p.1.

[105] Facts on File, 1979, p.973.

[106] Pravda, 29 December 1979, p.4; Pravda, 6 January 1980, p.5.

[107] Facts on File, 1979, p.973.

[108] Pravda, 29 December 1979, p.4; Pravda, 2 January 1980, p.4.

- [109] Pravda, 29 December 1979, p.4.
- [110] Pravda, 2 January 1980, p.4.
- [111] Facts on File, 1979, p.973.
- [112] The same way as it still sticks to its version on, for example, the Korean war: that it was South Korea that attacked North Korea first.
- [113] Pravda, 7 January 1980, p.4.
- [114] Pravda, 13 January 1980; Pravda, 7 January 1980, p.4.
- [115] Pravda, 27 January 1980.
- [116] Leonid Brezhnev's speech in Alma-Ata on August 29, 1980, Kommunist, No.13 (September 1980), p.14.
- [117] Pipes, US-Soviet Relations, p.29.
- [118] An Assessment of the Afghanistan Sanctions, pp.101, 102.
- [119] Business Week, 11 February 1980, p.46.
- [120] V.Nekrasov, "Volja mirolubivoi obshchestvennosti" (Will of peaceloving masses), Kommunist, April 1980, No.6, p.110.
- [121] Chronologies of Major Developments, p.63.
- [122] Pravda, 6 January 1980, p.5.
- [123] Brezhnev's speech on February 22, 1980, pp.8, 9.

[124] Yu.Zhukov, "Raschety i proshchety Vashingtona" (Calculations and mistakes of Washington), Kommunist, August 1980, No.12, pp.94-95.

[125] Gromyko, Razoruzhenie - nasushnaja problema sovremennosti, pp.8-9.

[126] "On International Situation and Foreign Policy of the Soviet Union", the decision of the Plenum of the CC of the CPSU, June 23, 1980, Kommunist, July 1980, No.10, pp.9-10.

[127] Chronologies of Major Developments, p.62.

[128] Leonid Brezhnev, "Otchetnyi doklad Tsentralnogo Komiteta 26 Sezdu KPSS" (the CC's report to the 26th Congress of the CPSU), 23 February 1981, Kommunist, March 1981, No.4, pp.18, 19, 23.

[129] Zhukov, Raschety i proshchety, p.96.

[130] Kommunist, July 1980, No.11, pp.3, 4.

[131] Brezhnev's speech in Alma-Ata, p.15.

[132] A.Gromyko, "Leninskaja vneshnjaja politika v sovremennom mire" (Lenin's foreign policy in modern world), Kommunist, January 1981, No.1, p.18.

[133] Pipes, US-Soviet Relations, p.34.

[134] Pravda, 1 January 1980, p.5; Kommunist, July 1980, No.10, p.6.

[135] Pravda, 3 January 1980, p.5; Pravda, 7 January 1980, p.5; Kommunist, March 1980, No.4, p.8.

- [136] Pravda, 5 January 1980, p.5.
- [137] Nogee, p.279; Pravda, 6 January 1980, p.5; Pravda, 7 January 1980, p.5.
- [138] Facts on File, 1981, p.198.
- [139] An Assessment of the Afghanistan Sanctions, p.62.
- [140] Facts on File, 1981, p.290.
- [141] Kommunist, September 1980, No.13, p.12.
- [142] Kommunist, November 1980, No.16, pp.6, 7.
- [143] Kommunist, March 1981, No.4, p.37.
- [144] An Assessment of the Afghanistan Sanctions, p.41; Facts on File, 1981, pp.362, 501.
- [145] Chronologies of Major Developments, p.60.
- [146] See as an example "Letters of the People" in Pravda, 17 January 1980.
- [147] Hannes Adomeit, Soviet Risk-Taking and Crisis Behavior, (London: Allen and Unwin, 1982), p.319.
- [148] Paarlberg, Lessons of the Grain Embargo, p.144.
- [149] Facts on File, 1980, p.2.
- [150] An Assessment of the Afghanistan Sanctions, pp.39, 42.

