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# WITHDRAWAL SHEET

## Ronald Reagan Library

Collection: Robinson, Roger: Files

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File Folder: NSDD-66 [4 of 5]

OA90992 *RAC Box 5*

FOIA ID: F96-069-2

Date: 08/30/1999

*7 of 8*

DOCUMENT NO. & TYPE	SUBJECT TITLE	DATE	RESTRICTION
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<del>18. cable</del>	<del>122318Z Mar 83 (4p) <i>R 1/30/06 F96-069/2 # 94</i></del>	<del>3/12/83</del>	<del>P1</del>
<del>19. cable</del>	<del>120049Z Mar 83 (4p) <i>R " " # 95</i></del>	<del>3/12/83</del>	<del>P1</del>
<del>20. draft</del>	<del>NSDD 66 (3p) <i>R 10/29/02 F96-069/2 # 96</i></del>	<del>n.d.</del>	<del>P1</del>
<del>21. summary</del>	<del>re: NSDD 66 (3p) <i>R " " # 97</i></del>	<del>n.d.</del>	<del>P1</del>
<del>22. cable</del>	<del>120057Z Mar 83 (2p) <i>R 1/30/06 F96-069/2 # 98</i></del>	<del>3/12/83</del>	<del>P1</del>
<del>23. cable</del>	<del>181821Z Feb 83 (1p) <i>R " " # 99</i></del>	<del>2/18/83</del>	<del>P1</del>
<del>24. study</del>	<del>summary (2p) <i>R " " # 100</i></del>	<del>1/10/83</del>	<del>P1</del>
<del>25. study</del>	<del>re: energy (2p) <i>R " " # 101</i></del>	<del>n.d.</del>	<del>P1</del>
<del>26. study</del>	<del>re: credit (2p) <i>R " " # 102</i></del>	<del>n.d.</del>	<del>P1</del>
<del>27. study</del>	<del>re: COCOM (2p) <i>R " " # 103</i></del>	<del>n.d.</del>	<del>P1</del>
<del>28. study</del>	<del>re: high technology (2p) <i>R " " # 104</i></del>	<del>n.d.</del>	<del>P1</del>
<del>29. study</del>	<del>re: economics (6p) <i>R " " # 105</i></del>	<del>n.d.</del>	<del>P1</del>
<del>30. outline</del>	<del>re: studies (2p) <i>R " " # 106</i></del>	<del>n.d.</del>	<del>P1</del>
<del>31. study</del>	<del>re: credit (4p) <i>R " " # 107</i></del>	<del>n.d.</del>	<del>P1</del>

### RESTRICTIONS

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P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

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Collection: Robinson, Roger: Files

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File Folder: NSDD-66 [5 of 5]

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FOIA ID: F96-069-2

Date: 08/30/1999

(7 of 8) X RAL Box 5

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
<del>1. report</del>	<del>energy study (3p)</del>	<del>n.d.</del>	<del>P1</del>
	R 1/30/06 F96-069/2 # 108		
<del>2. report</del>	<del>re: energy study (2p)</del>	<del>n.d.</del>	<del>P1</del>
	R " " " # 109		
<del>3. outline</del>	<del>re: energy (2p)</del>	<del>n.d.</del>	<del>P1</del>
	PAUL. CK/03 F96-069/2 # 110		
<del>4. study</del>	<del>re: COCOM (9p)</del>	<del>n.d.</del>	<del>P1</del>
	R 1/30/06 F96-069/2 # 111		
<del>5. study</del>	<del>re: high technology (6p)</del>	<del>n.d.</del>	<del>P1</del>
	R " " " # 112		
<del>6. memo</del>	<del>re: high technology (2p)</del>	<del>n.d.</del>	<del>P1</del>
	R 10/18/06 " # 113		
<del>7. washfax</del>	<del>1p, partial</del>	<del>1/31/83</del>	<del>F3</del>
	R F96-069/2 # 114 1/11/01		
<del>8. cable</del>	<del>re: NATO study (3p)</del>	<del>1/31/83</del>	<del>P1</del>
	R 1/30/06 F96-069/2 # 115		
<del>9. cable</del>	<del>071821Z Feb 83 (4p)</del>	<del>2/7/83</del>	<del>P1</del>
	R " " " # 116		
<del>10. cable</del>	<del>241835Z Jan 83 (2p)</del>	<del>1/24/83</del>	<del>P1</del>
	D. 5/30/01 NL5 F96-069/2 # 117		
<del>11. summary</del>	<del>re: NSDD 66 (2p)</del>	<del>n.d.</del>	<del>P1</del>
	R 1/30/06 F96-069/2 # 118		
<del>12. cable</del>	<del>091512Z Feb 83 (2p)</del>	<del>2/9/83</del>	<del>P1</del>
	R " " " # 119		
<del>13. memo</del>	<del>Robinson, Blair to Clark (4p)</del>	<del>2/15/83</del>	<del>P1</del>
	R " " " # 120		
<del>14. talking points</del>	<del>re: East-west relations (1p)</del>	<del>n.d.</del>	<del>P1</del>
	R 10/29/02 F96-069/2 # 121		
<del>15. summary</del>	<del>re: economic relations (1p)</del>	<del>n.d.</del>	<del>P1</del>
	R " " " # 122		
<del>16. cable</del>	<del>101149Z Feb 83 (6p)</del>	<del>2/10/83</del>	<del>P1</del>
	R 1/30/06 F96-069/2 # 123		
<del>17. memo</del>	<del>Robinson to Clark (1p)</del>	<del>12/23/82</del>	<del>P1</del>
	R 1/30/06 F96-069/2 # 124		

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4. Strengthening CoCom

Study Content

An overall examination of the effectiveness of the CoCom process with the goal of strengthening this mechanism and reducing the flow of strategically important technology to the East. Aspects to be examined include:

- An overall review of the effectiveness of CoCom, including study of how controls have been evaded or strategic items not placed under control.
- A review of the strategic criteria
- An assessment of the progress to date in the ongoing List Review process
- A review of efforts to improve enforcement, counter-intelligence cooperation and the harmonization of licensing procedures
- Further measures to strengthen CoCom institutionally, such as through the establishment of a military subcommittee or through the provisions of additional support staff and resources
- Assessment of controls on re-export of goods from non-CoCom nations

Implementation Strategy

- Convene a High Level Meeting (HLM) in late February or March to stimulate policy attention on the aspects listed above and, hopefully, to highlight the need for an ad hoc CoCom committee on "other high technology, including oil and gas" (see section 5, below). A proposal for a military sub-committee will also be presented at this meeting
- Schedule meeting of computer working group in April and continue efforts, using HLM sessions if necessary, to reach full committee agreement in this area
- Continue efforts to discuss harmonization and enforcement issues as well as re-export licensing with CoCom working-level officials
- Develop a plan and seek support from CoCom governments to enhance the organization's physical facilities and support resources

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BY Amf on DATE 1/30/06

Problems

- Many elements of the program to strengthen CoCom have been raised earlier, with a notable lack of enthusiasm from allied governments. The prospects for some elements of the program may not be bright.

5. Multilateral Controls on High Technology Exports, including Oil and Gas Equipment, and Data

Study Content

This study is designed to show the relationship of controls on high technology exports not currently controlled by CoCom--including oil and gas technology and equipment--to the security interests of the U.S. and its allies. The study will:

- identify the USSR's priority energy projects and the potential contributions that Western equipment and technology can make to these
- determine the impact of these projects on the level of Soviet energy production
- determine which Western equipment and technology is key to Soviet plans

The results of these analyses will be assessed in the context of the implications of Soviet energy exports for Western energy security and the advantages to the Soviets in pursuing their strategic aims, of increased levels of energy exports to hard-currency markets (this latter information will be developed by the energy and the overall East-West studies, respectively).

Implementation

- Presentation of the following points by the U.S. delegate to CoCom at the next feasible meeting:
  - CoCom should examine whether multilateral controls on high technology equipment (not now controlled), including oil and gas, will enhance Western security
  - CoCom may wish to establish one or more subgroups to review specific technology areas such as oil and gas
  - The U.S. is willing to forward a proposal for such a group immediately

Problems

- The French and Germans have emphasized that oil and gas equipment should be considered under existing CoCom criteria, which are limited to military uses. They will almost certainly argue that the consideration of oil and gas is, in the present instance, inappropriate.

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BY ~~Amf~~, JARA, SMIE 1/30/06

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- The French have resisted the creation of any new committees or related structures, and will probably regard the oil and gas ad hoc committee as such, and attempt to rule it out on that ground.

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~~CONFIDENTIAL~~NLS FRG-009/2 #105Draft Strategy and Terms of Reference  
for East-West Economic StudyY ~~Amf~~, NARA, DATE 1/30/86OBJECTIVES

The US seeks a NATO study which focuses sharply on the security aspects of East-West trade, technology and financial flows, and leads to common policies reflecting consensus that economic relations with the USSR must be seen in a security/strategic context. In our work with the Allies, we should structure the overall study in a way which can be helpful to us in the work underway elsewhere on energy, high technology and credits. This work should flesh out the principles confirmed in the "Summary of Conclusions." Our emphasis on strategic considerations and leverage will come up against the views of some Allies, who can be expected to prefer an emphasis on the economic analysis that is the customary product of the NATO Economic Committee.

We should seek completion of this phase of the process this spring, before the Williamsburg Summit and the NATO and OECD Ministerials. We should recognize, however, that the process of forging the new common policies we seek may take substantially longer; there may be subsequent follow-up, both in NATO and in other organizations.

Our specific objectives are those set out in the relevant NSDD's and the US papers on East-West economic relations submitted to the Ottawa and Versailles Summits. In this regard, the conclusions drawn from the study by the NATO Ministers should support our contention that economic relations with the Soviet Union should be viewed in a security/strategic context and support NSDD-66 objectives on energy (no new incremental deliveries of Soviet gas), technology transfer (strengthen COCOM and controls beyond current COCOM guidelines), and export credits (further restraints on officially-backed credits).

IMPLEMENTATION

The Germans are ready to give the NATO Economic Committee the task of preparing an overall study, and the French may also be prepared to cooperate. The FRG has indicated that it would be willing to take the lead in proposing such a study in NATO. We should make every effort to encourage the widest possible sponsorship of the NATO study and avoid a "made in Washington" labeling.

The Economic Committee has a new French chairman and a small staff. During the course of the study, this staff will need additional manpower, which could be provided through temporary assignments of qualified economic analysts from the capitals. We are prepared to assist and should encourage other Allies (e.g.,

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Canadians, FRG and UK) to do likewise. The NATO staff will need to draw heavily on recent work of the Committee (much of it supported by CIA and INR) and of the OECD. National submissions will be needed and expected, and CIA and INR should be prepared to provide full economic analyses after the Interagency Group approves the attached terms of reference, which incorporate the individual comments of agencies received over the holidays.

NATO has the drawback, for purposes of this study of not including Japan. However, Japan will need to be involved in some informal way--both Japan and France rule out direct Japanese participation--from the outset. The so-called "Trio Mechanism" used to involve Japan, Australia and New Zealand in Polish contingency planning serves as a precedent. However, the French have stated their objection to having Japan directly involved in this NATO work and they may balk at use of the "Trio Mechanism." In any case, we will have to have informal bilateral consultations with Japan, either to supplement "Trio" meetings or as a replacement for them. We should seek to have both the "Trio" meetings and bilaterals held in Washington, with USNATO and Embassy Tokyo having supplemental roles.

Our other priority task should be to submit to NATO our proposal for the terms of reference of the study. While it is extremely important to ensure that the work begins soon, and on the basis of our TOR, we should consult with key Allies, both in capitals and at NATO, to determine whether they would join with us in submitting parts of the TOR. The initial series of meetings in the Economic Committee is expected to run 7-10 days.

#### TERMS OF REFERENCE

We see two major constraints on the terms of reference: they should not imply an overly broad study, in part, because of NATO staff and time limitations; and they must cover some areas of interest only to our Allies (e.g., agricultural trade).

We might propose to title the study "An Examination of the Security Aspects of East-West Economic Relations," in order to emphasize that the study is to enter into broad policy questions.

The approved terms of reference should also be used as the basis for a US paper (or papers) for the NATO Economic Committee. The analysis will need to track with the decisions of the interagency groups planning for follow-up on COCOM and other high technology, energy and credit. The US can submit these papers, whether or not the terms of reference below are agreed multilaterally.

