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WITHDRAWAL SHEET

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Collection: Robinson, Roger: Files

Archivist: jas
FOIA ID: F96-069-2
Date: 08/30/1999

File Folder: NSDD-66 [5 of 5]

OA90992 RAC Box 5

(8 of 8)

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

RESTRICTIONS

P-1 National security classified information [(a)(1) of the PRA].
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P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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F-8 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

WITHDRAWAL SHEET

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File Folder: NSDD-66 [5 of 5]

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Date: 08/30/1999

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DOCUMENT NO & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
18. cable	232234Z Jun 82 (1p) D. 5/30/01 NLSF96-069/2 #125	6/23/82	P1
19. memo	Blair to Clark (2p) R 1/29/02 " #126	1/11/83	P1
20. letter	Trudeau to RR (3p) D. 8/28/02 NLSF96-069/2 #127	12/31/82	P1
21. memo	Robinson, Blair to Clark (1p) R 10/29/02 F96-069/2 #128	12/23/82	P1
22. cable	031429Z Jan 83 (1p) R 1/30/06 F96-069/2 #129	1/3/83	P1
23. cable	051859Z Jan 83 (1p) R 1/30/06 F96-069/2 #130	1/5/83	P1
24. letter	Trudeau to RR (2p) D. 8/28/02 NLSF96-069/2 #122	n.d.	P1
25. cable	221435Z Dec 82 R 1/30/06 F96-069/2 #133	12/22/82	P1
26. memo	1p, partial Partial 1/11/01 F96-069/2 #134	n.d.	F3 B1
27. study	re: high technology (1p) R 1/30/06 F96-069/2 #135	n.d.	P1
28. study	re: high technology (5p) R " " #136	n.d.	P1
29. outline	re: COCOM meeting (9p) R " " #137	n.d.	P1

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File Folder NSDD 66 (5)

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ID	Doc Type	Document Description	No of Pages	Doc Date
5	STUDY	RE HIGH TECHNOLOGY	6 <i>MVA 3/20/08</i>	ND
12	CABLE	091512Z FEB 83	2 <i>MVA 3/20/08</i>	2/9/1983
13	MEMO	ROBINSON, BLAIR TO CLARK	4 <i>MVA 3/20/08</i>	2/15/1983
17	MEMO	ROBINSON TO CLARK	4 <i>MVA 3/20/08</i>	12/23/1982
21	MEMO	ROBINSON, BLAIR TO CLARK	1 <i>MVA 3/20/08</i>	12/23/1982
32	CABLE	031429Z JAN 83	4 <i>MVA 3/20/08</i>	1/3/1983
27	STUDY	RE HIGH TECHNOLOGY (FIRST PAGE ONLY)	1 <i>MVA 3/20/08</i>	ND
28	STUDY	RE HIGH TECHNOLOGY	5 <i>MVA 3/20/08</i>	ND
29	OUTLINE	RE COCOM MEETING	9 <i>MVA 3/20/08</i>	ND

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System II
90175

NSDD 66
E-W
2/15/83

MEMORANDUM

NATIONAL SECURITY COUNCIL

February 15, 1983

~~SECRET~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON^{AW}/DENNIS C. BLAIR^{DB}

SUBJECT: Implementation of NSDD-66 on East-
West Economics -- A Mid-Term Assessment

It has been almost exactly three months since State was charged with implementation of NSDD-66 and the Summary of Conclusions with an almost identical three month period remaining until Williamsburg. It is, therefore, the appropriate time to take stock of where we are, the problems we face, and where we must go in the remaining period to ensure the kind of significant concrete progress report for the President and the public envisioned in NSDD-66. This assessment will be divided into the following categories: Summary, Game Plan, Problems and Recommendation. We also provide talking points (Tab I) and a "non-paper" (Tab II) for your meeting with Secretary Shultz.