[151] Facts on File, 1980, p.467.

[152] US News and World Report, 24 November 1980, p.41.

[153] US News and World Report, 3 November 1980, p.7.

[154] An Assessment of the Afghanistan Sanctions, pp.43-44.

[155] Ibid., p.44.

[156] Ibid., pp.7, 64.

[157] The New York Times, 25 May 1980; An Assessment of the Afghanistan Sanctions, pp.73, 77.

[158] An Assessment of the Afghanistan Sanctions, p.92.

[159] Ibid., p.44.

[160] Calculated from "East-West Trade Update: a Commercial Fact Sheet for US Business", USDC, Washington, September 1979, and "US Foreign Trade Annual", 1972-1978, USDC, Washington, 1979.

[161] Ibid.

[162] An Assessment of the Afghanistan Sanctions, p.45.

[163] Ibid.

[164] Ibid., p.47.

[165] Facts on File, 1980, p.9.

[166] Ibid., pp.9, 44.

[167] An Assessment of the Afghanistan Sanctions, p.26.

[168] Facts on File, 1980, p.44.

[169] An Assessment of the Afghanistan Sanctions, p.45; Fortune, 11 August 1980, p.130.

[170] An Assessment of the Afghanistan Sanctions, pp.32, 47.

[171] Foreign Affairs, Fall 1980, p.149.

[172] The New York Times, 8 January 1980; An Assessment of the Afghanistan Sanctions, p.70.

[173] An Assessment of the Afghanistan Sanctions, p.63.

[174] Ibid., p.91.

[175] The New York Times, 5 April 1980; The New York Times, 15 March 1981, Section 3, p.2.

C O N C L U S I O N .

The analysis of US-Soviet relations in the late 1970s - early 1980s allows one to draw a number of conclusions on and compare major principles of Soviet and American foreign policy, US and Soviet patterns of behavior in a crisis situation, and US ability to affect Soviet policy.

Soviet foreign policy is more coherent, consecutive, and stable than the American one. This seems to be a result of different political systems. If the US policy is more an outcome of political controversy between numerous groups and individuals in the Administration, the Congress, and bureaucracy, then the Soviet foreign policy is more that of a rational actor. The consecutiveness of Soviet policy and at the same time sharp changes of general course after a new leader comes to power corroborates this conclusion. Different interest groups do play a role in Soviet foreign policy but much less than in American.

There are two main parts to Soviet foreign policy: actions and propaganda. In its propaganda the Kremlin is offensive and ideological in the sense of justifying means for future goals. But in its actions Moscow is very pragmatic and cautious. It usually tries to avoid risky actions such as the Afghan intervention. Moscow uses such actions as a last resort. Normally it prefers to act through proxies and clandestine operations rather than overtly. The events surrounding the Polish crisis at the time also demonstrate that Soviet leaders try to

avoid direct intervention.

The gap between propaganda and actions in Soviet foreign policy is more conspicuous when the Kremlin finds itself in a crisis situation. Usually Soviet response then is a hard, aggressive propaganda campaign accompanied by more cautious actions. The Soviets are very concerned about their prestige domestically and in the world. But they try to maintain the prestige in terms of power rather than morality. The Kremlin seems to be almost indifferent to moral prestige. Its major principle can be formulated as "Let them hate us but respect our power". However, when prestige of power is concerned the USSR is extremely tenacious.

In practice this means that the West can gain concessions from the Soviets only behind the scenes in face-saving wrappings. When confronted with overt pressure the Soviets become extremely cautious but at the same time tenacious. They do not give up when "power prestige" is concerned.

When the Kremlin finds itself in a crisis situation and has to resort to an extreme action like the intervention in Afghanistan it demonstrates thorough and cautious preparation. All steps and timing are carefully calculated in advance. There is no improvisation or spontaneous move on the Soviet side. In the case of Afghanistan and other examples when the Soviet Union used its military forces directly one can outline a general pattern: the forces are used massively, swiftly, and with determination. This differs from the pattern of behavior of the USA which usually uses its forces

piecemeal, sporadically, and in escalation. On the contrary, the massive and concentrated use of US forces in Grenada was in the Soviet manner (and successful).