DRAFT TERMS OF REFERENCE

- I. SOVIET ECONOMIC SITUATION AND OUTLOOK
  - A. Structure
    1. Military sector
    2. Civilian sector
  - B. Recent Economic Trends and Problems
    1. Industrial sector
    2. Energy sector
    3. Agricultural sector
  - C. Economic Outlook
  - D. Economic Policy Options for Resource Allocation
  
- II. IMPACT OF EAST-WEST ECONOMIC RELATIONS ON SOVIET ECONOMIC AND MILITARY PERFORMANCE
  - A. Evaluation of Recent and Prospective Economic Relations
    1. Trade
    2. Finance
      - a. debt
      - b. hard currency earnings
  - B. Soviet Economic Benefits from Trade with the West
    1. Critical industrial sectors (including energy)
    2. Agricultural sector
    3. Relations with client states
  - C. Direct and Indirect Contributions of East-West Economic Relations to Warsaw Pact Military and Strategic Capabilities
  
- III. WESTERN ECONOMIC VULNERABILITY AND DEPENDENCE ON THE EAST
  - A. Supply Relationships
    1. Energy
    2. Raw materials
    3. Outlook
  - B. Soviet and East European Markets
    1. Manufactured goods
    2. Agricultural products
  - C. Potential Economic and Financial Leverage Against the West
  
- IV. MAJOR FINDINGS

Economic Committee Work Plan

The above terms of reference could be addressed by the Economic Committee in three or four separate meetings in late February-early March at the senior experts level, followed by a meeting of policy-level officials to outline the policy implications of the analytical work. Ideally, this latter meeting should be held at the NAC, with participation of experts from the capitals.

The first meeting, on the Soviet economy, would try to establish some common ground for the analysis of the strategic considerations of East-West commercial relations. The meeting and paper could be organized as follows:

- I. SOVIET ECONOMIC STRUCTURE
  - A. Military Sector
  - B. Civilian Sector
  
- II. RECENT ECONOMIC TRENDS
  - A. GNP Growth
  - B. Accumulating Problems in Industrial Sector
  - C. Energy Sector
  - D. Effect of Four Consecutive Poor Harvests
  
- III. ECONOMIC OUTLOOK
  - A. Demographic Factors
  - B. Resource Constraints
  - C. Productivity Prospects
  - D. Economic Growth in the 1980's
  
- IV. RESOURCE ALLOCATION POLICY
  - A. Continued Support for Consumption-Oriented Programs, an Attempt to Cut Back on Investment Growth, and Delays in Some Military Programs
  - B. Evidence of Reduced Aid to Eastern Europe and the Third World
  - C. Policy Decisions Facing the Leadership

In this meeting, the Committee should strive to identify some of the less well understood reasons for current Soviet economic difficulties, which are not merely the result of a run of poor agricultural years. The United States should also draw the attention of the Allies to the likelihood/evidence that economic constraints have already led to delays and cutbacks in Soviet military programs and in aid to client states and Third World initiatives. In reviewing the policy decisions the new Soviet leaders must make, the relationship between military spending and economic cooperation with the West should be documented and established.

The second meeting, on the contribution of East-West commercial relations to Soviet economic and military power, would summarize the trends in Soviet economic relations, and look at the possible role of East-West commercial relations in facilitating the Soviet leadership's resource allocation program. The meeting and the paper could be organized as follows:

- I. CONTRIBUTIONS OF EAST-WEST TRADE AND TECHNOLOGY TRANSFER TO THE SOVIET ECONOMY
  - A. Critical Role in Some Industrial Sectors
  - B. Dependence of Livestock Program on Imported Grain
  
- II. CONTRIBUTIONS OF EAST-WEST TRADE AND TECHNOLOGY TRANSFER TO SOVIET MILITARY POWER
  - A. Industries Essential to Military Production
  - B. Weapons Systems
  - C. Easing of Constraints
  - D. "Indirect" Contributions from Freeing Industrial Resources

- III. IMPACT OF HARD CURRENCY AVAILABILITY/CONSTRAINTS ON SOVIET POLICY
  - A. Direction and Size of Resource Transfers between USSR and West
  - B. Support for Eastern Europe
  - C. Sectoral Impact
  - D. Support for Third World
  
- IV. POTENTIAL CONTRIBUTION OF EAST-WEST COMMERCIAL RELATIONS TO ALLEVIATING ECONOMIC STRAINS IN THE USSR
  - A. Outlook for Soviet Import Capacity and Impact on Economic Growth and Allocation of GNP
  - B. Role of Expanded Use of Credits
  - C. Role of Compensation Agreements
  - D. Role of Institutional Arrangements

The third meeting dealing with Western vulnerability and dependence could be structured as follows:

- I. SUPPLY RELATIONSHIPS
  - A. Western Dependence on Soviet Energy
  - B. Western Dependence on Other Soviet Raw Materials
  - C. Outlook
  
- II. DEPENDENCE ON SOVIET MARKETS
  - A. Machinery
  - B. Grain
  - C. Outlook
  
- III. LEVERAGE ARISING FROM ACCUMULATION OF SOVIET AND EAST EUROPEAN DEBT TO THE WEST
  - A. Past Record
  - B. Outlook

In this meeting, our objectives would be to achieve joint recognition of the extent of the potential and actual influence that the USSR and Eastern Europe can exercise on Western economies and policies.

Source Material

Attached is a two-page list of CIA studies available as source material for the NATO study.

Draft Strategy and Terms of Reference  
for East-West Economic Study

Drafted:EUR/RPE/EWEA:RFrie<sup>F</sup>:cg  
1/5/83:x20533 (0022B)

Cleared:EUR:TMTN<sup>d</sup>iles  
EUR/RPE:TERussell<sup>en</sup>  
EUR/RPE:DNMiller<sup>F</sup>  
EB/TDC/EWT:Galdonas  
E:MBailey  
INR:JDanylyk  
CIA:MErnst <sup>RF</sup>  
USTR:JRay  
Treasury:GClapp  
DOD:DGoldstein  
Commerce:SLotarski  
NSC:DBlair

USG Studies Available as Source Material for  
NATO East-West Economic Study

The Economic Situation Confronting the New Soviet Leadership

I. Summary of recent economic trends

The Soviet Economic Predicament and East-West Economic Relations (Jan 1982)

Policy Implications of the Soviet Economic Slowdown (draft, Dec 1982)

USSR: Economic Projections, 1982-90

II. How the Soviet leadership has managed its resource allocation problem

SNIE 3/11-4-81, Dependence of Soviet Military Power on Economic Relations with the West (Nov 1981)

USSR: Economic Issues Facing the Leadership (Nov 1982)

Can the Soviets "Stand Down" Militarily? (June 1982)

The Contribution of East-West Commercial Relations to Soviet Economic and Military Power

- I.
- Past contributions of East-West Trade and technology transfer to the Soviet economy
  - Soviet Dependence on Western Trade by Sector (Nov 1981)
  - Soviet Economic Dependence on the West (Jan 1982)
  - Dependence of the USSR on Imports from the West (paper for Hitterand - May 1982)
  - SNIE 3/11-4-81, Dependence of Soviet Military Power on Economic Relations with the West (Nov 1981)
  - SNIE 2-11/2-82, The Soviet Gas Pipeline in Perspective
- II.
- Impact of hard currency difficulties on Soviet policy
  - USSR: Political Side Effects of the Hard Currency Problem (July 1982)
  - Policy Implications of the Soviet Economic Slowdown (draft, Dec 1982)
  - Soviet Union's Hard Currency Situation (Feb 1982)

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BY ~~AMK~~, NANN, JATE 1/30/82

III. Potential contribution of East-West commercial relations to alleviating economic drains in the USSR

USSR: Impact of Credit Reductions on Foreign Trade and the Economy (May 1982)

The Soviet Bloc Financial Problem as a Source of Western Influence (April 1982)

Policy Implications of the Soviet Economic Slowdown (draft, Dec 1982)

Can the Soviets "Stand Down" Militarily? (June 1982)

Soviet Economic Growth and Import Requirements (June 1982)

Implications of East-West Commercial Relations for Western Dependence and Vulnerability

I. Supply relationship

SNIE 3/11-82, Western Alternatives to Soviet Natural Gas: Prospects and Implications (May 1982)

II. Dependence on Soviet markets

III. Leverage arising from accumulation of Soviet and East European debt to the West

IV. Soviet willingness to exercise economic leverage

Terms of Reference and Strategy for  
East-West Credit Flows Study

Objectives

The "Summary of Conclusions" on East-West economic relations commits the allies to three specific undertakings in the area of export credits:

-- to begin a study of Western export credit policies "with the view of agreeing on a common line of action" toward the Soviet Union and Eastern European countries that is in keeping with the general precepts of not contributing to the military or strategic advantage and capabilities of the U.S.S.R. and not according preferential treatment or subsidies to the USSR. This will require a major and sustained allied effort.

-- to work urgently further to harmonize export credit policies, and

-- to establish "without delay" necessary procedures for a periodic ex post review of economic and financial relations with the USSR and Eastern Europe.

Regarding these undertakings, NSDD-66 defines the U.S. objective as follows:

"An agreement that builds on the recent OECD agreement substantially raising interest rates to the USSR to achieve further restraints on officially-backed credits such as higher down payments, shortened maturities and an established framework to monitor this process."

Terms of Reference

The work on the credit issue should proceed on two tracks:

- (1) on the "common line" and harmonization of export credit policies regarding the Soviet Union, and
- (2) on the review of East-West trade and financial flows.

1. Credit Policies -- The objectives stated in the agreement and those of NSDD-66 are not necessarily inconsistent, although they may be subject to confused interpretation both within the U.S. Government and among allied governments. It is not widely recognized that -- as discussed below -- very few countries still significantly subsidize credits to the USSR, if they adhere to the new provisions of the OECD Export Credit Arrangement. Indeed, many now charge premiums on such credits. Therefore, the restraints called for by NSDD-66, if they are agreed upon in the context of the OECD Export Credit Arrangement, will need to be structured as general measures applicable to all "rich" countries, including the USSR, in Arrangement Category I. The focus will

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have to be less on subsidy reduction than on non-preferential treatment of the USSR within the context of new and more stringent Arrangement rules on export credits to all industrial countries.

In short, there is little scope remaining in the Arrangement for subsidy reduction. There is scope for more restraint in the OECD, but that restraint will have to be agreed upon in a far wider policy context than one relating specifically to the USSR.

Within that context, we can design a proposal that would consist of restraints that would apply to one or more of the following aspects of export credit transactions: (1) the "cover", i.e., the maximum proportion of the total value of an export that can be financed; (2) the type of financing, i.e., direct credits, guarantees, or insurance; (3) the "contract rate," i.e., the rate of interest seen by the buyer; (4) interest rate subsidies (for countries where financial market rates are above the 12.4 percent minimum provided for under the Arrangement); (5) type of products covered; (6) foreign currency loans or guarantees; and (7) term to maturity.

2. Review -- The review should cover the entire spectrum of the flows of financial and real resources from the West to the USSR and individual Eastern European countries. Thus, it would encompass trade, debt, export credits (official), and banking flows as individual items, as well as an overall analysis of the aggregate of these items. The review should focus on the past year's developments in each of these areas, the longer-term trends, and the short-term outlook.

Distinctions would be drawn between the Soviet Union and the Eastern European countries, in keeping with the widely shared commitment among the OECD countries to the principle of such differentiation. In particular, the review would concentrate on credit flows to the former and the indebtedness of the latter, in a manner such that an assessment can be made of the extent to which Western economies contribute to strengthening the strategic and military position of the U.S.S.R.

#### Implementation Strategy in the OECD

At the outset of this exercise, thinking within the U.S. Government focused on the need for an ad hoc group, consisting of the seven Summit countries plus the EC, to draw on work done in the credit area in the OECD and other fora. The agreements reached by Secretary Shultz and the French, however, explicitly provide for the export credit studies agreed to in the "Summary of Conclusions" to be done in the OECD. As with the terms of reference, the proposed U.S. strategy for the OECD will be discussed below on a two-track basis.

