

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

William F. Donnelly
Deputy Director for Administration

EXTENSION

NO.

ER-1469x

DATE

15 April 1987

STAT

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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1. Acting Director of
Central Intelligence

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Office of the
UNDER SECRETARY OF STATE
FOR MANAGEMENT
WASHINGTON

October 22, 1986

TO: A - Mr. Bouchard
 DS - Mr. Lamb
 EUR/SOV - Mr. Parris
 M/OFM - Mr. Nolan
 PA - Mr. Redman
 bm

FROM: M - Bill Eaton

SUBJECT: The Moscow Embassy

The Secretary asked Mr. Spiers to produce an unclassified report on the history of our negotiations with the Soviets on the construction of our new embassy in Moscow. Attached is a draft of that unclassified report.

Could you or your staff take a look at this report and give me your comments? In particular, I would appreciate your suggestions on how we might use this report in the press and/or on the Hill. We also need to make sure that all of the information in this report is indeed unclassified.

The Secretary apparently wants this unclassified report as soon as possible. We would appreciate your comments by COE Thursday, October 23.

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Inching Towards a New Embassy in Moscow:
An Historical Perspective of Soviet-American Negotiations

Background

Soon after the U.S. recognized the Soviet Union, William C. Bullitt, our first ambassador to the USSR, reported in January 1934 that Stalin had promised him a new embassy site in Moscow on Lenin Hills overlooking the Moscow River. For the next five years we negotiated with the Soviets on quality assurances on construction materials, permission to use foreign (including American) laborers to construct an embassy, duty-free import of construction materials, the adequacy of Lenin Hills as a chancery site, and Soviet demands that we use a Soviet company to construct the new building. The discussions were fruitless, so funds which had been earmarked for Moscow were diverted to Central American posts in 1937. Discussions on new embassy construction ended completely in 1939.

As a result, the Embassy staff moved into temporary quarters on Ulitsa Mokhovaya near Red Square. Legend has it that Stalin, who lived in an apartment in the Kremlin, frequently complained that he woke up mornings seeing the British Union Jack and the American Stars and Stripes outside his windows. He insisted that both embassies move. The British still occupy their chancery opposite the Kremlin. We moved in 1953.

The Soviets offered us our present chancery building on Ulitsa Chaikovskovo. However, they insisted upon renovating the building before we occupied it. Americans were not permitted to supervise the renovations. In fact, the Soviets were so secretive about the renovations that, at one point, the future chancery was shrouded in tarpolins while the Soviets worked inside.

Searching for Sites

We quickly outgrew the Ulitsa Chaikovskovo chancery. Likewise, the Soviets were bursting at the seams in their 16th Street chancery in Washington. As a result, in 1963 the Soviets tried unsuccessfully to get a new chancery site in the Bonnie Brae subdivision of Chevy Chase. Through a series of court cases, the community successfully blocked construction.

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To avoid future squabbles over zoning, we began searching for land owned by the U.S. Government in Washington as possible Soviet chancery sites. (Government-owned land is not subject to D.C. zoning regulations.) We investigated two sites -- the Bureau of Standards site (now the the International Chancery Project) and the Veteran's Administration Hospital site on Mt. Alto. The Soviets had not previously indicated an interest in either site.

For the next two years officers from all interested U.S. Government agencies discussed, and eventually agreed to, the acceptability the Mt. Alto site. The Soviets, however, were not universally enthusiastic about the Mt. Alto site. In November 1966 they complained that we had showed them only one site -- Mt. Alto -- which was "not very favorable" because of its distance from the center of the city and from government buildings.

However, after a brief Soviet dalliance with the idea of building a chancery at Tregaron in Cleveland Park, in 1969 we signed an exchange of sites agreement, giving the Soviets an 85-year lease for 12.5 acres on Mt. Alto.

