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SOVIETS REJECT TRADE AGREEMENT

SECRETARY KISSINGER: Ladies and gentlemen, I am sorry to get you all together at this hour. We had originally agreed with the Soviet Government to make a statement, which I am about to read, on Thursday. But there have been a number of inquiries this afternoon which led us to believe that there might be stories that were based on inadequate information, and perhaps based on misunderstandings. And in order to avoid exacerbating the situation, and in an already rather delicate moment, we asked the Soviet Embassy whether we might release the statement this evening.

So I will now read the agreed statement of which the Soviet Government is aware, and we will have copies for you when you leave. Now the text of the statement is as follows:

(BEGIN TEXT) Since the President signed the Trade Act on January 3, [1975] we have been in touch with the Soviet Government concerning the steps necessary to bring the 1972 U.S.-Soviet Trade Agreement into force.

Article 9 of that agreement provides for an exchange of written notices of acceptance, following which the agreement, natory tariff would enter into force. In accordance with the recently enacted Trade Act, prior to this exchange of written notices, the President would transmit to the Congress a number of documents, including the 1972 agreement, the proposed written notices, a formal proclamation extending MFN to the U.S.S.R., and a statement of reasons for the 1972 agreement. Either House of Congress would then have had 90 legislative days to veto the agreement.

In addition to these procedures, the President would also take certain steps, pursuant to the Trade Act, to waive the applicability of the Jackson-Vanik Amendment. These steps would include a report to the Congress

stating that the waiver will substantially promote the objectives of the amendment and that the President has received assurances that the emigration practices of the U.S.S.R. will henceforth lead substantially to the achievement of the objectives of the amendment.

It was our intention to include in the required exchange of written notices with the Soviet Government language required by the provisions of the Trade Act that would have made clear that the duration of 3 years referred to in the 1972 Trade Agreement with the U.S.S.R. was subject to continued legal authority to carry out our obligations. This caveat was necessitated by the fact that the waiver of the Jackson-Vanik Amendment would be applicable only for an initial period of 18 months, with provision for renewal thereafter.

The Soviet Government has now informed us that it cannot accept a trading relationship based on the legislation recently enacted in this country. It considers this legislation as contravening both the 1972 Trade Agreement, which had called for an unconditional elimination of discriminatory trade restrictions, and the principle of noninterference in domestic affairs. The Soviet Government, a trade political conditions and, accordingly, that it will not put into force the 1972 Trade Agreement.

Finally, the Soviet Government informed us that if statements were made by the United States in the terms required by the Trade Act concerning assurances by the Soviet Government regarding matters it considers within its domestic jurisdiction, such statements would be repudiated by the Soviet Government.

In view of these developments, we have concluded that the 1972 Trade Agreement cannot be brought into force at this time and that the President will therefore not take the steps required for this purpose by the Trade Act. The

President does not plan at this time to exercise the waiver authority.

The Administration regrets this turn of events. It has regarded and continues to regard an orderly and mutually beneficial trade relationship with the Soviet Union as an important element in the overall improvement of relations. It will, of course, continue to pursue all available avenues for such an improvement, including efforts to obtain legislation that will permit normal trading relationships. (END TEXT)

Now, since undoubtedly a number of you will raise questions, and some of you have already raised questions about the implications of this for our political relationships with the Soviet Union, let me make a few observations:

The problem of peace in the nuclear age must be of paramount concern for both nuclear powers. The question of bringing about a more stable international environment depends importantly on improved relations between the United States and the Soviet Union. This essentially bipartisan effort will be continued by this Administration.

We have no reason to believe that the rejection of the provisions of the Trade Bill has implications beyond those that have been communicated to us. It goes without saying that should it herald a period of intensified pressure the United States would resist with great determination and as a united people. We do not expect that to happen, however, and as far as the United States is concerned we will continue to pursue the policy of relaxation of tensions and of improving, or seeking to improve, relationships leading toward a stable peace.

As far as our domestic debate is concerned, we see no point in reviewing the debate of recent months. We want to make clear that there was no disagreement as to objectives. We differed with some of the members of Congress about the methods to achieve these objectives—these disagreements are now part of a legislative history.

As far as the Administration is concerned, it will pursue the objectives that I have outlined, in a spirit of cooperation with the Congress.

And when I have testified before the Senate Foreign Relations Committee on Friday [January 17], I will seek their advice as to the steps that, in their judgment, might be desirable in promoting the cause and the purposes which we all share.

And now I will be glad to answer your questions.

Q: Mr. Secretary, going to your statement, suggesting that Congress is at fault in great part for what has happened, and if that is what you are suggesting, why did you and Congress equally engage in this exchange of letters which seem to tell the American people that those assurances had been received?