Summary

In general, the Wallis group's efforts to implement the objectives set forth in NSDD-66 have faltered and stalled. Important shifts in the economic environment, Allied obstacles, and insufficient management, resolve, and technical work have been the principal contributors to the present situation. The oil glut, leading to declining energy prices and falling international interest rates have, for instance, impacted on the timing and outlook for the energy and credit studies. The precise effect of these and other external factors must be assessed in determining what can realistically be achieved by Williamsburg and the action plan involved. There have also been no shortage of Allied objections, detours, and diluting tactics which have plagued our implementation of the original terms of reference for the various work programs. Finally, the most serious internal setbacks have been in managing the interagency process, exhibiting resolve in negotiations with the Allies and the quality of the technical work. The simple fact repeatedly brought to our attention by other agencies is that the Wallis group is not committed to driving for the objectives of NSDD-66 -- hesitancy, tentativeness and neglect for technical detail have become the rule, not the exception.

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NL F96-069/2 #120

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BY AW DATE 11/31/06

Your meeting with Secretary Shultz provides a critical opportunity to revitalize the interagency process, take into account the items we cannot control (e.g. external economic factors) and immediately emphasize solutions for the problems we can control.

Game Plan

Between now and Williamsburg, it will be essential to routinize the senior interagency dialogue and report more frequently to the SIG-IEP. The first step internally should be for the Steering Committee to submit a mid-term assessment of the status of each of the work programs, establish realistic benchmarks for NSDD objectives by Williamsburg and map out a concise strategy to achieve these benchmarks. It is also not too early for the Committee to begin consideration of our public affairs strategy as the domestic and foreign press are certain to focus on what has or has not been accomplished in the East-West economic area. This exercise also tends to inspire the participants to become more result-oriented.

A clear point of departure in dealing with the problems under our control is to stress our deep concern and that Allen Wallis has never convened a meeting of the overall coordinating body for these efforts, the Steering Committee. Given the number of significant meetings with the Allies that have already restructured the original TOR's, routine meetings of the Committee become even more vital. The Secretary can constructively intervene to get our internal consultation process back on track. To State's credit, the individual working groups have held meetings (energy, technology, NATO E-W economic study). Nevertheless, the interagency decision-making process, even at that level, has not kept abreast of major developments in Allied discussions, often leaving State to operate totally independently. As a result, the original TOR's sent forward 3 weeks ago for Presidential approval (subsequent to the start of Allied negotiations), were almost immediately overtaken by Allied revisions and external economic factors. In addition, the original and "revised" TOR's for the studies are simply not structured in a manner that drive toward our objectives, and we must be very cautious about adopting the tactical "scenic route."

The talking points and "non-paper" for your meeting with Secretary Shultz reflect the above concerns and request the Steering Committee to present to the SIG-IEP and onward to the President a mid-term status report, "benchmarks" for Williamsburg, and a game plan to take us there. The next step will be a more detailed NSC staff critique of the mid-term report submitted by the Steering Committee to ensure that the approach and benchmarks proposed position us to close in on the objectives of NSDD-66. Below we have identified most of

the key problems to date in each of the work programs. With a few exceptions, you can defer bringing these to the Secretary's attention in this initial "mid-term" meeting until the Wallis group submits their updated status report. We will put our more detailed critique in writing at that time. However, we thought it useful for you to have a "heads-up" concerning what we are driving toward in your talking points and the "non-paper."

Problems

Energy

-- Concerned by the lack of a coherent, forceful U.S. approach to the alternative energy study being conducted under auspices of IEA.

-- Inability of Bill Martin to secure a leadership position in the technical work program and particularly in Allied negotiations. He has been excluded from some key decision-making and strategy sessions.

-- Should not simply "pocket" temporarily diminished Allied enthusiasm toward construction of a second strand due to falling energy prices and glut. Must be positioned with commitment that the Allies will turn north not east when demand increases.

-- Need commitment on "early warning" Allied consultations on large resource projects by Williamsburg.

-- Should take advantage of visit of Norwegian Prime Minister for the President to advance our energy security objectives for Europe, specifically pertaining to the second strand.

-- The technical U.S. work under State management has badly faltered. Martin has intervened off the sidelines to give new direction and impetus to the critical "shadow study" originally agreed to be prepared by CIA and DOE. This shadow study approach had later been neglected by State.

Credit

-- Again, should not simply "pocket" reduced or eliminated subsidies on credits to the USSR due to falling interest rates and adverse market conditions.