1. Credit Policies -- The initial OECD effort will consist of "studies" of aspects of export credit policies already enumerated, e.g., cover, type of financing, contract rate, term, etc. It will be necessary to structure this effort in such a way as to involve the major participants in the Export Credit Arrangement in a process of de facto negotiation early in the new year. The purpose would be to see what degree of consensus could be achieved among them on credit policies for all industrial countries within the context of the Arrangement by May 1, when the current guidelines of the Arrangement must be renegotiated. By contrast, it would not be adequate simply to expect the OECD Secretariat to produce "study" papers for subsequent review by participants; such an approach would be too time-consuming and would likely produce little or no useful results. A failure to achieve a reviewed consensus by May 1 could give the French a pretext for bolting the Arrangement.

A first step for the United States should be the preparation of our own proposals on each of the principal aspects of export financing, as well as consideration of the tactics to be followed in the OECD. This undertaking, to be completed in January, would be led by the Treasury Department with the participation of State, Commerce, USTR, and Eximbank. Its dual purpose would be to clarify our own thinking on the kind of restrictions we would like to emerge from the OECD, and to formulate proposals we would put forward for multinational consideration.

2. Review -- The U.S. Government has already begun to lay the groundwork for work in this area. During the past summer, we invoked the Versailles understanding in launching an offensive within the OECD and NATO to improve their respective data collection and reporting systems on East-West financial flows. The OECD Trade Committee (Export Credits Group) and the Committee on Financial Markets have produced inter alia evaluations of outstanding East-West economic problems and at least one comprehensive study detailing trends in East-West trade and finance, i.e., the annual Trade Committee report on East-West economic relations. Work on strengthening the OECD data bank is also progressing.

These efforts need to be expanded and accelerated to fully meet the requirements of the review process we envisage. Specific objectives we should pursue in the OECD include the following:

(1) to continue work to upgrade the OECD data collection and reporting systems in the Trade Committee's Group on Export Credits and reconcile OECD and BIS data on official and private bank credits in the Committee on Financial Markets (CFM); and

(2) to continue work in the Trade Committee's East-West Trade Group and in the Secretariat itself on relevant East-West trade and financial issues, including analyses of economic developments in key Comecon countries and the USSR and trends in East-West economic relations (see latest annual Trade Committee report on East-West Trade).

OECD Secretary General Van Lennep has suggested (Paris 44386) that the XCSS could give initial impetus for this phase of the exercise at its February 8-9 meeting. He has offered to contribute policy-oriented papers to that end and has solicited our views as to issues that should be highlighted. We should focus on this task in the immediate future. Subsequently, we will have to concentrate on what we would like to accomplish in the various OECD groups and what guidance the XCSS could give them.

Another question we will have to address is where we might be able to achieve an overview of the work to be done in the various parts of the OECD. The XCSS might be at least an interim solution. Development of this approach should be pursued after (1) further discussions with Van Lennep, and (2) the results of the upcoming meeting are in.

#### Work Outside of the OECD

As noted above, the understanding arrived at between Secretary Shultz and the French focuses almost entirely on use of the OECD for the East-West credit work. This presents us with a dilemma.

On the one hand, in restricting this exercise to the OECD we would severely limit what we could hope to accomplish -- with regard to both the scope of the discussions and the policy changes that may result from the effort. We will need to take great care that neither our important general export credit policy negotiating objectives nor our East-West objectives become submerged or compromised by combining them in the OECD forum; there are real risks here.

A major problem is the necessity of involving the neutral OECD member countries. They can be expected to object to discussions of any aspects of East-West economic relations that are overtly political, which rules out exchanges there on the security aspects of trade and financial flows. The neutrals would also block any proposal to focus specifically on the USSR. Although they might be willing (as in the 1982 negotiations on a new export credit consensus) to increase restrictions on the USSR and other Category I ("Relatively Rich") countries, this would be opposed by the EC, particularly the French.

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January 7, 1983

NLS F96-069/2 14108BY Amf, NARA, DATE 11/20/06 Status and Outlook  
Energy Requirements Study

Terms of Reference: The USG has prepared draft terms of reference for the Energy Requirements Study (attached). In it we propose the study proceed from an analysis of likely energy demand and indigenous energy production possibilities to an assessment of projected import dependence and vulnerability to energy supply disruptions. The findings of the IEA Natural Gas Security study would be factored into the vulnerability section. The final analytical portion would be an identification of various energy alternatives that would have the effect of minimizing security risks. Policy conclusions would then be reached by government representatives.

#### Status and Institutional Arrangements

It was agreed during the Secretary's trip that the Energy Requirements Study would be undertaken in the OECD/IEA framework. To resolve the problem of French attendance at an IEA meeting when they do not belong to that organization, we convened in Paris on December 15 an "informal" group of Summit-country representatives, plus the EC Commission. At that meeting, we distributed for consideration by governments our draft terms of reference for the study. The IEA Secretariat (represented by Executive Director Lantzke) has begun work on the study on the basis of the draft terms of reference and expects to have a first draft ready for review in early February.

We have canvassed Summit capitals for official reaction to our proposed terms of reference. The UK and FRG have accepted the draft without changes. Canada, Italy and France had no specific comments and are expected to approve when their internal deliberations are completed. Japan had some questions (which we are answering) but finds the draft generally acceptable. We expect to meet January 12 in Paris on the margin of the IEA Standing Group on Long-Term Cooperation to obtain Summit countries approval of the terms of reference.

The CIA has been asked to conduct a series of "shadow" on the basis of the terms of reference for the energy requirements study and the IEA natural gas security study. DOE will assist in analyzing the North American energy scene. These "shadow" studies will serve as a check on the IEA's analysis and, as appropriate, permit us to correct or supplement the IEA's work.

An interagency working group has been established to backstop USG participation in the energy studies. It includes representatives of all key agencies and State Department offices. The interagency working group will report to Allen Wallis as chairman of the senior-level International Energy Security Group (IESG).

### Outlook

If the Summit country representatives have no serious problems with the terms of reference, we expect to convene another informal Summit 7 plus 2 meeting next week on the margins of the January 12-13 IEA Standing Group on Long-Term Cooperation (SLT) meeting in Paris to obtain agreement on the terms of reference. Final terms of reference could then be provided to the IEA Secretariat.

Ulf Lantzke has informed us the Secretariat will have a first draft of the Energy Requirements Study by early February for circulation to members of the informal group. In mid-February the Secretariat would host a two-day Dourdan-type meeting where the "friends of the Secretariat" would discuss the first draft. At that time, we would bring Norway, the Netherlands, and perhaps Australia, into the informal process.

Based on these discussions, the Secretariat would prepare a redraft which could be discussed further by the informal group and/or sent to the IEA Governing Board for consideration. The IEA Governing Board is next scheduled to meet March 24.

The first step in the study is to establish the factual basis to support our contention that, left unchecked, the Soviets can become the marginal supplier of gas to Europe and drive out competitive alternatives. The Energy Requirements Study and the IEA Natural Gas Security Study will derive alternative reference cases based on different assumptions regarding GDP growth to the year 2000, supply and demand, and interfuel substitution. We would expect that at least one reference case will support our contention.

After the factual basis has been laid, further Dourdan-type meetings would be required to draw policy conclusions. We would seek to persuade our European allies that a prudent energy security policy response to the Soviet threat of preemption and resultant European over-dependence on Soviet gas requires a coordinated European effort to promote the development of Norwegian reserves.

Our goal, of course, would be to obtain European agreement to the NSDD-66 objectives: "not commit themselves to significant incremental deliveries through already existing (Soviet) pipeline capacity; and participate in the accelerated development of alternative energy resources, principally Norwegian gas reserves." (It should be recalled, however, that the study is an overall, global reassessment of energy security issues. The Europeans will emphasize their vulnerability to oil-supply disruptions.)

Attached is our proposed terms of reference and an anticipated work program.

Terms of Reference Energy Requirements and Alternatives Study

The basic guidelines for the Energy Alternatives Study are provided in the "Summary of Conclusions" on East-West economic relations. The Summary stated that:

"In the field of energy, they will initiate a study of their projected energy requirements and dependence upon imports over the next decade and beyond and possible means of meeting these requirements, with particular attention being given to the European energy situation. The study will be conducted under the auspices of the OECD."

Interested countries would ask OECD/IEA to undertake the study, drawing on previous and on-going work, including the World Energy Outlook. The analyses in previous OECD/IEA studies would be updated to reflect changed economic and market conditions. The Energy Alternatives Study would also utilize information being developed in the Natural Gas Security Study. Member country contributions to the study would also be welcomed.

To provide a context for the regional and country analyses, the study would assess global energy supply/demand for oil, natural gas, coal, nuclear and electricity, and identify likely energy supply flows through 2000. This assessment would include energy supply/demand and flows scenarios from an energy security perspective.

Using the cases developed for each of the three OECD regions, with emphasis on Europe, the study will make a detailed examination of:

Requirements (Demand)

- Regional and country energy requirements by:
  - o Fuel Source
  - o Consuming Sector

OECD Indigenous Supply

- Energy production possibilities, by energy source within each region
- Energy imports from other OECD regions.

Import Dependence

- Current and projected regional and country dependence on imports of energy from non-OECD sources, with emphasis on Middle East oil and Soviet energy.

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Vulnerability on a Regional and Country Basis

- Risk analysis of supply flows and sources
- Physical Systems for Coping with Disruptions:
  - ° Storage capabilities (stocks)
  - ° choke points
  - ° dual-fired capacity
  - ° surge capacity
  - ° allocation systems
- Economic impact of likely disruptions, particularly effects on key sectors.
- Evaluation of means to improve energy security systems:
  - ° supply diversity
  - ° fuel switching
  - ° arrangements for access to shut-in capacity
  - ° improved storage, demand restraint
  - ° pipeline flexibility
  - ° strengthened international cooperation

Alternatives


- For each region and country an analysis of alternatives to dependence on non-OECD imported fuel considering:
  - ° possibilities for enhancing development of indigenous OECD energy sources, including examination of institutional, policy, financial, and technical constraints.
  - ° potential for inter-fuel substitution.
  - ° possibilities for enhancing intra-OECD energy trade.
  - ° externalities (employment, environment, security).

Based on the technical analysis developed by the OECD/IEA, countries would draw policy conclusions and take appropriate actions, including through the relevant multi-lateral organizations.



Follow-up on Energy Requirements Study

and Natural Gas Security Study

- Mid-January. Approval of terms of reference by informal steering group (Summit Seven, plus EC Commission). (Meeting either on fringe of SLT or later in January)
  
- Mid-January. U.S. expert (Chuck Patrizia) meets with IEA Secretariat and begins assisting Secretariat with energy study. (Lantzke offered U.S. use of Secretariat position.)
  
- Mid-January. 
  
- January 13. IEA Executive Director Lantzke in U.S. for meetings with Secretary Hodel, Undersecretary Wallis, and possibly Judge Clark.
  
- End-January/Early-February. IEA Governing Board (with Paris representation) meets to approve terms of reference. (Lantzke would call meeting "at request of number of IEA members," and would circulate steering group-approved terms of reference to all IEA members.)
  
- End-January. Data collection and validation for Natural Gas Security Study completed and outside computer consultants engaged.
  
- Early-February. Secretariat completes first draft of Energy Requirements Study. (Study would not contain policy conclusions or recommendations, only factual analysis.)
  
- \*-- Mid-February. Dourdan-type meeting of informal steering group to review first draft and provide comments to Secretariat. (At this point we would bring Norway, the Netherlands, and perhaps Australia into the informal process.)
  
- End February. Secretariat completes computer analysis for Natural Gas Security Study.

- End-February/early-March. Secretariat redrafts Energy Requirements Study based on steering group discussion.
- Mid-March. Possible meeting of steering group to discuss Secretariat redraft of Energy Requirements Study and to begin process of drawing policy conclusions.
- March. Secretariat analyzes Natural Gas Security Study disruption scenarios.
- March 22-23. IEA SLT meets to discuss status of Natural Gas Security Study.
- March 24. IEA Governing Board meets to discuss Energy Requirements Study. (Governing Board will also decide whether to have Ministerial meeting in May or only Governing Board meeting.)
- April. Secretariat drafts Natural Gas Security Study report.
- Mid-April. Possible meeting of steering group to draw policy conclusion from Energy Requirements Study. (Group would factor in results of Natural Gas Security Study to extent material available.)
- End-April. Secretariat completes Natural Gas Security Study.
- Mid-May. OECD (May 9-10) and IEA Ministerial (or possibly IEA Governing Board) discuss results of Energy Requirements Study and Natural Gas Security Study.
- Mid-May. Sherpas, based on discussions in OECD and IEA and results of steering group deliberations, decide whether and how energy security to be treated at Williamsburg Summit.
- May 27-28. Williamsburg Summit. (Discussion of results of Energy Security Requirements Study and Natural Gas Security Study, if agreement has been reached on policy conclusions.)
- June. NATO Ministerial in Paris. (Discussion of results of Energy Requirements Study and Natural Gas Security Study.)