A: I think that all of you can review the public statements that I have made over the years of this debate expressing our judgment as to the likely consequences of this course.

You will also recall that in my testimony before the Senate Finance Committee on December 3 [1974], I stated explicitly that if any claim were made that this was a government-to-government transaction, and if any

assertions were made that assurances had been extended, that those would be repudiated by the Soviet Government.

I believe that there were a number of reasons that led to the Soviet decision. The purpose of my remarks was not to put the blame anywhere, but in order to put the debate behind us and to turn us toward the future.

Q: Mr. Secretary, what are some of those reasons, do you think, that led the Soviets to this move?

A: I believe, as I have already stated publicly, that since the exchange of letters there have been many public statements that were difficult for the Soviet Union to accept. And the decision with respect to the Export-Import Bank ceiling was undoubtedly an important factor in leading to this turn of events.

Q: Mr. Secretary, can you tell us what you think this means for the future of emigration of people from the Soviet Union, especially Jews?

A: We have been given no official communication.

Q: Do you think the number will go down?

A: I would not want to speculate. The United States has made clear before that we favored the widest possible emigration, and we did so privately. And, for a time, not ineffectively.

Q: Mr. Secretary, right now, do you have any reason to believe that the Soviet Union is or will begin to apply intensive pressure in any particular region of the world?

A: We have no reason to suppose so. I simply stated this to make clear what our attitude would be if this should happen. I also want to make clear that the United States will pursue a policy of relaxation of tensions, that the political premises of our policy of detente remain in full force, and that we are prepared to consult with the Congress to see how the objectives of the Trade Bill can be applied to the Soviet Union under conditions that are perhaps more acceptable.

Q: Mr. Secretary, would you care to characterize the Soviet letter of rejection?

A: I think it was factual.

Q: When was it received, sir?

A: It was received on Friday [January 10, 1975], and the further discussions with respect to it were concluded yesterday.

Q: Mr. Secretary, going to your statement, suggesting that Congress is at fault in great part for what has happened, and if that is what you are suggesting, why did you and Congress equally engage in this exchange of letters which seem to tell the American people that those assurances had been received?

A: We have no evidence whatever to that effect.

Q: Mr. Secretary, after the Vladivostok meeting [November 23-24, 1974] voices were raised in Congress saying that since it has been proved possible to be tough with the Russians on the Trade Bill, that we should therefore go back and renegotiate the Vladivostok agreement and get lower ceilings with them. Do you think that sort of public statement had any impact?

A: Well, I don't want to go into individual public statements. I tried to point out on several occasions the limits of what a superpower can accept. And you may

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s a change,

remember that I warned in a press conference about the impact on detente of such a debate with respect to Vladivostok.

Q: Mr. Secretary, do you expect now that the visit of Mr. Brezhnev [Leonid I. Brezhnev, General Secretary of the Central Committee of the Communist Party] to this country might be put into question?

A: I have absolutely no reason to suppose this. All the communications we have received from the Soviet Government seem to suggest that the political orientation is unchanged. And we will conduct our policy until we receive evidence to the contrary on the basis of carrying forward the policy of detente.

Q: Mr. Secretary, the Lend-Lease Agreement, as I recall it, said that the Soviet Union did not have to make any further payments after this year if it did not receive most-favored-nation. So can we assume that that means the Soviet Union will also not be paying any further Lend-Lease payments? And that in turn raises the question of, should they still be entitled to any credits at all?

A: Well, with respect to the Lend-Lease, we have not sorted out specifically from what obligations the Soviet Union would be relieved. But I think your interpretation of the agreement is a reasonable one.

As you know, the granting of new credits has been linked to the implementation of the MFN, and therefore your second question is really moot, because no new credits can be extended under the existing legislation.

Q: Mr. Secretary, how did the Soviet Union first communicate with you that they intended to do this?

A: Well, after the passage of the Trade Act and the Ex-Im [Export-Import Bank] legislation, the Soviet Union made clear in a number of ways, including public comments, its displeasure with the legislation. But it did not communicate with us formally. After the Trade Act was signed, we informed the Soviet Union of the precise steps that would have to be taken under the Trade Act to implement the Trade Agreement and to put into effect the waiver provisions of the Jackson-Vanik Amendment.

In response to these provisions, which made it impossible for us to apply the waiver without some Soviet action, the Soviet Union informed us that they would not participate in these actions. These actions specifically were that the Trade Agreement would have to be amended to run not for 18 months but for 18 months in case MFN were not extended. And we had to have assurances that we could make statements with respect to Soviet emigration practices, or rather assurances that we had been given with respect to emigration practices, which they would not repudiate.