The general pattern of Soviet foreign policy is characterized by constant offensive pressure on Western countries. The Kremlin looks for every "weak link", testing the West with new actions and demands and increases its pressure on a specific country at an appropriate moment.

But at the same time Moscow always knows where to stop. When Western tolerance runs out and the adversary responds in a harsh manner (like the US sanctions of January 1980) Moscow stops the offensive and becomes very cautious and cooperative in actions (though still offensive and insulting in propaganda). In this situation the Soviets do not try to sharpen the conflict but to bide time until the West gets used to the new Soviet gain. After the gain becomes accepted de facto Moscow resumes pressure on the adversary looking for new opportunities.

The actions leading to a new conflict (the initiatives) usually come from the Soviet side while the USA is usually on the defensive trying to preserve the status quo. This gives the Kremlin a significant advantage by allowing it to choose the time and place of its next strike. This is accompanied with intense Soviet propaganda campaigns alternating threats with peace initiatives. Thus the pattern of a conflict is: a Soviet action (massive and swift, well prepared, at a "weak link") - Western reaction (usually improvisation) -

Soviet reaction to the Western reaction (extremely cautious in deeds but offensive in words) - temporary accommodation - a new Soviet action, and so on.

The theory of changing this pattern by giving the USSR economic rewards for prolonged periods of accommodation and by withdrawing the rewards in case of a new Soviet action turned out to be wrong. The Soviet policy during detente and widening economic cooperation with the West has demonstrated that even in such conditions the Soviet leaders did not abandon massive military build-up and generally offensive pressure on the West. They never abandoned the ultimate goal of world dominance wrapped in ideological justifications.

The American ability to affect Soviet behavior by export controls appears to be very limited. The economic effect of the sanctions on both countries was insignificant because of a very low level of mutual dependency. In such an attempt the USA was not backed up by its allies for a long time and short-term sanctions could be successful only if undertaken together with the allies. That is why the Soviet Union did not make concessions. Politically the sanctions hurt the United States more than the Soviet Union (relations with the allies, controversy in the USA, etc.).

Tying the Soviet Union to the West turned into tying a number of Western business groups to the Soviet Union and made a disruption of the ties politically difficult. Now the economic cooperation which originally was considered as a reward given for good Soviet behavior is called "business as usual", and in view of the

impossibility of changing Soviet behavior is being given no matter what the Kremlin does. Sharp changes and inconsistency in US foreign trade policy produced negative economic and political effects.

The Soviet aggression in Afghanistan was apparently unexpected for the Carter Administration. There was no contingency plan for this case. The measures were taken with delay in favor of the Soviet Union (the best example was export of phosphates). If another American Administration tries to use trade for political purposes (though it is unlikely after the 1980-1981 experience) it should prepare in advance a plan of fast imposition of sanctions in response to certain Soviet actions. It also can try to use bargaining before an export license is issued (a license in exchange for a political concession) rather than by implicit threat of withdrawal of the economic reward. However, in any case economic sanctions cannot be effective enough to change Soviet policy. The sanctions cannot be long-term as public opinion has a tendency to calm down in a while if it is not stirred up by a new Soviet action. And Soviet policy after a sharp Western response becomes extremely cautious in order to avoid such new actions. The Kremlin takes new steps only after world public opinion has accepted a Soviet gain as a part of a new status quo.

The Kremlin does everything possible to achieve detente in economic-technological matters. It tries to persuade Western public opinion that economic cooperation should develop independently from political-military actions. It also promotes long-term East-West economic projects which make sanctions more and more difficult.

The Western ability to change Soviet domestic policy by using economic pressure is extremely limited too. Usual Soviet response to external pressure is to tighten up domestically rather than to try reforms. Reforms can draw the country into an unravelling process which could be too dangerous politically for the Soviet elite. Reforms in the USSR can come about as a result of a domestic crisis rather than pressure from abroad. But economic cooperation with the Soviets only helps to avoid or put off such a crisis.