STRENGTHENING COCOM

The United States has proposed that a second High Level COCOM Meeting (HLM) be held in late February or March in order to stimulate and maintain policy level attention in the other COCOM governments on the need to strengthen the multi-lateral system of security export controls coordinated through that organization. We hope to make use of the HLM to encourage Allied support for major US COCOM initiatives in the following areas (which are described below in greater detail:

(a) an anticipated U.S. proposal to be submitted to COCOM that a second high level meeting (HLM) be held at some mutually acceptable time in 1983, and

(b) efforts prior to the second HLM to strengthen COCOM in the following areas (which are described in greater detail below):

- 1) effectiveness and responsiveness of COCOM in general;
- 2) strategic criteria;
- 3) list review;
- 4) enforcement, counter-intelligence cooperation, and harmonization of licensing procedures;
- 5) organization, e.g. instituting a military sub-committee, improving communications and equipment, adding staff;
- 6) multilateral approaches concerning third country availability.

It would also be our hope that the HLM could review and give impetus to an ad hoc COCOM study group on "other high technology, including oil and gas," which the US has also proposed.

1. Review of the effectiveness and responsiveness of COCOM in general

Objective: To obtain a consensus that, despite its successes, the COCOM system of multilateral controls must be strengthened in order to impede more effectively the transfer of Western equipment and technology of strategic military importance to the Soviet Union and its Warsaw Pact allies.

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Plan of Action: At the January 1982 HLM, the United States noted that COCOM had been reasonably effective in controlling the export of listed items by law-abiding exporters but that the Warsaw Pact countries were obtaining equipment and technology of strategic military importance both through evasion of controls and because some significant items are not subject to control. Our objectives were to demonstrate the need for improving enforcement and for strengthening the existing embargo list. The HLM agreed and minute acknowledged that Warsaw Pact military equipment and technology had been aided by systematic exploitation of Western technology and that COCOM should give priority attention to reviewing the adequacy of controls in several specific areas. However, the first HLM did not endorse U.S. proposals for a clarification of COCOM's strategic criteria, additional resources for enforcement, or a military sub-committee and that meeting could not, of course, take definitive action on strengthening the embargo list. During bilateral talks in October 1982, the United States proposed a meeting of Japanese, German, French, and UK officials to discuss joint approaches to third countries in efforts to stem diversions; the UK has supported this U.S. initiative but has urged that the idea be pursued in COCOM rather than in a restricted group.

We should now renew efforts to revise the criteria, to obtain commitments for more rigorous enforcement, to establish a military sub-committee and otherwise strengthen COCOM organizationally and logistically, and to pursue the idea of multilateral approaches to third countries. We should also identify problem areas in the list review and seek support for efforts to reach rapid agreement on strengthening the lists in priority areas.

## 2. Review of the strategic criteria

Objective: To obtain a commitment by the other members to support a U.S. initiative to revise the strategic criteria in order to provide a clearer basis for broadening COCOM controls to cover technology, equipment, and materials critical to defense production.

Plan of Action: The U.S. should propose in COCOM that the second HLM consider revising the COCOM strategic criteria.

The principal objective of this revision would be to provide a better basis for restricting exports to the USSR of equipment and technology critical to defense production.

In preparatory meetings for the first HLM, other COCOM members showed no enthusiasm for addressing a similar US proposal for a revision of the strategic criteria. Accordingly,

changes proposed by the United States at that time have not been discussed in detail, either at the first HLM or in regular COCOM meetings since then.

Prior to the second high level meeting, the United States should indicate that it would like to pursue its earlier initiative to revise the strategic criteria at that session for the reasons outlined above and to seek general support for such an undertaking.

We should stress that inadequacies of the present COCOM system necessitate a broadening of the current embargo to cover items critical to military production and that the optimal way to signal this to the numerous officials who work on the details of the List Review would be a revision in the strategic criteria.

### 3. Review Progress to date in the List Review

Objective: To encourage support for priority U.S. List Review proposals which encountered serious problems during the First Round and for full committee agreement on these proposals before the COCOM summer recess.

Plan of Action: Substantial progress has been made in reaching agreement on U.S. proposals to strengthen the embargo lists in priority areas identified by the first HLM, except for floating drydocks, robotics, and computers. There is a major problem in obtaining agreement on our floating drydock proposal (particularly from Japan). Much technical work remains to be done to refine proposals on robotics and on computers (hardware, software, and communications switching). The Committee has agreed to schedule a computer working group in April but is resisting scheduling a second round of full Committee review of the computer item before the fall of 1983. The United States plans to submit revised proposals on robotics and on computers to the Committee in January so as to provide adequate advance notice to other members for second round working group and full Committee consideration before the summer recess. However, it will not be possible to research all outstanding technical questions fully by January, so that there will be some gaps in our revised proposals. Moreover, in the past, efforts to reach interagency agreement on the content of U.S. proposals have been time-consuming.

Efforts are continuing to schedule full Committee second round review of the computer item before the summer recess. We will not know for sure until the end of January whether we can meet our goal of submitting revised robotics and computer proposals to COCOM by then, and we will also not know until the end of January how much further technical work we must do in order to have a productive second round discussion of these items.

At the HLM we should seek a commitment from the other members that they will work with us to schedule and conclude negotiations before the COCOM summer break on proposals in the priority areas identified by the January 1982 HLM.

4. Review efforts to improve enforcement, counter-intelligence cooperation and harmonization of licensing procedures.

Objective: To obtain pledges from other COCOM members to devote increased intelligence and enforcement resources to security export control activities and to initiate domestic measures necessary to deal with the third country diversion problem.

Plan of Action: As a follow-up to the High-Level Meeting, COCOM's Sub-Committee on Export Controls met in May to consider a number of U.S. proposals on enforcement and harmonization. The Sub-Committee adopted more than 15 recommendations which, if implemented, would go a long way towards (a) strengthening national enforcement activities; (b) increasing cooperative efforts among the enforcement and investigating agencies; and (c) bringing the licensing practices of the other members more in line with those of the United States. In many cases, however, the recommendations merely called for members to study the possibility of implementing actions proposed by the United States, such as the initiation of reexport licensing to deal with the third country diversion problem.

During the pre-List Review bilaterals with major COCOM governments this fall the U.S. interagency teams underscored the need for following up on the key Sub-Committee recommendations, particularly those relating to increased enforcement resources and the third country diversion problems. As a result of the Sub-Committee meeting the full Committee is also presently discussing two U.S. initiatives, one for standardizing information provided with license application and COCOM exceptions cases and another on developing uniform undertakings in the Import Certificate/Delivery Verification (IC/DV) system.

Plans are now under way to send interagency teams to major COCOM capitals during January and February to discuss key enforcement and harmonization issues with working level officials in licensing and enforcement agencies. These bilaterals and the subsequent discussion at the second HLM should emphasize the key harmonization and enforcement issues. These would include:

(a) The need for increased resources devoted to national enforcement activities. Most of the other governments have noted the difficulty of increasing such resources because of budgetary restraints exacerbated by the present recession.

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The U.S. presentation should emphasize the possibility of shifting resources from other less crucial activities into enforcement. We should attempt to get the other members to describe how they are implementing the Sub-Committee's recommendation on increased resources or to commit themselves to give high level attention to this issue; and

(b) The need for reexport licensing or alternative system to cope with the problem of diversions through third countries. All the other members share the U.S. view that the diversion of COCOM controlled equipment and technology through third countries is a serious problem and the high level agreed minutes call upon COCOM to address this issue on an urgent basis. On the other hand, all other members have resisted our urgings that they institute the U.S. practice of reexport licensing; they point to vastly increased administrative burdens and to legal problems of such an extraterritorial reach of controls. The U.S. should press other members to describe what measures they have instituted to cope with the third country diversion problem and to emphasize the need for alternative arrangements in lieu of reexport licensing.

Commerce and State should prepare cables proposing a suggested schedule of bilaterals on harmonization and enforcement issues.

5. Examine further measures to strengthen COCOM institutionally, e.g., instituting a military sub-committee, improving communications and equipment, adding staff

Objective: To overcome existing opposition among the steering group members to the establishment of a COCOM military sub-committee and to obtain a general pledge for financial support for the upgrading of COCOM facilities and communications and an expansion of COCOM staff.

Plan of Action:

A. Military Subcommittee

The January 1982 HLM agreed that "COCOM may from time to time and by common accord conduct special sessions in order to receive and exchange reports from military and defense specialists."

At that meeting, and again at the October 1982 opening of the List Review, other members resisted a U.S. proposal for a separate COCOM military sub-committee, primarily because of desires that their governments speak with one voice in COCOM.

COCOM met on November 15 in a "special session to receive and exchange reports from military and defense specialists" on the subject of stored program control circuit switching.

At that meeting, most delegations were represented by officials from not only the Ministry of Defense but also from the Ministries of Foreign Affairs and of Trade. Japan is especially sensitive about involvement of its Defense Agency in COCOM activities and declined to send any military or defense specialists to the November 15 meeting.

The United States should take advantage of the opportunity presented by the November 13 consensus to "take the necessary measures to strengthen the effectiveness and responsiveness of COCOM" to press once more for the establishment of a COCOM military sub-committee. A central function of COCOM is to identify what is militarily critical. Yet, in the absence of a special meeting called for the express purpose of convening military experts (such as the November 15 meeting), most delegations to COCOM include no military or defense specialists.

Such specialists should have a more active role than the receipt and exchange of reports, because their views as to what is militarily critical would be of great benefit to COCOM. However, to meet the concerns of others that their governments must speak with one voice, we should suggest that the function of the military subcommittee be the exchange of informal views which would not commit governments.

To meet the Japanese concern about military participation, we should suggest that the term "military and defense specialists" be interpreted to include non-military experts knowledgeable in the military application of technologies.

The United States will make a formal proposal along these lines for consideration by the ELM. If strong opposition from the ELM is encountered, we should suggest one or both of the following alternatives:

(1) a series of COCOM meetings to which military and defense specialists would be invited to consider special areas of strategic concern (DOD and CIA would identify several such areas in advance) or (2) informal meetings of military and defense specialists of interested governments to consider such subjects and to report back to their governments.

### B. Upgrading COCOM facilities and staff

COCOM is now housed in modest quarters in an American Embassy annex. It has no modern word processing or computerized communications equipment. Its staff is extremely competent to perform the assigned secretariat functions but includes no talent capable of analysis of critical technologies and an insufficient number of personnel to provide in-depth analyses of such matters as exception cases which are relevant to List Review proposals.



State is now exploring, as an interim measure, the possibility of a 30 percent increase in floor space in the building where COCOM is now housed. The United States should outline this plan to COCOM and note that, because of the refurbishing costs and the resultant displacement of a USG agency, the United States would be obliged to increase the hypothetical rent for these quarters used in calculating the U.S. contribution to the organization. (State should prepare an estimate with the assistance of FBO.) We should seek a pledge from the other members that they will be prepared to increase their own monetary contributions to meet their shares of this increased cost.

The United States should develop a plan for modernizing COCOM facilities and seek a pledge from the other governments that they will, in principle, support such improvements financially. This plan is expected to include: word processors and other modern office equipment; communication links between the Secretariat and COCOM capitals; and appropriate communication security apparatus. The agencies should seek funds to finance a preliminary feasibility study of the computerization of COCOM operations.

We should also explore the willingness of the other members to support an expansion of the secretariat staff, which now ranges between 12 and 15. State, with the assistance of DOD and Commerce, should develop a suggested revised staffing pattern for the secretariat, including a rationale for new positions and a presentation of the plan to COCOM. These plans for expanding a COCOM staff will also be necessary for State budget planning.