-- At minimum, protect the OECD consensus rate for the Soviet Union as a "relatively rich" country and discourage active marketing by Allies of low interest government-supported guarantee programs.

-- Move out on establishing mechanism for ex-post review of all credits, particularly involving resource projects.

Technology

-- We understand from CIA and DOD that present attempts to secure agreement within COCOM on multilateral controls on oil and gas equipment are damaging our prospects for achieving more important COCOM objectives by Williamsburg. These immediate achievements should be: (1) catch disembodied technology and know-how; (2) catch new state-of-the-art technology the military relevance of which is unclear but almost certainly will be significant; (3) list review should be on an on-going basis (set up working group), not a detailed review every three years.

-- If the oil and gas issues must be delegated to a working group temporarily to permit this more critical, immediate work to go forward -- so be it.

RECOMMENDATION:

That you approve the talking points provided for your meeting with Secretary Shultz and pass on the attached "non-paper" calling for a mid-term status report and game plan for Williamsburg and beyond.

Approve _____ Disapprove _____

Attachments

Tab I Talking Points
Tab II Non-Paper

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EAST-WEST ECONOMICS
TALKING POINTS

-- It is three months until the Williamsburg Summit, and it has been three months since NSDD 66 was signed. Time for a mid-term assessment of progress and prospects.

-- When the President lifted the Poland-related sanctions, it was in order to have a package of "equivalent or more effective" impact on the Soviet Union.

-- The study terms of reference submitted on 20 January were acceptable, but I am now concerned that we will fall short of our objectives at the Williamsburg Summit.

-- I would like Allen Wallis to call together the Steering Committee, which has never met, on a regular basis to guide the studies and to make these status reports.

-- The President's objectives from NSDD 66 are to stop the second strand of the pipeline, to tighten technology transfer to the East, and to eliminate credit subsidies and preferential loan treatment to the Soviet Union.

-- Objective circumstances have changed -- the price of oil is dropping, and international interest rates are coming down. These circumstances lessen the pressure for a second strand of the pipeline, and they lessen the demand for subsidized credits.

-- However we cannot simply pocket these market benefits and think that our work is done. We must lay the foundation for an energy and credit policy based on a lasting security framework for the period when market forces are working against us.

-- I understand that internal U.S. government technical work in the various areas (energy, credits and technology transfer) is lagging. We need internal studies based on the terms of reference for each of the allied studies so that we can guide the allied studies. I was concerned to learn, for example, that our internal shadow study on energy has only just now begun. I would like Bill Martin to take charge of this group and be an alternate representative on our delegation to the IEA.

-- In addition, I understand that the trio mechanism to tie the Japanese into the NATO study is running into resistance.

-- We cannot accept the least-common denominator of our allies in these studies;

-- In the coming days, I would like a mid-term status report for the President along with a game plan to reach the identified achievements he will be able to announce at Williamsburg.

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NLS F96-069/2 #121

BY CAS NARA, DATE 10/29/02

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EAST-WEST ECONOMIC RELATIONS

The President when he lifted the Poland-related sanctions specified that he expected a multilateral approach to East-West economic relations in a security framework which would be "equivalent or more effective" in its effect on the Soviet Union. Unless we keep the pressure on the current work with the allies, we risk falling far short of the objectives the President set for the Williamsburg Economic Summit and beyond, particularly in the area of the alternative energy study.

Falling oil prices have made the second strand of the Siberian pipeline temporarily less attractive. Falling interest rates and bankers' caution have dried up most of the subsidized lending to the Soviet Union for the present. However these temporary market conditions are not a substitute for the security framework for economic relations with the East called for in NSDD-66.

Some key features of the original game plan for the studies are running into difficulties: setting up the "trio mechanism" to include Japan in the NATO economic study; conducting a "shadow study" in the energy area within the U.S. government in order to guide the OECD/IEA study; conducting a separate study on "other high technology" in COCOM. We must not allow these studies to be controlled by the least-common denominator among the allies.

In the management of the studies, there are some good individual efforts by working group chairmen, but the overall management by Under Secretary Wallis has not addressed the key interconnections between the studies, and has not provided the sort of results-oriented drive which will be needed to achieve concrete results by Williamsburg. The Steering Committee, the body created to provide the overall coordination and direction for the studies, has yet to meet.