The Soviet Union is not vulnerable in the sense that it is almost self-sufficient economically and can survive without Western help. Western economic sanctions can have a negative but still an insignificant effect on its economy. The West cannot think about the USSR in terms of an imminent collapse. Therefore economic sanctions aimed at "improvement" of Soviet behavior are likely to fail.

On the other hand, the USSR is vulnerable in the sense that Western help is directed to key sectors of the Soviet economy which can improve the situation in other sectors. For example, technological innovations in and development of the chemical industry help the Russians to improve their agriculture by providing them with an ability to make their own fertilizers. The Soviets are vulnerable in the sense that the speed, cost, and technological level of their modernization depend on an influx of Western technology and capital.

Noisy political campaigns connected to Soviet actions (as that which accompanied the grain embargo) are better avoided as failure to change Soviet policy can damage American prestige in the world and prove to the Soviet common people that "Americans are against us" and thus push them to a nationalistic support of the communist authorities.

An important objective of US foreign policy is to maintain stability in the world. An economic collapse of the Soviet Union might become a too dangerous event of a destabilizing nature. Therefore economic warfare against the USSR aimed at causing its economic collapse should not be a goal of the US economic sanctions. The goal can better be a gradual weakening of the Soviet Union's ability to be a destabilizing factor in international relations.

S E L E C T E D B I B L I O G R A P H Y .

Statistics.

Clark, R. and Matko, D. Soviet Economic Facts, 1917-1981.
New York: St.Martin's Press, 1983.

United Nations. Economic Commission for Europe.
Statistical Indicators of Short-Term Economic
Changes in ECE Countries. Geneva, 1969-1983.

U.S. Central Intelligence Agency. Directorate of
Intelligence. Handbook of Economic Statistics.
1977 and 1982.

U.S. Central Intelligence Agency. Directorate of
Intelligence. International Energy Statistical
Review. September 1983 and October 1983.

U.S. Department of Commerce. US Trade With Major Trading
Partners, 1972-1978. May 1980.

U.S. Department of Commerce. US Foreign Trade Annual,
1973-1979. July 1980.

U.S. Department of Commerce. East-West Trade Update:
A Commercial Fact Sheet for US Business.
September 1979 and August 1980.

U.S. Department of Commerce. World Trade Outlook for
East Europe, the USSR, Republic of China.
Various years.

U.S.S.R. Ministry of Foreign Trade. Vneshnjaja trgovlja SSSR. Statisticheskii sbornik. (Foreign Trade of the USSR. Statistical collection). Moscow: Finansy i statistika, 1970-1982.

U.S.S.R. Ts.S.U. Narodnoe khozjaistvo SSSR. (Economy of the USSR). Moscow: Finansy i statistika, various years.

U.S. Congress and Government Documents.

U.S. Central Intelligence Agency. National Foreign Assessment Center. Simulations of Soviet Growth Options to 1985. A Research Paper. December 1978.

U.S. Central Intelligence Agency. National Foreign Assessment Center. USSR: Long-Term Outlook for Grain Imports. A Research Paper. January 1979.

U.S. Central Intelligence Agency. National Foreign Assessment Center. Soviet Chemical Equipment Purchases From the West: Impact on Production and Foreign Trade. A Research Paper. October 1978.

U.S. Central Intelligence Agency. National Foreign Assessment Center. Soviet Economic Problems and Prospects. Washington, 1977.

U.S. Congress. Congressional Record. Washington: US Government Printing Office, various years.