#### 6. Multilateral Approaches concerning Third Country Availability

Objective: To obtain support for approaches to non-COCOM countries to control reexports of COCOM-listed items.

Plan of Action: At a May 1982 meeting of the COCOM Sub-Committee on Export Controls, the United States recommended joint approaches to non-COCOM member countries who export to proscribed destinations goods on the COCOM lists, often of COCOM member country origin. In bilateral talks following the List Review opening session in October, the United States proposed a meeting with Japanese, German, French, and UK officials to discuss this idea. In November, the United Kingdom informed the United States bilaterally that it welcomed the U.S. initiative and would attend such a meeting but recalled the earlier U.S. recommendation in the Sub-Committee and pointed out the dangers of offending other COCOM members (the Italians and Dutch, in particular) if this exercise was conducted in a restricted group.

The United States has a 1951 confidential bilateral arrangement with Switzerland, a 1976 confidential agreement with Yugoslavia, and a 1982 confidential bilateral arrangement with Sweden, and is now seeking a confidential bilateral arrangement with Austria. These neutral countries are most anxious that we respect the confidentiality of these arrangements.

Other COCOM member countries have less extensive arrangements with third countries, principally concerning the use of Import Certificates and Delivery Verifications. IC/DV procedures have been developed in COCOM over the past 30 years for use in trade among COCOM member countries and with non-member, but cooperating countries. It would be reasonable for joint approaches to third countries to seek the application of IC/DV procedures to a greater range of transactions than is now the case. During such joint approaches, the third countries themselves might suggest the application of some other elements of U.S.-bilateral arrangements to re-exports of items originating in other COCOM member countries.

During the harmonization bilaterals mentioned above the United States should seek support of key COCOM governments for pursuing in the Sub-Committee the idea of joint approaches to third countries to expand the use of IC/DV procedures.

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MULTILATERAL CONTROLS ON HIGH TECHNOLOGY EXPORTS, INCLUDING OIL AND GAS EQUIPMENT, AND DATA

Overview

The United States Government has a definite set of views about the reasons for control of high technology exports, especially oil and gas equipment and technology. These views include the concern over the effect of additional Western European gas purchase on Western energy security, the contribution of these purchases to Soviet hard-currency earnings, and the importance of such earnings in furthering Soviet strategic aims. Agreement with our allies on the objectives spelled out in NSDD-66 will depend on thorough and persuasive studies and analysis. A specific study in COCOM would serve the purpose of investigating a secondary question: the utility of controls on exports of oil and gas equipment and technology.

The aim of this study is to show the relationship of controls on high technology exports, to the Soviet Union, to the security interests of the U.S. and its allies. The case for imposing such controls will depend on a broad set of effects on allied security, as real as, but more roundabout than those that have been considered in the past in evaluating additions to the COCOM list. These broader effects on security will in part be addressed by the parallel studies on energy and on East-West economic strategy, so that the work of the different studies will be interconnected. Information coming out of or anticipated from the present study will help determine the content and priorities of the other studies; information flowing from those studies in the course of their work will contribute to the assessment of the strategic and military importance of particular items, or classes of items, being considered in this study. Therefore, this study must begin early on those parts of its work that interweave with the work of the other study groups.

As a part of this study or in a related study, the issue of political controls on exports to the USSR will have to be addressed. The United States will be seeking to build support for the contribution that multilateral controls on selected exports to the USSR are an appropriate response to egregious Soviet behavior.

It is essential that the current deliberations of the ongoing COCOM list review go forward without interference or delay. Therefore, the new study will require the addition of

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staff, and careful, deliberate administrative arrangements that steer the new work clear of the on-going work. In this connection, the U.S. aim will be to leave until the end of the study the question whether new types of items the study brings up for consideration for control should simply be added to the COCOM list, or should form part of a new list with distinct criteria for inclusion.

### OIL AND GAS EQUIPMENT AND TECHNOLOGY

Logically, the decision to control oil and gas equipment and technology is closely linked to the decision on limiting Western imports of Soviet gas. If the allies agree on that decision and on the U.S. assessment of Western security interests, they are likely to accept some degree of control. If the energy study results do not persuade the allies to limit their purchases of Soviet gas, there is little chance that this study will persuade them to control oil and gas equipment and technology. Therefore the two studies have a policy parallel as well as operating in parallel in developing information. This consideration will also affect the appropriate phasing of the two studies.

The broader security considerations that the U.S. asks its allies to take into account in COCOM deliberations (and in other policy decisions, such as the import of Soviet gas) include (1) the implications of total Soviet energy exports for Western energy security, (2) the specifics of dependence on Soviet gas through existing and projected pipeline capacity, in particular parts of Western Europe, and (3) the advantages to the Soviets, in pursuing their strategic aims, of increased energy exports to hard-currency markets, Eastern Europe, and other client states. Besides wanting to delay indefinitely the time when they become dependent on energy imports, the Soviets have various motives in accelerating energy production and exports. These motives and their prospects will be developed and documented in the other studies. The present study will show the dependence of Soviet energy production expansion plans on Western equipment and technology, and thus show how controls can affect Soviet prospects in pursuing their aims. The results should enable the U.S. to work with its allies on a list of oil and gas equipment and technology to be controlled.

## Analysis

The Summary of Conclusions stresses that exports of other technologies, including oil and gas equipment and technical data, would be examined for their implications for Western security. The non-paper specifically states that no Western actions should be taken that would contribute to the military or strategic advantage and capabilities of the Soviet Union or Eastern Europe, nor subsidize the Soviet economy. The study will consider whether controls which affect development of exports are on balance advantageous to Western security. An Administration concern is that accelerated production of domestic energy (Astrakhan) provides the USSR with the capability, through the existing and projected exported pipeline network to diminish the commercial viability of Western energy reserves (i.e., Troll). This study will show how alternative equipment and technology controls would affect that production.

Furthermore, this study will examine the question of how a multinational control system can reinforce the Allied commitment to improvement of Western energy security. We will address the question whether COCOM's existing criteria can be used to achieve our goals of controlling such oil and gas equipment and technology as would otherwise permit export of energy beyond levels agreed upon in the Summary of Conclusions. It is our aim to persuade our Allies to consider all factors affecting our security interests in COCOM deliberations, including energy vulnerability, excessive hard currency earnings, and their use for advancing Soviet aims.

We should consider several alternatives for the form and content of controls, with the attitude that this represents a first step. We should consider working in COCOM to (1) identify the USSR's priority energy projects and the potential contribution that Western equipment and technology can make to these; (2) determine the impact of these projects on Soviet energy production levels; and, (3) establish a multilateral list covering critical oil and gas equipment and technology for which the Soviets are dependent on Western suppliers. Each government should develop an analysis using best available data for each of the points stated above.

The working group has begun its determination of the range of alternative controls. These include, but are not necessarily limited to, the following:

(1) an overall system of controls on high technology transfer, including critical oil and gas equipment and technology;

(2) denial of critical technology alone, (which would broadly parallel U.S. licensing policy which routinely permits equipment exports while denying technology);

(3) multilateral denial of high technology items, including critical oil and gas equipment, at first limited to those available principally from the U.S.;

(4) concentrating denials largely on equipment and technology for transmission of oil and gas;

(5) proposing "controls" without a specific policy of general denial for the initial purpose of monitoring such exports;

(6) tying denials to Soviet export-oriented energy projects instead of specific categories of technology or equipment;

(7) tying denials to items not generally available in the Communist Bloc countries;

(8) setting a time limit or sunset provision as opposed to permanent controls.

#### Discussion of Alternatives:

Alternative 1 is taken from NSDD-66. Every listed alternative would be a step forward in that it involves controls or criteria not now accepted by the allies.

Denial of technology alone (alternative 2) would serve the purpose of preventing the Soviets from building their own oil and gas equipment using new Western technology. Since the USSR would continue to be dependent on Western equipment, the possibility of using this dependence later for Western leverage would remain. Soviet hard currency earnings would also be partly offset by equipment purchases. However, all Soviet energy projects could go forward. With this alternative the allies would initiate export controls and would deny critical technology not presently embargoed. However, it is no more than an opening wedge.

The merits and drawbacks of alternative 3 are very similar to those of alternative 2. However, alternative 3 clearly puts the initial burden entirely on U.S. companies.

We may consider focussing denials solely on items for the transmission of oil and gas (alternative 4), which are most directly related to Soviet export ability and to Western European energy vulnerability. The balance of advantage concerning denials which would, by their nature, also affect indigenous energy development will be determined by this study and the E-W trade study. Burden sharing within the alliance would be more equitable, under this alternative.

Multilateral "controls" without presupposing a policy of general denial (option 5) would allow monitoring of the flow of such technology and ongoing review of its security implications as suggested by the Summary of Conclusions. This would impose no significant burden on the Allies, nor would it have any effect on Soviet oil and gas development. It could serve as an immediate first step, however, pending the results of the studies. A policy of denial could be easily implemented for specific items, should study results or events require, once the overall framework of the controls is in place.

Moreover, we should give consideration to a policy of denial for those items which contribute directly to Soviet export capabilities (option 6). This option narrows the focus of Western denials and leaves open the domestic projects. It would address the energy security and hard currency concerns raised by Soviet energy sales and leave open the possibility of adding items to a denied list should future Soviet behavior warrant. It would be difficult to administer, because of ambiguity of the purposes of Soviet projects (export vs. domestic) and because of possible equipment adversions.

Alternative 7, tying denials to items not generally available in the Communist Bloc countries is an essential condition of Western export controls.

Including a sunset provision (option 8) would likely make the controls more palatable to the Allies. Proposing a definite time period would bolster our argument that we are suggesting controls due to our concern that Soviet gas rates might preempt the development of alternative sources of supply in the near term. The controls need apply only until a date by which commercially viable alternatives might reasonable become available.

Recommended First Steps:

An initial proposal for control along the lines of options 1 and 7 should be made in the context of the security consider-



ations noted in this paper (page 3). This would focus discussion on control, and set the stage for a full discussion of the rationale for control based on information from the other studies. We should make clear that the list we propose is negotiable in technological levels of equipment by exploring the options outlined in the study process. Preparation for this effort will require a maximum input from CIA to clarify the impact of the several options.

~~(C)~~ This memorandum explains the security rationale for multi-lateral control of high technology items that are not presently included on the COCOM Lists or proposed for control as a part of the COCOM List Review. It also notes the mechanisms to be followed within the USG to develop a list of such items.

~~(S)~~ Rationale for Controls

~~(S)~~ The West maintains an overall military balance with the Soviet Union by keeping a "quality edge" in military technology. Since World War II, Western countries have capitalized on their lead in the use of electronics and other modern industrial technologies to rely on technology to augment national security instead of adding to the inventory additional weapons and manpower. Recently the Allies have reaffirmed the need to control this quality edge in the Non-Paper through the statement that "(The Allies) will not undertake trade arrangements, or take steps, which contribute to the military or strategic advantage and capabilities of the USSR." We have used, and will continue to use, COCOM to limit export to the Soviet bloc and other proscribed countries of dual civil and military use technology and equipment, as well as munitions and nuclear technology and equipment, which would allow the East to offset the Western technology edge.

~~(S)~~ This interagency group will focus on two areas of technology critical to Western military security, but that have not been proposed to COCOM. First are emerging technologies potentially important for some aspect of the Soviet-Western military balance. These items may eventually enter the commercial market, but cannot yet be sufficiently defined in terms of COCOM controls. Such technologies should be carefully monitored by Western governments in order to assess their potential military importance and the arguments for and against control. COCOM would agree to place these items on a "Watch List." Some possible examples of these technologies are artificial intelligence, bioengineering, satellite warfare, very high speed integrated circuits\* and recursive software development.

~~(S)~~ We could present the emerging technology list to the Allies as a relatively non-controversial proposal. There are no commercial interests involved so far. Moreover, these technologies could give the West major strategic breakthroughs -- or, if lost to the Warsaw Pact, could block a major Western advantage or give the East such a breakthrough. If the West is to maintain its quality edge, this area should be a first line of defense.

\* we know military uses  
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(C) Second, there are "other" high technology items that will support the defense priority industries of the Soviet bloc and other proscribed countries. U.S. proposals for these items are well under way in development, but they have not yet been submitted to COCOM. Possible examples include manufacturing equipment for silicon compounds, some electronic assembly manufacturing equipment, CAD/CAM systems, and industrial controllers.