Meanwhile, in Moscow we were also looking for an appropriate site for our new embassy. The Soviets again offered a site high atop Lenin Hills overlooking Moscow, but we balked, concluding that the site was too inaccessible and too far from the center of the city. We focused instead on a site the Soviets offered behind the existing chancery. The site was topographically lower than the existing chancery and in an area slated for urban renewal. However, the site was centrally located, overlooking the Moscow River, within walking distance of the Ambassador's Residence, across the street from the site of the new RSFSR (Russian Republic) Council of Ministers office, and near major thoroughfares and several metro stations; in short, it was on prime Moscow real estate. (The site is not, as legend has it, in a swamp. This characterization crept into the rhetoric about the site as a result of some drainage problems during excavation.) Congressman Wayne Hays travelled to Moscow in September 1967 and concluded that his Foreign Affairs subcommittee would support this site.

We negotiated for several years on the precise size and shape of the plot of land. Eventually in 1969 we accepted -- with Congress interposing no objections -- an 85-year lease for a 10-acre site for the chancery compound, plus the 1.8-acre site of the Ambassador's Residence, Spaso House.

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At Soviet suggestion, negotiations on sites and construction had been separated into two tracks. According to the Soviets, the sites agreement had to be approved at the highest levels of Soviet government; the conditions of construction could be ironed out by technicians. Separating the negotiations would speed up the process, the Soviets said. To encourage a speedy conclusion of agreements, the eventual exchange-of-sites agreement stipulated that we would agree to conditions of construction within 120 days. However, our negotiations dragged on for 3 years. One of the major sticking points was the height of the Soviet buildings on Mt. Alto and of our new chancery in Moscow.

Negotiating Chancery Heights

After long, arduous negotiations, we finally settled the height issue as a part of the conditions of construction agreement signed in 1972. The Soviets agreed that our new chancery in Moscow could be 176 meters (above sea level) tall. At that height, our building would be about 9 meters lower than our existing chancery, but slightly taller than the nearby CEMA (Council of Mutual Economic Assistance) building. Our new chancery would nevertheless be dwarfed by the nearby "Stalin-scraper" apartment building. All of the interested U.S. Government entities -- including Congress -- eventually agreed to this arrangement.

Meanwhile, in Washington the Mt. Alto height issue raged between the Soviets, the State Department, and the National Capital Planning Commission. The issue was complicated by the fact that the new Soviet chancery is in an area of Washington where building heights are strictly controlled. Eventually, however, the Soviets reluctantly accepted the 136.21-meter (above sea level) height limitation which the National Capital Planning Commission had placed on their buildings on Mt. Alto.

Conditions of Construction

The exchange-of-sites agreement was only the first major hurdle. The second, reaching an agreement on conditions of construction, was like building a house of cards during a windstorm. The haggling over conditions grew so acrimonious that both sides at times considered giving up the negotiations. The 120-day deadline for agreement (set in the exchange-of-sites agreement) was extended repeatedly.

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We submitted our initial draft conditions of construction to the Soviets in January 1968. Nineteen months passed before the Soviets submitted their counterproposals. Their demands were, for the most part, "categorically unacceptable" to the U.S. Among other things, the Soviets stipulated that:

- Soviet contractors would carry out basic construction;
- Soviets would control all phases of construction in Moscow (According to Soviet law, they said, foreigners could not supervise construction of buildings in the Soviet Union);
- Soviet firms would survey the property and prepare design drawings;
- our plans had to take into consideration not only local construction norms and rules, but also local technology and methods of erection (In other words, we had to agree to design a building which Soviets would be capable of constructing);
- we would use Soviet construction materials;
- we had to pay for Soviet goods and labor with hard currency;
- up to 40 Americans could do the interior finishing work on the buildings, but only 10-12 American administrative and technical people would be permitted on the construction site for limited supervision and control of Soviet contractors; and
- Americans would have only very limited access to the construction site.

We recognized from the start that common Soviet construction techniques and materials would fall well below U.S. standards. (As if to validate our fears, several balconies in the Soviet-constructed new French Embassy in Moscow collapsed in the late 1970s.) We also knew that Soviet inefficiency would inevitably drag out the length of construction.