- U.S. Congress. House of Representatives. Committee on Foreign Affairs. An Assessment of the Afghanistan Sanctions: Implications for Trade and Diplomacy in the 1980s. Report for the Subcommittee on Europe and Middle East. Office of Senior Specialists, Congressional Research Service, Library of Congress. April 1981. Washington: US Government Printing Office, 1981.
- U.S. Congress. House of Representatives. Committee on Foreign Affairs. Review of Implementation of Basket II of the Helsinki Final Act. Hearing before the Subcommittee on International Economic Policy and Trade. March 6, 1980. Washington: US Government Printing Office, 1980.
- U.S. Congress. Joint Economic Committee. Soviet Economy in the 1980s: Problems and Prospects. Hearings before the Committee. Parts I and II. December 1982. Washington: US Government Printing Office, 1983.
- U.S. Congress. Joint Economic Committee. Soviet Economy in a New Perspective. A compendium of papers submitted to the Committee. October 14, 1976. Washington: US Government Printing Office, 1976.
- U.S. Congress. Joint Economic Committee. Western Perceptions of Soviet Economic Trends. A Staff Study prepared for the use of the Subcommittee on Priorities and Economy in Government. March 6, 1978. Washington: US Government Printing

Office, 1978.

U.S. Congress. Joint Economic Committee. East-West Trade: The Prospects to 1985. Studies Prepared for the use of the Committee. August 18, 1982. Washington: US Government Printing Office, 1982.

U.S. Congress. Joint Economic Committee. Allocation of Resources in the Soviet Union and China, 1982. Hearings before the Subcommittee on International Trade, Finance, and Security Economics. June 29, December 1, 1982. Washington: US Government Printing Office, 1983.

U.S. Congress. Senate. Committee on Agriculture, Nutrition, and Forestry. Soviet Bloc Debt and Financial Integrity of the CCC. Hearing before the Committee. March 12, 1982. Washington: US Government Printing Office, 1982.

U.S. Congress. Senate. Committee on Banking, Housing, and Urban Affairs. Proposed Trans-Siberian Natural Gas Pipeline. Hearing before the Committee. November 12, 1981. Washington: US Government Printing Office, 1982.

U.S. Congress. Senate. Committee on Banking, Housing, and Urban Affairs. East-West Trade and Technology Transfer. Hearing before the Subcommittee on International Finance and Monetary Policy. April 14, 1982. Washington: US Government Printing Office, 1982.

- U.S. Congress. Senate. Committee on Government Affairs. Soviet Energy Exports and Western European Energy Security. Hearing before the Subcommittee on Energy, Nuclear Proliferation, and Government Processes. October 14, 1981. Washington: US Government Printing Office, 1982.
- U.S. Congress. Senate. Committee on Government Affairs. Transfer of Technology to the Soviet Union and Eastern Europe. Hearing before the Permanent Subcommittee on Investigations. May 25, 1977. Parts I and II. Washington: US Government Printing Office, 1977.
- U.S. Congress. Senate. Committee on Government Affairs. The Rising Soviet and East European Debt to the West. Selected Comments. Permanent Subcommittee on Investigation. April 1977. Washington: US Government Printing Office, 1977.
- U.S. Department of Commerce. Foreign Economic Trends and Their Implications for the United States. USSR. Annual.
- U.S. Department of State. Bureau of Public Affairs. East-West Trade Relations. September 16, 1981. Washington, 1981.
- U.S. President. International Economic Report of the President. Washington, 1977.

Official Soviet Materials.

Leonid Brezhnev. Izbrannye proizvedeniya. (Selected works). Moscow: Politicheskaja literatura, 1981.

Leonid Brezhnev. Ob osnovnyh voprosah ekonomicheskoi politiki KPSS na sovremennom etape. (On major questions of economic policy of the CPSU in our time). Vol.1 and 2. Moscow: Politizdat, 1979.

Leonid Brezhnev. O vneshnei politike KPSS i sovetskogo gosudarstva: rechi i statii. (On foreign policy of the CPSU and Soviet State: speeches and articles). Moscow: Politicheskaja literatura, 1978.

Brykin, V.A., ed. Za materializatsiu razriadki. (For materialization of detente). Moscow: Mezhdunarodnye otnosheniya, 1980.

Osnovnye napravleniya razvitiya narodnogo hozjaistva SSSR na 1976-1980 gody. (Major directions of the development of Soviet economy in 1976-1980). Moscow: Politizdat, 1976.