### Mechanism

(C) The interagency working group has agreed that the United States should make a serious effort to build constructively on the apparent willingness of the Seven to examine the need to control "other" technology. This group will draft a strategy paper on "other" non-COCOM controlled high technology. It will define what groups of technologies should be considered under this category and establish appropriate criteria for strategic concern. On this basis, the group will identify current and possible future candidates for multilateral control and/or placement on a watch list. The U.S. will develop its position prior to engaging the Allies in a joint study. A first draft of potential categories for consideration with rationale will be completed by January 7, 1983 and a report to the Working Group by January 14, 1983.

(C) This review will include the following actions:

1. (C) The Services, DIA, and Research and Engineering to review advanced projects for emerging technologies not currently controlled and the defense priority industry proposals for submission to COCOM. DARPA, Day A.I.

2. (C) Industry to be approached through the MCTL review mechanism to identify candidates for control.

3. (C) ITG chairman to be asked to review their findings for further candidate technologies for control.

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Department of State Guidelines, July 1987

By JAS NARA, Date 10/25/99

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MESSAGE NO. 131 CLASSIFICATION CONFIDENTIAL No. Pages 3  
FROM: R. Friel EUR/RPE 20533 6428D  
(Officer name) (Office symbol) (Extension) (Room number)  
MESSAGE DESCRIPTION East-West Economic Relations: NATO Study

TO: (Agency)	DELIVER TO:	Extension	Room No.
<u>NSC</u>	<u>Roger Robinson</u>	<u>395-3622</u>	<u>373</u>
<u>CIA</u>	<u>Maurice Ernst</u>	<u>351-4128</u>	<u>4th Floor</u>
<u>Treasury</u>	<u>Gene Clapp</u>	<u>566-5637</u>	<u>4450</u>
<u>DOD</u>	<u>Don Goldstein</u>	<u>695-4327</u>	<u>4B926</u>
	<u>NSC/S</u>		

FOR: CLEARANCE  INFORMATION  PER REQUEST  COMMENT

REMARKS: URGENT - Clearance requested AM February 1.

S/S Officer:

Richard  
Locke

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ED:DTahtinen  
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CIA:RErnst  
Treasury. GChapp

EUR/RPH:Gward  
E:RMorris  
DOB:DGoldstein  
EUR:TMTNiles

Immediate USNATO, London Immediate

Immediate ANATO, Moscow Immediate, Tokyo Immediate

DECL:OADR

NATO, ECON, ETRD, UR, XM

East-West Economic Relations: NATO Study

Refs: A. USNATO 666, B. USNATO 682, C. State 23145,  
D. State 19890

1. ~~C~~ - Entire text.

2. Summary: This telegram provides USG response to NATO economic director's proposed revised agenda for economic committee meetings, February 21-24. Embassy London is requested to clarify with FCO, UK's position on possible secondment of economic experts by key allies to NATO during study on East-West economic relations. End Summary.

3. We have reviewed the revised agenda and economic director's "proposed order of discussions" for the two economic committee meetings, February 21-24, on CMEA economic trends and Soviet economic options (Ref A). Our position remains, as delineated in Ref C, that the Committee should refocus its near-term work schedule to concentrate on the NAC-approved work plan for the study "implications for the security of the alliance of the

economic situation of the Soviet Union and its external economic and financial relations" (also referred to as the "ministerial study") rather than attempt to adjust the previous agenda for the February meetings. However, if USEconad remains isolated on this view at February 3 committee meeting, we concur with mission's recommendation (Ref B) to accept the compromise formula put forth by the economic director, which incorporates topics in section I (Soviet economic potential and outlook) and item IIA (intra-CMEA economic relations) of the NAC-approved work plan into the agenda and schedule for February 21-24 meetings.

4. We anticipate that two Committee meetings, reinforced with national experts, will be required in March. The agenda for these meetings should follow the work plan outline which the NAC approved. We prefer that these meetings be scheduled in early/mid-March, so that key milestones specified para 5, Ref C remain reasonable targets. We still prefer that the findings of the report be available by about May 1. If Committee members and director feel strongly that the March 17-18 meeting dates should be retained, we recommend that the Committee consider scheduling a reinforced meeting either the week prior to or during the same week as the March 17-18 meeting.

5. Heads of economic intelligence: Our view is that the committee, reinforced by national senior economic intelligence officials, should meet shortly after the initial draft of the study's three sections is completed in order to review thoroughly the draft and to develop a common analytical assessment. However, as reported para 6 ref b, some committee delegations feel strongly that the "heads" should be involved early on in the study as research managers, but not involved in an overall review of the draft report. At February 3 committee meeting, us econad should restate us position and request that other delegations ask their capitals for guidance on this matter. We anticipate that most capitals would support our position. Mission's assessment of the most effective role for the "heads" during this study is invited.

b. USG contributions to February 21-24 meetings will focus on the Soviet economic situation, including resource allocation. Specifics will be provided in the next few days.

7. Secondments to NATO: Embassy London is requested to clarify with FCO, UK's position on possible secondment of economic experts/analysts by key allies to NATO to assist international staff during the "ministerial study." USNATO reported (para 11, Ref B) that UK's economic committee rep had been informed by FCO that the subject

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was not under active consideration because US was no longer considering it. In fact, USG is prepared to second an expert to NATO and would like key allies (UK, France, FRG) to do likewise. During call on EUR DAS Thomas Miles, January 14, FCO's Jeremy Thomas agreed with this proposal and indicated that UK would likely also be willing to second an expert to NATO (see Ref 3). Thomas took a more forthcoming attitude on the priority which should be attached to the NATO study than that of UK economic committee representative. At its discretion, Embassy London should express hope that FCO will make it clear to its NATO mission its support for moving forward expeditiously on adequately staffed and sharply focused NATO study. YV

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TAGS: NATO, ECON, ETRD, UR, XH  
SUBJECT: EAST-WEST ECONOMIC RELATIONS: NATO ECONOMIC  
COMMITTEE AGREES ON TENTATIVE WORK PLAN FOR STUDY,  
AGENDA FOR FEBRUARY 21-24.  
REF: (A) STATE 29944  
(B) FRIEL/MONTGOMERY TELECON OF FEBRUARY 3  
(C) USNATO 582  
(D) USNATO 666

1. ~~CONFIDENTIAL~~ ENTIRE TEXT.

2. SUMMARY: ECONOMIC COMMITTEE FEBRUARY 3 CONCLUDED CONSIDERATION OF THE WORK PLAN FOR ITS MINISTERIAL STUDY ON SECURITY IMPLICATIONS OF EAST-WEST ECONOMIC RELATIONS AND OF AGENDA AND TIME ALLOCATION FOR ITS REINFORCED MEETINGS OF FEBRUARY 21-24. UNDER SILENCE PROCEDURE EXPIRING COB FEBRUARY 4, THE COMMITTEE AGREED TO THE DIRECTORATE'S PROPOSALS (REF D) BOTH FOR THE FEBRUARY MEETINGS AND THE TENTATIVE WORK PLAN. AS A KEY ELEMENT IN THE LATTER, TWO REINFORCED MEETINGS ON THE STUDY ARE SCHEDULED FOR MARCH, THE DATES FOR THE FIRST OF THESE BEING ADVANCED, AD REFERENDUM, TO MARCH 14-15 AND THE SECOND TO BE HELD, IF REQUIRED, MARCH 24-25. A PRECISE DIVISION OF LABOR AMONG THE MEETINGS WAS ELUSIVE BUT MOST AGREED WITH THE UK ASSUMPTION THAT ANALYSTS AT THE FIRST MARCH MEETING WOULD ADDRESS THE DIRECTORATE'S PARTIAL DRAFT (PART I AND A PORTION OF PART II) OF THE STUDY AND SEEK AS FULL AGREEMENT AS POSSIBLE ON FACTUAL ISSUES. THE SECOND MARCH MEETING, WITH A DIFFERENT SORT OF REINFORCEMENT, WOULD THEN BROACH THE GENERAL ASSESSMENT AND SECURITY IMPLICATIONS. (AT THE COMMITTEE MEETING SET FOR FEBRUARY 11 THE DIRECTORATE WILL PROPOSE FURTHER ALIGNING THE FEBRUARY MEETING WITH SECTION I AND THE TWO MARCH MEETINGS WITH SECTIONS II AND III, RESPECTIVELY.)

3. DISCUSSION IN COMMITTEE FEBRUARY 3 REFLECTED THE RELUCTANCE OF SEVERAL DELEGATIONS TO HAVING HEADS OF ECONOMIC INTELLIGENCE EXPLICITLY INVOLVED AT NATO IN THE ECONOMIC STUDY, AND OF THE FRENCH, SMALLER ALLIES, AND THE DIRECTORATE TO ADVANCING WORK DEADLINES. IN THE CASE OF THE DUTCH REP, THE LATTER ATTITUDE REFLECTED A DESIRE TO AVOID ANY LINKAGE BETWEEN NATO'S WORK AND THE WILLIAMSBURG ECONOMIC SUMMIT. CANADIAN REP, HOWEVER, WAS INSTRUCTED TO ASK THAT MARCH DATES BE ADJUSTED TO PERMIT CANADIAN OFFICIALS ATTENDING THE "SHERPA" MEETING MARCH 16-18 ALSO TO ATTEND MEETINGS ON THE NATO STUDY. BASED ON TELEPHONIC ADVICE SUPPLEMENTING REF B, WE HAVE AGREED TO THE REVISED MARCH DATES FOR REINFORCED MEETINGS AND HAVE ACCEPTED THE BALANCE OF THE DIRECTORATE'S TENTATIVE WORK PLAN FOR THE STUDY AND REVISED AGENDA AND ORDER OF DISCUSSION FOR THE FEBRUARY 21-24 MEETINGS. THE BASIC ELEMENTS OF THE WORK PROGRAM HAVE THUS BEEN AGREED. WASHINGTON PLANNING WILL WISH TO PROCEED ON THIS BASIS. ACTION REQUESTED. ADVICE ON US CONTRIBUTION AND DELEGATIONS TO THE REINFORCED MEETINGS FEBRUARY 21-22 ON CMEA ECONOMIC TRENDS AND FEBRUARY 23-24 ON SOVIET ECONOMIC OPTIONS. END SUMMARY.

4. FEBRUARY MEETINGS. ECONOMIC DIRECTOR SOLICITED COMMENTS ON HIS PROPOSED ORDER OF DISCUSSIONS FOR THE FEBRUARY 21-24 MEETINGS. US ECONAD RESTATED THE US PREFERENCE FOR A REALIGNED AGENDA SPECIFICALLY ADDRESSING THE PRIORITY QUESTIONS RAISED BY THE MINISTERIAL STUDY. DANISH REP SUPPORTED US. HOWEVER, HE SAID, IF A CONSENSUS COULD NOT BE REACHED ON SUCH A REALIGNMENT, DENMARK MIGHT ACCEPT A FLEXIBLE APPROACH TO THE WORDING OF THE PROGRAM FOR FEBRUARY 21-24 IF THE RECORD REFLECTED A CLEAR COMMITTEE CONSENSUS THAT ITS PRIORITY TASK AND THE PRIORITY FOCUS OF THESE MEETINGS WOULD BE THE NATO STUDY.

5. UK REP SAID HE COULD NOT AGREE TO A COMPLETE REVAMPING OF THE AGENDA; HE COULD GO NO FARTHER THAN THE LANGUAGE OF THE DIRECTOR'S PROPOSED ORDER OF DISCUSSIONS. HOWEVER, HE ASSUMED ALL WOULD DISPLAY FLEXIBILITY AT THE MEETING. FRENCH REP SUPPORTED UK BT

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IN OPPOSING BASIC RESTRUCTURING OF AGENDA BUT STRESSED  
THE REQUIREMENTS OF THE STUDY WOULD BE BORNE IN MIND  
AT THE FEBRUARY MEETINGS, WHICH WOULD BE KEY BUILDING  
BLOCKS FOR IT. CANADIAN REP SAID US EFFORTS TO RAISE  
AWARENESS OF PRACTICAL REQUIREMENTS FOR THE STUDY HAD  
SUCCEEDED EVEN IF THE FEBRUARY AGENDA WOULD NOT ADDRESS  
POINT FOR POINT THE OUTLINE FOR THE STUDY.