A mid-term assessment for the President is requested to provide both a report on progress to date, and a game plan to reach the President's objective of concrete achievements to be announced at the time of the Williamsburg Summit. Like the other summit preparations, East-West economics will take constant attention during the next three months - the Steering Committee should be in frequent session to assist Under Secretary Wallis in keeping the studies on track and results-oriented.

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BY

CLS

NARA, DATE

10/29/02

NSDD 66
E-W economies

Roger - do
a memo on
this for class

Trade Disputes Threaten to Mar Western Summit

By William Drozdiak
Washington Post Foreign Service

BRUSSELS—Continuing sharp differences between the United States and its Western European allies over East-West trade policy and farm export subsidies are again raising transatlantic tensions and darkening hopes for a successful western economic summit in Williamsburg, Va., in May.

The Reagan administration, as host for the seven-nation meeting, would like to avoid the squabbles that marred last year's summit at Versailles and demonstrate unity in the alliance at a time when massive protests may gather momentum against the West's planned deployment of nuclear missiles in five European countries later this year.

But disagreements over the nature of East-West trade and agriculture seem so intractable that the summit may become an exercise, as a western ambassador here puts it, of "trying to hold our nose and survive it."

Nearly three months after President Reagan cooled the controversy over the Soviet gas pipeline by lifting sanctions against companies involved in the project, the allies remain far apart on the issues of controlling credit and high-technology exports to the Soviet Union.

In the wake of the pipeline fiasco, several studies were commissioned to prepare the ground for a joint trade

policy in time for the Williamsburg summit.

The North Atlantic Treaty Organization is looking into the strategic dimensions of trade with the Soviet Union while the Organization for Economic Cooperation and Development is studying dependence of the allies on Soviet gas.

A third group, the Paris-based Coordinating Committee for Multinational Export Controls, or COCOM, is seeking ways to control the spread of high technology and prevent sophisticated equipment from going to the Soviet Union.

U.S. and European officials also expressed concern that a growing conflict over subsidies to dispose of butter, wheat and poultry surpluses accumulated by American and European farmers could become so tense by May that talk of a trade war could dominate the summit.

Faced with record foreclosures of U.S. farms and angry demands for action by congressmen, the administration has started to retaliate against the Europeans for selling farm products below world market prices.

Last week the United States angered the Europeans by undercutting them with a subsidized sale of 1 million tons of wheat to Egypt, one of the community's traditional markets. If the United States carries the price war into butter or other goods, European officials warned that some punitive action may be taken against \$4.5 billion worth of soybeans and other U.S. farm products that enter the community duty free.

[Leonard Doyle of The Guardian reported that Edith Cresson, the French agriculture minister, said the community would sell subsidized farm produce to Latin American countries if the United States went ahead with a planned sale of subsidized butter to Egypt.]

During his trip to Europe in December, Secretary of State George P. Shultz sought repeatedly to portray the breach with Europe as having been closed and exhorted the

allies to work intensively for a joint approach to East-West trade that could be sealed at the May summit.

A U.S. diplomat closely involved in the preparations said, however, that even though one or two studies might be completed by that time, "It will take at least a year to achieve anything close to a common policy, and then only if the administration settles for far less than it has demanded of the Europeans."

Reagan's decision to drop sanctions in the pipeline dispute represented "a magnificent band-aid," said an ambassador, "but real differences over East-West trade have not been resolved."

The Europeans, while willing to restrict the flow of goods that carry obvious strategic value, insist that normal trade and financing arrangements with the Soviet Union should not be curtailed. Such restrictions, they argue, would not only cut off important export markets for European companies battered by a prolonged recession but also amount to

declarations of economic warfare against a powerful neighbor.

The Reagan administration favors much stricter control of commerce with the East Bloc and says a variety of consumer goods may unwittingly serve the purposes of the Soviet military buildup.

The Europeans counter with the argument that by such a yardstick, U.S. grain sales to the Soviet Union also provide important assistance to Moscow's military planning.

"The big problem is definition," says a European Community official. "Who is going to tell us vacuum cleaners cannot be sold to the Soviets but wheat can?"