Osnovnye napravleniya ekonomicheskogo i sotsialnogo razvitiya SSSR na 1981-1985 gody i na period do 1990 goda. (Major directions of economic and social development of the USSR in 1981-1985 and till 1990). Moscow: Politizdat, 1981.

The Undeclared War. Imperialism against Afghanistan.

Moscow: Progress Publishers, 1980.

Secondary Sources.

Adomeit, Hannes. Soviet Risk-Taking and Crisis Behavior.
London: Allen and Unwin, 1982.

Bergsten, Fred and Moran, Theodor. American
Multinationals and American Interests.
Washington: Brookings Institution, 1978.

Blake, David and Walters, Robert. The Politics of Global
Economic Relations. 2nd ed. Englewood Cliffs,
New Jersey: Prentice-Hall, 1983.

Bhargava, G.S. South Asian Security after Afghanistan.
Lexington: Lexington Books, 1983.

Bornstein, Morris and Fusfeld, Daniel, ed. The Soviet
Economy. 4th ed. Homewood: Richard Irwing, 1974.

Bornstein, Morris, ed. The Soviet Economy. Boulder:
Westview Press, 1981.

Clemens, Walter. The USSR and Global Interdependence.
Washington: American Enterprise Institute for
Public Policy Research, 1978.

Crabb, Cecil. American Foreign Policy in the Nuclear Age.
4th ed. New York: Harper and Row, 1983.

Ebinger, Charles. The Critical Link: Energy and National

Security in the 1980s. Cambridge: Ballinger Publishing Co., 1982.

Goldman, Marshall. The USSR in Crisis. The Failure of an Economic System. New York: Norton, 1983.

Griffiths, John. Afghanistan: Key to a Continent. Boulder: Westview Press, 1981.

Harman, Chris. Bureaucracy and Revolution in Eastern Europe. London: Pluto Press, 1974.

Hoffmann, Stanley. Primacy or World Order. New York: McGraw-Hill Book Co., 1980.

Holzman, Franklyn. International Trade Under Communism. New York: Basic Books, 1976.

Klinghoffer, Arthur. The Soviet Union and International Oil Politics. New York: Columbia University Press, 1977.

Malkevich, V. East-West Economic Cooperation and Technological Exchange. Moscow: USSR Academy of Sciences, 1981.

Medvedev, Roi and Jores. Khrushchev: gody u vlasti. Ann Arbor: Xerox University Microfilm, 1975.

Nogee, Joseph and Donaldson, Robert. Soviet Foreign Policy Since World War II. New York: Pergamon Press, 1981.

- Park, Daniel. Oil and Gas in Comecon Countries. New York: Kogan Press, 1979.
- Parrott, Bruce. Politics and Technology in the Soviet Union. Cambridge: The MIT Press, 1983.
- Pipes, Richard. US-Soviet Relations in the Era of Detente. Boulder: Westview Press, 1981.
- Quigley, John. The Soviet Foreign Trade Monopoly. Columbus: Ohio State University Press, 1974.
- Shaffer, Harry., ed. Soviet Agriculture. New York: Praeger Publishers, 1977.
- Shershnev, E.S., ed. SSSR-SShA: Ekonomicheskie otnoshenija. (USSR-USA: Economic Relations). Moscow: Nauka, 1976.
- Shenaev, V.N., ed. Materializatsija razrjadki: ekonomicheskie aspekty. (Materialization of detente: Economic aspects). Moscow: Mysl, 1978.
- Spero, Joan. The Politics of International Economic Relations. London: Allen and Unwin, 1977.
- Smith, Glen. Soviet Foreign Trade. New York: Praeger Publishers, 1973.
- Turpin, William. Soviet Foreign Trade. Lexington: Lexington Books, 1977.

The USSR in the 1980s. Colloquium held 17th-19th
January 1978 in Brussels. NATO-Directorate
of Economic Affairs, 1978.

Volin, Lazar. A Century of Russian Agriculture.
Cambridge: Harvard University Press, 1970.