6. FRENCH REP AGAIN REQUESTED CHANGE IN THE LANGUAGE  
OF PART II.1. OF THE AGENDA FOR DISCUSSION OF CMEA  
ECONOMIC TRENDS, ED/EC/82/36 (2ND REVISE), TO SUBSTITUTE  
A REFERENCE TO BALANCE OF PAYMENTS AND CREDIT WORTHINESS  
("SITUATION FINANCIERE" IN THE FRENCH TEXT). THERE WAS  
NO OBJECTION. IN RESPECT TO ED/EC/82/35 (REVISED),  
WITH THE PROPOSED AGENDA FOR DISCUSSION OF ECONOMIC  
OPTIONS, THE UK REP AGAIN PROPOSED DELETION OF SECTION  
VI. HE SAID FEBRUARY WOULD BE PREMATURE TO DISCUSS  
"IMPLICATIONS FOR EAST-WEST ECONOMIC RELATIONS,  
INCLUDING TRADE AND TECHNOLOGY TRANSFERS". FRENCH AND  
GERMAN REPS SUPPORTED HIM. US ECOMAD OPPOSED DELETION,  
SAYING THAT IF THE US AGREED TO FOREGO DRASTIC REVISION  
OF THE TWO AGENDA, IN PART BECAUSE OTHERS INSISTED UPON  
THEIR "RICHNESS", WE WOULD INSIST UPON RETAINING THIS  
LANGUAGE. DENMARK, CANADA AND NETHERLANDS SUPPORTED  
US. CANADIAN REP SAID FEBRUARY DISCUSSION COULD DRAW  
IN PART UPON NATO'S AC/314 STUDY OF TRANSFER OF  
MILITARILY RELEVANT TECHNOLOGY. DANISH AND DUTCH REPS  
SAID THIS IMPORTANT SUBJECT WOULD BE A DIFFICULT ONE  
AT ANY TIME BUT WOULD HAVE TO BE BROACHED; THE VIEWS  
OF DELEGATIONS PREPARED TO ADDRESS THIS QUESTION WOULD  
BE WELCOME. FRENCH, UK AND GERMAN REPS SAID THEY WERE  
NOT LIKELY TO BE READY TO TAKE UP THIS TOPIC AT THE  
FEBRUARY MEETINGS. US REP ASKED IF UK COULD YIELD;  
IF SO, HE WAS CONFIDENT USG WOULD BE PREPARED TO  
ADDRESS THIS ISSUE IN ITS CONTRIBUTION TO THE MEETING.  
FOLLOWING WITHDRAWAL OF UK AND FRENCH RESERVATION,  
IT WAS AGREED TO RETAIN ITEM VI SUBJECT TO THE POSITION  
OF SOME DELEGATIONS THAT THEY WOULD NOT BE READY TO  
DISCUSS THE SUBJECT. COMMENT. WASHINGTON AGENCIES

WILL NOTE THE EXPECTATION THAT WE WILL ADDRESS THIS  
TOPIC AT THE FEBRUARY 23-24 MEETING AND IN DOCUMENTATION  
CIRCULATED PRIOR THERETO.

7. NATIONAL CONTRIBUTIONS. IN RESPECT TO NATIONAL  
CONTRIBUTIONS TO THE FEBRUARY 21-24 MEETINGS, UK REP  
SAID HMG COULD NOT PROVIDE A PAPER ON ROMANIA BUT COULD  
SUPPLEMENT SUBMISSIONS ON CZECHOSLOVAKIA OFFERED BY  
FRANCE AND THE FRG. CANADA WOULD CONTRIBUTE ON HUNGARY.  
GERMAN REP REITERATED HE WOULD BE PROVIDING PAPERS ON  
THE GDR AND ON ECONOMIC DEVELOPMENTS IN THE SOVIET UNION  
TO 1990 AS WELL AS THAT ON CMEA INTEGRATION DRAFTED BY  
THE GERMAN ANALYST WHO HAD BEEN A RECENT INTERN IN THE  
DIRECTORATE. US ECOMAD SAID OUR CONTRIBUTIONS, TO BE  
DETAILED WITHIN A FEW DAYS, WOULD FOCUS ON THE SOVIET  
ECONOMIC SITUATION, PARTICULARLY RESOURCE ALLOCATION.

8. WORK SCHEDULE FOR THE STUDY. ECONOMIC  
DIRECTOR REMAUD PROPOSED THAT THE COMMITTEE CONFIRM TWO  
REINFORCED MEETINGS IN MARCH AND SUGGESTED MARCH 24-25  
AS DATES FOR A SECOND. CANADIAN REPRESENTATIVE  
PREFERRED SCHEDULING THE FIRST MARCH MEETING FOR AN  
EARLIER DATE SO CERTAIN OFFICIALS COULD ATTEND BOTH  
THE COMMITTEE'S MEETING AND THAT OF THE WILLIAMSBURG  
SHERPAS SCHEDULED FOR MARCH 16-18. WHILE THERE WAS  
A DISPOSITION TO ACCOMMODATE THE CANADIANS, DUTCH REP  
STRESSED THAT THE ONLY RELEVANT DATES FOR THE NATO STUDY  
WERE THOSE OF THE NATO MINISTERIAL. FRENCH REP SAID SHE  
WOULD AGREE TO A SECOND MARCH MEETING "IF NECESSARY".  
WITH EARLIER DATES BEING OBJECTED AS LEAVING TOO LITTLE  
TIME TO CIRCULATE REVISED TEXTS BASED ON THE FEBRUARY  
MEETINGS, MARCH 14-15 WAS AGREED AD REFERENDUM FOR THE  
FIRST MARCH MEETING.

9. HEADS OF ECONOMIC INTELLIGENCE. US ECOMAD RESTATED  
OUR PREFERENCE FOR A SEPARATE MEETING WITH HEADS OF  
ECONOMIC INTELLIGENCE IN EARLY APRIL. UK AND SEVERAL  
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PARIS ALSO FOR USOECG; BRUSSELS ALSO FOR USEC

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OTHER REPS WERE SKEPTICAL OF THE NEED FOR SUCH A MEETING, SAYING THAT IF THE "HEADS" WERE TO INTERVENE IN THE PROCESS, THEIR CONTRIBUTION COULD ONLY APPROPRIATELY BE MADE AT AN EARLY DATE SUCH AS THE REINFORCED MEETING MARCH 14-15. DUTCH REPRESENTATIVE THEN CHALLENGED SCHEDULING TWO REINFORCED MEETINGS FOR MARCH IF EITHER WAS TO BE ASSOCIATED WITH PARTICIPATION OF HEADS OF ECONOMIC INTELLIGENCE. DANISH REP AGREED. DUTCH REP THEN TOOK HIS ARGUMENT A STEP FURTHER, DECLARING HIS GOVERNMENT'S BELIEF THAT ANY EXPLICIT PARTICIPATION OF HEADS COULD RENDER THE COMMITTEE'S WORK MORE DIFFICULT AND JEOPARDIZE CHANCES OF REACHING A CONSENSUS ON THE STUDY.

10. FOLLOWING FURTHER DISCUSSION, (FRENCH REP IMPLIED SYMPATHY FOR THE DUTCH; GERMAN REP REMAINED SILENT), THE DIRECTOR INTERVENED TO RETAIN THE TWO MARCH DATES WITHOUT ANY INDICATION, FOR THE MOMENT, OF LIKELY FOCUS OR PARTICIPATION. CANADIAN REP REMINDED ALL THAT THE HEADS OF ECONOMIC INTELLIGENCE WOULD COME WHENEVER THEIR GOVERNMENTS WISHED THEM TO ATTEND. COMMENT. DISCUSSION IN COMMITTEE OF THIS QUESTION HAS BECOME CONTENTIOUS. WE BELIEVE THE BEST WAY TO PURSUE A ROLE FOR THE HEADS WOULD BE THROUGH BILATERAL CONTACTS WITH THE BRITISH, CANADIANS, GERMANS AND FRENCH WITH A VIEW TO COORDINATED ATTENDANCE OF KEY INDIVIDUALS AND INFORMAL CONSULTATIONS AT ONE OF THE MARCH MEETINGS, PREFERABLY THE EARLIER ONE. (CONTACTS AMONG EXPERTS AT THE FEBRUARY MEETING COULD ALSO HELP SHIFT POSITIONS ON THIS ISSUE.) WHILE THE ESSENTIAL ROLE OF THE HEADS IS THE ANALYSIS PERFORMED IN CAPITALS AND REFLECTED IN DOCUMENTATION, WE SEE THEIR MOST EFFECTIVE ROLE HERE BEING THAT OF BROAD-GAUGE EXPERTS WHO ALSO COMMAND THE RESOURCES WHICH CAN HELP THE DIRECTORATE FILL GAPS IN INFORMATION AND ANALYSIS.

11. THE MARCH MEETINGS: IN FURTHER RESPECT TO THESE MEETINGS, UK REP OUTLINED LONDON THINKING PREVIOUSLY

DISCUSSED WITH US AND THE CANADIAN REP. UK WOULD LOOK TO THE FIRST MEETING AS REACHING AGREEMENT ON THE EARLIER AND "FACTUAL" ELEMENTS OF THE STUDY AS DRAFTED BY THE DIRECTORATE. FOR THE SECOND MEETING, UK ENVISAGES ATTENDANCE OF A "DIFFERENT TYPE OF EXPERT" (PERHAPS LED BY AN FCO DEPARTMENT HEAD) WHO WOULD BE ABLE TO GO INTO THE MORE DIFFICULT ASPECTS OF THE STUDY, I.E. THE ASSESSMENT AND SECURITY IMPLICATIONS. UK REP STRESSED THAT THEIR APPROACH WAS PREDICATED UPON HAVING WRITTEN PRODUCTS OF THE DIRECTORATE OR OF INDIVIDUAL GOVERNMENTS AVAILABLE TO EXAMINE PRIOR TO EACH REINFORCED MEETING AND TO ADDRESS AT THAT MEETING.

12. DRAFTING SECTIONS II AND III. UK REP SAID HIS AUTHORITIES WERE NOT IN A POSITION TO PROVIDE A DRAFT PAPER ON THE SECURITY IMPLICATIONS OF THE SOVIET SITUATION AND INVITED ANOTHER ALLY (I.E. THE UNITED STATES) TO TAKE ON THIS FUNCTION. NO OTHERS SPOKE TO THIS SUGGESTION. COMMENT. WHILE A US DRAFT HAS BEEN PRIVATELY SUPPORTED BY THE CANADIANS AND A FEW OTHERS, IT IS THE VIEW OF THE FRENCH AND BELGIAN REPS THAT ALL DRAFTS FOR COMMITTEE CONSIDERATION SHOULD BE AT LEAST THE NOMINAL PRODUCTS OF THE DIRECTORATE. THEY SUGGEST THAT A DRAFT WITH AN EXPLICIT US LABEL WOULD BE LIKELY TO GENERATE DEFENSIVE REACTIONS. THE US, THEY SAY, MIGHT BETTER FEED RELEVANT AND WELL-TAILORED MATERIAL TO THE DIRECTORATE FOR ITS USE. (THE DIRECTORATE SHARES THIS VIEW.)

13. EFFORTS OF US, UK AND CANADIAN REPS TO PRESS FOR FURTHER ACCELERATION OF THE WORK SCHEDULE MET RESISTANCE FROM THE DIRECTORATE, THE FRENCH REP AND REPS OF SMALLER

COUNTRIES WHO PLEADED PRACTICAL CONSTRAINTS, DESIRE FOR QUALITY, STRONG INTEREST COUPLED WITH SMALL STAFF, ETC. THE DIRECTORATE DID ASSURE US THAT THE DATES ON ITS DRAFT WORK PLAN FOR CIRCULATION OF PAPERS WERE "AT THE LATEST" DATES WHICH IT WOULD ENDEAVOR TO IMPROVE UPON. (THE UK REP ASSURES US HE WILL PRESS THIS ISSUE AFTER BT

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FOR THE STUDY, DELEGATIONS AND ORAL PRESENTATIONS FOR THE REINFORCED MEETINGS, AND PROCEDURES PROMPTLY TO REVIEW DIRECTORATE DRAFTS. (THE FIRST ARE EXPECTED ON FEBRUARY 8.) WHILE THE FEBRUARY AGENDA AND ORDER OF DISCUSSION (REF D) DO NOT PROVIDE AN IDEAL FORMAT, WASHINGTON AGENCIES WILL WISH TO ADJUST SUBMISSIONS TO THIS FRAMEWORK. ACTION REQUESTED. ADVICE ON THE US CONTRIBUTIONS (REF B) AND ON THE MAKE-UP OF THE US DELEGATIONS TO THE TWO FEBRUARY MEETINGS. BENNETT BT

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PARIS ALSO FOR USOECD; BRUSSELS ALSO FOR USEC  
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(THE FEBRUARY MEETING AND AS THE WORK EVOLVES.)