Now, as I have pointed out on many occasions, the assurances which we had received—and you may have seen stories that we had resisted the word “assurance” throughout our discussions with the Congress—that the information we had received concerned the application of Soviet law and the implementation of Soviet practices. And as I had made clear on December 3, any assurances concerning the Soviet Government were bound to be rejected, and they have been.

Q: Mr. Secretary, in view of the fact that many officials in this government have expressed concern that the Soviet Union is not getting enough out of detente—and one of its main purposes in having a detente with the United States was in improving its trade, getting technology, getting credits from the United States—can you tell us on what you base your optimism that the other aspects of detente can continue?

A: I stated that the communications that we have so far received have indicated that the Soviet Union wishes this political relationship to continue. We have no other evidence. And we will, of course, base our own conclusions on the actions of the Soviet Government and not on the note.

Q: Mr. Secretary, evidently publicity and congressional debate had a great deal to do with the Soviet decision. Does this raise the question whether a democracy like ours can pursue openly a detente policy with the Soviet Union, or must it be pursued in secret and risk failure if the public is brought into it?

A: Well, I really do not think any useful purpose would be served by speculating on all the causes of the present state of affairs.

I believe that any foreign policy of the United States that is not based on public support, and above all on congressional support, will not have a firm foundation. At the same time, there is the problem of the degree to which this control is exercised and in what detail. And this is a matter that will require constant adjustment and discussion between the Executive and the Congress.

I repeat: we shared the objective of those with whose tactics we disagree, and we do not think that these tactics were in any sense improper or unreasonable.

Q: Mr. Secretary, do you see any link between the Soviet action that you are discussing and recent reports that Mr. Brezhnev has been under criticism at home for his detente approach?

A: Well, all I know about those stories is what I read in the newspapers. And we have to base our policies on the actions and communications of the Soviet Government. And therefore, I don't want to speculate on the internal position of various Soviet leaders.

Q: Mr. Secretary, do you expect the Soviets to reduce their purchases of American products to further give evidence of this displeasure?

A: I stated that the Soviet Union objected to certain legislative provisions. I have no evidence one way or the other about what Soviet commercial practices will be henceforth, and it is quite possible that they have not made a decision.

Q: Mr. Secretary, would you characterize it as being accurate to say that during the months of negotiations with the Senators, you had information from the Soviets to the effect that you could negotiate in good faith with the Senators on these specific emigration issues, but over the past few weeks the Soviet Union has changed its policy whereby it no longer can stand by the information that it had given to you during those months of negotiations?

A: The reason the negotiations with the Senators took so long was our concern to make sure that we would communicate nothing that we could not back up. The Soviet Union gave us certain descriptions of their domestic practices, which we attempted to communicate as accurately as we could. Obviously those who were concerned with promoting emigration attempted to make these descriptions as precise and as detailed as possible. And that is perfectly understandable.

I think what may have happened is, when the Soviet Union looked at the totality of what it had to gain from this trading relationship as against the intrusions in its domestic affairs, it drew the balance sheet of which we have the result today. But they have never disavowed the assurances or the statements in my letter.

Q: Mr. Secretary, you say that there is no reason to believe that there are implications beyond this. However, was not one of the incentives that we used in relations with the Soviet Union the trade incentive, to that extent linkage. And to that extent is there not some implication?

A: It would be my judgment that the interest in the preservation of peace must be equally shared by both sides. I have stated the Administration position in many statements before the Congress, in which I pointed out that it is our view, and it remains our view, that it is desirable to establish the maximum degree of links between the two countries in order to create the greatest incentive for the preservation of stable relationships.

We are prepared to continue exploring these possibilities. And we are certain that the Congress will deal with

us in a conciliatory and constructive manner. So we look at this as an interruption and not as a final step.

Q: Mr. Secretary, I'm a little confused about exactly what happened. Administration officials had said when the Trade Bill passed that they could live with it. You were asked at one point whether you would recommend vetoing of the Ex-Im Bank legislation, and you didn't answer it directly, and the President signed it. Did you have any idea that this was coming? Couldn't you have taken a step like vetoing the Ex-Im Bank to have prevented this?

A: Well, we are faced with a situation in which there were differences of view as to what the traffic would bear. I don't believe that anybody reading my statements over the years can have any question about what my view was and my statements are on the public record. And there was disagreement as to the validity of this.

For the United States to veto legislation which made credits available to American business for trading with the whole world—because of an unsatisfactory limitation with respect to the Soviet Union at the end of a prolonged period of negotiation—was a decision which the President felt he could not take, and it is a decision with which I agreed. It came down to a fine judgment. It would not have changed the basic problem, anyway, because with the Ex-Im legislation vetoed, the Soviet Union would have had no reason to put into effect the trade provisions in any event. So we were faced with a very difficult choice. In one case they would get \$300 million; in the other case they could get nothing.

THE PRESS: Thank you, Mr. Secretary.

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