Among other things, we insisted on

- maintaining control over the construction of our new office building;
- unrestricted access to the construction site;
- guarantees that we could bring in enough technicians and security personnel to supervise the Soviets and thereby maintain the security of the construction site;
- competitive bidding to decide who would construct our chancery compound;
- no restrictions (or import duties) on construction materials and equipment;
- parallel ("brick-by-brick") progress on construction in Moscow and Washington; and

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-- simultaneous occupancy of our respective chanceries. (The Swedes had not made this a requirement when they built their embassy in Moscow. As a result, the Soviets moved into new quarters in Stockholm long before construction on the Swedish embassy in Moscow was completed. The Swedes, lacking any leverage to prevent Soviet construction delays, then faced continued difficulty getting Soviet cooperation on embassy construction.)

The longer the negotiations dragged on, however, the more both sides moved, albeit at a snail's pace, from their original positions. The Soviets agreed that we could do the finishing work in the building and loosened their restrictions on the number of Americans permitted on site. They agreed to let third-country workers install equipment we purchased in third countries. They also agreed to simultaneous occupancy of the chanceries.

In March 1970 we also began to back away from our original position. We began considering using Soviet workers to construct our building, but using our designs and under our supervision. We realized that, from a practical standpoint, some Soviet labor and Soviet materials would have to be used for the new building. We hinted that, in order to meet Soviet requirements for generating hard currency, we would permit the Soviets to build a portion of our building. We suggested that the Soviets could excavate the site, construct the structural frame of the office building, and build the residential portion of the project.

In September 1971 we sent a team of architects to Moscow to tour a number of Soviet industrial facilities and a number of recently completed Soviet-constructed buildings. The team was supposed to evaluate Soviet construction capabilities and prepare a report on the type of building we wanted and the type of construction required.

No architectural and engineering drawings had been prepared at this point. However, the architects concluded that it would be possible to build our embassy compound in Moscow with substantial input of Soviet materials and labor. They reported that pre-cast concrete would be adequate to ensure the structural integrity of the building.

In July 1972, a seven-man interagency team concluded two exhausting weeks of discussions with the Soviets and agreed to a long list of conditions. The team worked out a formula whereby construction of the new office building was to be

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divided into two stages, with the Soviets performing all basic structural work in stage one (using Soviet labor and Soviet materials) and Americans (or third-country nationals) doing the finishing work in stage two. In effect, we could be our own overall builder-developer for the entire project and our own general contractors for stage 2.

In addition:

- We were given unrestricted access to the site during construction.
- We were permitted to install our own windows, doors, final roofing, all mechanical and electrical equipment, final wiring, plumbing and other systems.
- We could supply our own exterior facing, as well as specialists who would supervise and instruct Soviet laborers on how to install the (brick) facing.

The groundwork had been laid for a "face-saving compromise." Some of the reasons cited in various Soviet and American sources for agreeing to use Soviet labor and materials included:

- All other foreign embassies in Moscow had been built by the Soviets.
- The Soviets pledged their "full cooperation" to get qualified Soviet workers for the American embassy project.
- We didn't want to permit the Soviets to build Mt. Alto by themselves. The counterintelligence challenge of monitoring the large number of Soviet construction workers in the U.S. would be too great.
- Importing large numbers of American construction workers into Moscow could pose more personnel security problems than the physical security advantages of building our own building.
- The French had tried to build their new Embassy in Moscow themselves and had eventually, in exasperation, given up. They let the Soviets finish the project.
- Problems of language and convoluted Soviet building regulations would slow our progress if we used only American workers and materials.
- It would cost too much to import an "army" of American construction workers to build our compound. We estimated in 1969 that we would need 150-200 Seabees, Marines, and contract personnel to build our embassy in Moscow.

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As the differences between the two sides narrowed, pressures to conclude an agreement increased. On October 3, 1972, during the height of detente, the State Department got word from the White House that the President wanted an agreement on conditions of construction before Soviet Foreign Minister Gromyko left the U.S. for Moscow the next day. Despite this pressure from the White House, no agreement was forthcoming. Two months later, after three-and-one-half years of negotiations, Secretary of State Rogers apparently personally intervened. In a December 1, 1972, memo to Secretary Rogers, EUR Assistant Secretary Stoessel stated, "Yesterday you directed me to sign the Agreement on the Condition of Construction of Embassy Complexes." The agreement was signed on December 4, 1972 at 11:30 a.m. President Nixon sent a congratulatory memo to Secretary Rogers on December 15, noting that "it is particularly appropriate that this agreement . . . for improved diplomatic facilities should come at a time of expanding, improving US-Soviet relations."