- IN CONCLUSION, ECONOMIC DIRECTOR NOTED COMMITTEE'S IMPATIENCE TO MOVE ON FROM ITS LENGTHY PROCEDURAL DISCUSSIONS AND PROPOSED THAT THE AGENDA, ORDER OF DISCUSSION AND TENTATIVE WORK PLAN (CALENDAR) CIRCULATED LAST WEEK BE AGREED BY SILENCE PROCEDURE ENDING FEBRUARY 4.

14. NO DELEGATION BROKE SILENCE AND, AS OF OPENING OF BUSINESS FEBRUARY 7, COMMITTEE ACCEPTANCE OF THE AGENDA, ORDER OF DISCUSSION AND TENTATIVE WORK PLAN WAS CONFIRMED. ALSO SUBSEQUENT TO THE MEETING, THE ECONOMIC DIRECTOR TOLD US THAT, AT THE COMMITTEE'S NEXT MEETING, HE WILL REQUEST THAT NATIONAL SUBMISSIONS ON SECTIONS I, II AND III OF THE STUDY OUTLINE BE MADE IN TIME FOR THE FEBRUARY 21-24, MARCH 14-15, AND MARCH 24-25 MEETINGS, RESPECTIVELY. ASSUMING AGREEMENT, A CLOSER AND MORE COHERENT LINKAGE BETWEEN THE MEETINGS AND THE STUDY OUTLINE WOULD BE FORGED.

15. COMMENT. THE FEBRUARY 3 MEETING WAS DISAPPOINTING IN RESPECT TO OBTAINING AGREEMENT ON AN EXPLICIT FORMULA FOR PARTICIPATION OF HEADS OF ECONOMIC INTELLIGENCE AND ON EARLIER MILESTONE DATES FOR WORK ON THE STUDY. HOWEVER, FURTHER DISCUSSION OF THESE ISSUES AT THIS TIME DOES NOT APPEAR PRODUCTIVE AND THE INTERIM OUTCOMES ON BOTH DO LEAVE THE WAY OPEN FOR LATER PROGRESS. BELIEVING THE OUTLOOK FOR THE STUDY REMAINS ENCOURAGING, WE EMPLOYED THE FLEXIBILITY IN OUR INSTRUCTIONS TO JOIN THE CONSENSUS SUPPORTING THE TWO AGENDA, ORDER OF DISCUSSIONS AND THE TENTATIVE WORK PLAN. WE HAVE SUGGESTED (PARA 18 ABOVE) AN APPROACH FOR THE INVOLVEMENT OF THE ECONOMIC "HEADS" AND WILL CONTINUE TO PURSUE POSSIBILITIES FOR EARLIER DEADLINES. MEANWHILE, SINCE INTELLECTUAL INPUTS PROMISE TO BE OUR GREATEST STRENGTH IN SHAPING THE NATO STUDY, WASHINGTON AGENCIES WILL WISH TO TAKE THE AGREED CALENDAR INTO ACCOUNT IN PLANNING DOCUMENTATION WE WILL PROVIDE

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United States Department of State

Washington, D.C. 20520

*NSDD 66  
Economic*

January 20, 1983

MEMORANDUM FOR MR. WILLIAM P. CLARK  
THE WHITE HOUSE

SUBJECT: Presidential Approval of NSDD 66 Negotiating  
Strategies

The SIG-IEP has reviewed the negotiating strategy and U.S. position papers on East-West economic relations as directed by NSDD 66. Pursuant to Secretary Regan's directive at the SIG-IEP meeting of January 12, I am forwarding on behalf of Under Secretary Allen Wallis the enclosed paper summarizing the recommended strategies for consideration by the President. I also enclose copies of the strategy papers which the SIG-IEP has endorsed.

*Charles Hill*

L. Paul Bremer, III  
Executive Secretary

*998-2342*

*23*

~~SECRET~~NLS F96-069/2 #118BY smj, NARA, DATE 1/30/06NSDD-66 East-West Study ProgramSummary

In response to NSDD-66, four interagency working groups were established to develop the strategies for following up on five specific aspects of East-West economic relations with our allies - the NATO study on the Security Aspects of East-West Economic Relations, Energy Requirements, East-West Credit, Strengthening CoCom, and Other High Technology including oil and gas. The SIG-IEP has reviewed the papers prepared by the working groups as the bases for U.S. negotiating strategies and recommends their approval. The following briefly summarizes the U.S. strategy for each area. Our objective is to have the energy and NATO studies finished, and work on credits and high technology sufficiently advanced, to permit policy decisions to be taken at the spring Ministerial meetings of NATO and OECD, and the Williamsburg Summit.

1. NATO STUDY. The NATO Economic Committee will initiate a study of the security aspects of East-West economic relations. Our objective will be to develop a comprehensive security-oriented framework within which we would seek to advance the NSDD-66 objectives in specific areas. Our strategy would focus the study on the present and projected Soviet economic situation; the impact of East-West economic relations on Soviet economic/strategic/military capabilities; Western economic and strategic vulnerability and dependence and the conclusions to be drawn from these considerations. We propose reactivation of the "trio" mechanism used during the Polish crisis to enable Japan, Australia and New Zealand to be consulted about, and associated with, the study (supplemented with bilateral consultations, especially with Japan).

2. ENERGY REQUIREMENTS. The primary U.S. aim in this study is to establish a factual basis for the U.S. view that the Soviets could become the marginal supplier of gas to Europe, thereby driving out other Western alternatives and thus creating a threat to Western security. Analyses would move from levels of OECD energy demand and production to projected import dependence, vulnerability to energy supply disruptions and alternatives that would minimize security risks. Arrangements have been made to assure that at least one scenario to be developed by the study reflects our views and to factor the previously commissioned IEA gas study into this effort.

3. CREDIT. Our goals are to reduce subsidization of the Soviet economy initially by tightening up the existing OECD export credit arrangement (in such areas as downpayments, term to maturity,

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fees, etc.) for all "Category 1" countries (essentially OECD, Israel and Eastern Europe), and then use the results of the NATO study to move further on the USSR, if possible. Our strategy will also expand the OECD's mechanism for monitoring East-West trade and financial flows to strengthen our case for greater prudence and control in Western economic relations and trade with the Soviets.

4. STRENGTHENING COCOM. We have proposed that a second High Level CoCom meeting (HLM) be held in late February or March in order to stimulate and maintain policy-level attention in the other CoCom governments to strengthening CoCom's multilateral system of security export controls. U.S. initiatives prior to the second HLM are planned to advance our goals of increasing the overall effectiveness and responsiveness of CoCom; widening embargo coverage in the ongoing list review; strengthening enforcement procedures; harmonizing licensing procedures; improving CoCom's organization and support facilities; and developing multilateral approaches concerning availability of embargoed equipment through non-CoCom countries.

5. OTHER HIGH TECHNOLOGY. We propose that CoCom should examine the issue of whether multilateral controls of other high technology, including oil and gas equipment, not now controlled or being considered for control in the current list review, as well as emerging technologies, will strengthen Western security. A list of specific items to be controlled will be submitted to the allies and we will seek to focus debate on how controls would meet alliance security needs. We propose that a special working group be created to deal with these issues so as not to interfere with on-going CoCom work on the list review. Our goal is to have the results of this examination available by early May.

In each of these areas, our negotiators will be guided by the objectives set forth in NSDD-66, and will seek to build an allied consensus from the language in the "Summary of Conclusions" paper.

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*Robinson*  
*E. J. D. L. G.*  
*F. W. L. G.*  
*6*

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TO: *Mr. Clark*

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FOR THE SECRETARY FROM UNDER-SECRETARY WALLIS

E.O. 12356: DECL: OADR  
TAGS: ETRD, UECD  
SUBJECT: EAST-WEST ECONOMIC ISSUES AT XCSS AND PROBLEMS  
AHEAD

1. ~~(~~ - ENTIRE TEXT)

2. I WILL LEAVE TO OUR MISSION AND EMBASSY TO DO FULL  
REPORTS ON MY MEETINGS MONDAY AND TUESDAY AT THE XCSS AND  
WITH THE FRENCH. MY INITIAL CONCLUSION IS THAT WORK IN  
OECD ON REVIEW/MONITORING OF EAST-WEST TRADE AND FINANCE  
LOOKS PROMISING (THOUGH I WILL HAVE TO NAIL THIS DOWN  
DURING MY VISIT LATER THIS WEEK TO VARIOUS CAPITALS,  
ESPECIALLY BONN). MANY COUNTRIES SUPPORTED THE IDEA OF  
FOCUSING WORK ON PRACTICES BY WHICH SOVIETS GAIN  
EXCESSIVE ADVANTAGE IN TRADE WITH WEST. I FURTHER PROPOSED  
THE ORGANIZATION GO BEYOND THAT TO CONSULT ON WAYS WE CAN  
COUNTER THOSE PRACTICES AND REDRESS THE BALANCE OF  
ADVANTAGES IN OUR FAVOR AS NEW SOVIET LARGE PROJECTS  
COME TO OUR ATTENTION. LATTER WILL BE MORE CONTROVERSIAL,  
BUT NO COUNTRY REACTED NEGATIVELY ON FIRST PRESENTATION.

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THE MOST ENCOURAGING DEVELOPMENT AT THIS MEETING IS THAT THERE APPEARED TO BE A UNANIMOUS VIEW THAT OECD WORK SHOULD LEAD TO SOME POLICY CONCLUSION (BASED SOLELY ON ECONOMIC RATIONALE) FOR OECD MINISTERS TO CONSIDER ON MAY 9.

3. THE PROBLEMS OUT AHEAD ARE ALSO EMERGING. MY BILATERAL TALKS WITH FRENCH REVEALED WIDE DIVERGENCE AMONG SENIOR OFFICIALS ABOUT HOW MUCH COORDINATION WAS POSSIBLE, WITH FOREIGN MINISTRY TAKING LESS NEGATIVE LINE THAN TRADE PEOPLE. HOWEVER, FRENCH AND MANY OTHERS HAVE REACTED BADLY TO OUR FIRST PROPOSALS FOR EXAMINING OTHER HIGH TECHNOLOGY (INCLUDING OIL AND GAS). WE SUGGESTED AD HOC SPECIAL MEETING, BEFORE HLM IN APRIL, TO EXAMINE OUR PROPOSALS. NO ONE SUPPORTED (INCLUDING BRITISH, WHOSE XCSS REPS ASSURED US TUESDAY THAT THEY WOULD) AND MANY (FRANCE, FRG, CANADA, BELGIUM AND NETHERLANDS) RAISED ALL MANNER OF PROCEDURAL PROBLEMS OR OBJECTIONS. THIS ONE WILL BE TOUGH EVEN BEFORE WE GET TO THE SUBSTANCE, SUPPOSING INDEED WE CAN BEFORE THE HLM.

4. I PLAN TO LEAN HEAVILY ON GERMANS, ITALIANS AND, TO EXTENT NECESSARY, BRITISH DURING MY VISITS OVER NEXT FEW DAYS TO REFRAIN FROM IMPOSING PROCEDURAL OBSTACLES ON OTHER HIGH TECH AND REMIND THEM AS FORCEFULLY AS POSSIBLE THAT (A) THEY COMMITTED THEMSELVES IN THE SUMMARY OF CONCLUSIONS TO EXAMINE THIS ISSUE, AND (B) HAVE AGREED RESULTS SHOULD BE READY FOR SPRING MINISTERIALS AND WILLIAMSBURG. IF I CONTINUE TO BE MET WITH BUREAUCRATIC OBSTRUCTIONISM, I MAY ASK YOU TO INTERVENE WITH SELECTED FOREIGN MINISTERS, INCLUDING FRENCH, KATZ

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