Even if the studies are finished by May, U.S. and European Community officials said they were highly dubious that any policy action would be taken at the Williamsburg meeting.

"We know that Reagan clearly wants a different meeting than Versailles, with less words and more business to reach a meeting

of the minds," said a European involved in the summit preparations.

"But it's difficult to see how there can be concrete achievements. We think Reagan is aware of this and will settle for a friendly, low-key meeting, with maybe a few small steps to show we are working together."

Despite the anxieties over East-West trade and farm subsidies that could sour the atmosphere of the summit, U.S. and European diplomats said that some lessons were learned by the failure of last year's summit that might be avoided this time.

"Everybody agrees that the format followed at Versailles was simply terrible," said a European Community official. "There should be fewer prepared texts, no pre-arranged communique and more substantial discussions among the government leaders. Maybe we are learning that these meetings are just not capable of solving delicate world economic problems."

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A. Comanche*

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SUBJECT: THE EXECUTIVE COMMITTEE IN SPECIAL SESSION

- APPROVES THE SECRETARY GENERAL'S PROGRAM ON

- EAST-WEST RELATIONS AND RECEIVES U.S.

- PROPOSAL, FEBRUARY 8, 1983

REF: (A) PARIS 2552, (B) STATE 6001, (C) PARIS 5037

1. SUMMARY: REPS AT THE FEBRUARY XCSS WELCOMED SECRETARY GENERAL VAN LENNEP'S PROPOSAL (TRANSMITTED REFTEL A) FOR FURTHER WORK IN THE OECD ON A GENERAL OVERVIEW OF EAST-WEST ECONOMIC RELATIONS. THERE WAS NO DISSENT BY THOSE WHO SPOKE TO THE SECRETARY GENERAL'S AMBITIOUS PROGRAM WHICH IMPLEMENTS SECRETARY SHULTZ' SUGGESTIONS CONTAINED IN LETTER (REFTEL B). MOST SPEAKERS PUT HEAVY EMPHASIS ON THE NEED FOR A PURELY ECONOMIC FOCUS TO THE WORK. EVEN THE NEUTRALS GAVE AN ENDORSEMENT TO THE WORK BUT CAUTIONED THAT THE SUBJECT SHOULD NOT BE OVEREMPHASIZED OR ACCELERATED AT THE EXPENSE OF OTHER ACTIVITIES. UNDER SECRETARY WALLIS OUTLINED U.S. VIEWS ON ECONOMIC ASPECTS OF EAST-WEST RELATIONS AND SUGGESTED FURTHER POSSIBILITIES FOR OECD WORK IN THIS AREA: AN INVESTIGATION OF THE WAY THE BALANCE OF ADVANTAGES IN EAST-WEST TRADE HAS BEEN AFFECTED BY COMMERCIAL PRACTICES THAT HAVE GROWN UP IN RECENT YEARS; AN EXAMINATION, IN THE CASE OF MAJOR NEW PROJECTS, OF SOVIET TECHNIQUES WHICH ARE AIMED AT EXTRACTING UNDUE ADVANTAGES FROM WESTERN BUSINESS; ACCELERATION OF REPORTING ON CREDIT AND TRADE DATA; TRADE COMMITTEE PRODUCTION OF A PAPER WHICH WILL FACILITATE THE DRAWING OF CONCLUSIONS ABOUT THE NET BALANCES OF ECONOMIC ADVANTAGES. THESE WILL BE CONSIDERED AT THE MARCH TRADE COMMITTEE MEETING. CHAIRMAN PAYE, IN HIS SUMMARY URGED THAT "FILE OF FACTS AND FIGURES" ON EAST-WEST ECONOMIC RELATIONS BE

PREPARED FOR THE APRIL XCSS MEETING. XCSS WOULD THEN BE ABLE TO CONSIDER WHAT LESSONS OR CONCLUSIONS MIGHT BE DRAWN FOR SUBMISSION TO MINISTERS. END SUMMARY.