Protocol of 1977

However, the agreements we had nailed down in 1972 with the Soviets on conditions of construction turned out to be moving targets. Negotiations to refine these conditions of construction dragged on without success for five more years. Secretary of State Vance's planned trip to Moscow in 1977 broke the logjam. Eager for an agreement for Vance to sign in Moscow, Soviet and American negotiators signed a Protocol of negotiations on construction in March 1977. In the Protocol, the Soviets agreed to furnish us with the long-awaited construction cost estimate by August 1977. The final cost would then be determined when the actual construction contracts were signed. We agreed that the calculation of our Moscow construction costs would be based on the prices of constructing similar buildings in Washington.

Although an exchange of sites agreement had been signed in 1969, neither side took possession of their respective plots of land until 1977. In the 1977 Protocol, both sides agreed to a simultaneous exchange of sites on March 30, 1977.

Constructing New Chanceries

Once the Soviets had possession of their site, they were eager to begin construction of their school, clubhouse and apartments. Although we weren't ready to begin construction in

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Moscow, we agreed to let the Soviets begin construction on Mt. Alto immediately in exchange for a new American school, 14 new apartments for official Americans, warehouse space, and a new dacha site in Moscow.

Our construction in Moscow was not scheduled to begin until over a year later in May 1978. However, even that date proved optimistic. The Soviet buildings (school, clubhouse, and apartments) on Mt. Alto were completed in 1979 by the time we signed our construction agreement to begin construction in Moscow.

Once their buildings on Mt. Alto were completed, the Soviets began pressing us to let them move into the buildings. Since we hadn't even started construction in Moscow, we refused. Construction contract talks in Moscow had stalled, since we refused to accept Soviet construction costs which we considered unreasonable. We finally agreed to permit occupancy of Mt. Alto if the Soviets would agree to a fair construction price for our Moscow chancery. The Soviets eventually agreed.

On June 30, 1979, we signed a construction contract with the Soviet firm, SVSI. The following year, in September of 1980, Assistant Secretary Tom Tracy signed a Memorandum of Understanding with the Corps of Engineers to provide four experienced technical personnel -- one electrical engineer, a mechanical engineer, an architect, a logistic scheduler -- to assist with the construction of the new office building. These technical personnel, along with over 30 Seabees, the FBO project management team, security personnel, and three American contractor firms, now form the core of our American construction team in Moscow.

Despite the agreements contained in the 1977 Protocol, we failed to obtain the promised warehouse or dacha sites in Moscow because we refused to pay the exorbitant annual fees the Soviets demanded for the properties. The impasse broke in 1979 when Soviets suddenly proposed a swap of properties -- the warehouse and dacha sites in Moscow in exchange for additional land (4 acres) for the Soviets at their recreational site at Pioneer Point, Maryland.

The Soviets, using American labor, continued their rapid pace of construction in Washington and in mid-1982 began building the structural shells of the remaining buildings on their Mt. Alto compound -- the chancery, consulate, and reception hall. These structures were completed in 1985.

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Soviet workers are now completing all interior finishing work in those buildings.

The Soviets were able to build their buildings in Washington much more quickly that we were able to build in Moscow, in part because the Soviets did not have to negotiate the series of bureaucratic hurdles and delays we have faced in Moscow. In 1985 we tried to change that. We brought Mt. Alto construction under M/OFM control. M/OFM now controls the acquisition of all building materials and services the Soviets need for their construction at Mt. Alto.

Security concerns, Congressional pressure, Soviet construction delays, and the transition to an all-Soviet labor force at Mt. Alto, all argued for excluding Soviet workers from the new office building in Moscow. Without any advance notice, Soviet workers were locked out of the new chancery building after they left the site late Saturday evening, August 17, 1985. Americans will complete the interior finishing work and remaining construction in the office building.

Problems will continue to plague us in Moscow. However, barring other as-yet-unforeseen problems, the vision born in 1934 and resuscitated in 1963 -- building a new chancery in Moscow -- may become a reality in 1989.

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