2. UNDER SECRETARY WALLIS, U.S. REP, WELCOMED VAN LENNEP'S LETTER WHICH CONTAINS A PROGRAM TO IMPROVE, INTENSIFY AND ACCELERATE OECD WORK ON EAST-WEST ECONOMIC RELATIONS (REFTEL C). HE OBSERVED THAT THE OECD CAN CONTRIBUTE TO WESTERN COOPERATION IN THIS AREA THROUGH ITS REPORTING OF DATA AND ANALYSIS OF ECONOMIC DEVELOPMENT, LEAVING POLITICAL AND STRATEGIC IMPLICATIONS TO OTHER FORA. HE SUPPORTED THE SECRETARY GENERAL'S VIEW THAT THE OECD SHOULD PUT TOGETHER, ON A PERIODIC AND COMPREHENSIVE BASIS, THE VARIOUS ELEMENTS OF OECD'S EAST-WEST WORK IN A WAY THAT WILL FACILITATE DRAWING CONCLUSIONS ABOUT ECONOMIC POLICY.

3. FIELDING, THE EC COMMISSION REP, EXPRESSED HIS SUPPORT FOR THE PROCEDURAL IDEAS CONTAINED IN THE SECRETARY GENERAL'S LETTER. HE SAID THAT THERE COULD BE NO DOUBT ABOUT DESIRABILITY OF INTENSIFYING OECD EFFORTS IN THE FIELD, SINCE LACK OF DATA IS A CHRONIC PROBLEM IN THIS AREA. THERE IS A NEED, HE OBSERVED, FOR MORE RAPID EXCHANGE OF INFORMATION IN THE OECD SO THAT SOUND CONCLUSIONS CAN BE DRAWN AND FORWARD PLANNING CAN BE DONE. THE BALANCE OF ADVANTAGES IN EAST-WEST ECONOMIC RELATIONS NEEDS TO BE DRAWN UP ON THE BASIS OF AN OVERALL VIEWPOINT. HE COMMENDED THE TRADE COMMITTEE'S EFFORTS AND SAID THAT THE EC IS LOOKING FORWARD TO THE TRADE AND FINANCIAL FLOWS REPORT FROM THAT COMMITTEE. HE STRESSED THE DIVERGENT TRENDS IN THE TRADE PATTERNS OF OECD MEMBER COUNTRIES WITH EASTERN EUROPE POINTING OUT THAT THE EC TAKES A HIGHER SHARE OF EASTERN EUROPEAN IMPORTS THAN DO OTHER MEMBERS. MOREOVER, HE CLAIMED, EC EXPORTS TO THE EAST ARE DECLINING WHILE OTHER MEMBERS' (READ U.S.) EXPORTS ARE INCREASING. REGARDING COMPOSITION OF THE EC'S TRADE WITH EASTERN EUROPE, HE NOTED THAT THE SHARE OF HIGH VALUE-ADDED MANUFACTURES IS DROPPING WHILE FOOD, AGRICULTURAL PRODUCTS AND CHEMICALS ARE INCREASING. GIVEN THE GROWING IMPORTANCE OF THE AGRICULTURAL SECTOR, HE ASKED THE SECRETARIAT TO UPDATE ITS FIGURES ON CURRENT EASTERN EUROPEAN CONSUMPTION AND FORECASTS FOR THAT SECTOR. HE NOTED THAT AN ANALYSIS BASED ON THE ECU RATHER THAN THE BT

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DOLLAR MIGHT AFFECT CONCLUSIONS ABOUT TRADE GROWTH AND
CHANGES. FINALLY, HE CITED GROWING DIFFICULTIES IN
THE AREAS OF COUNTERTRADE AND INTELLECTUAL PROPERTY
RIGHTS WHICH SHOULD BE INVESTIGATED.

4. MOTONO, THE JAPANESE REP, SAID THAT THE GOJ
AGREES TO THE SECRETARY GENERAL'S PROPOSALS AND
SUPPORTS THE POINT OF VIEW CONTAINED IN HIS LETTER. HE
STRESSED THE UNIQUE CHARACTER OF EAST-WEST TRADE ADDING
THAT THERE IS A NEED FOR GREATER TRANSPARENCY AND
DISCIPLINE IN THAT AREA. TO FULFILL THE 1982
MINISTERIAL MANDATE, THE ORGANIZATION HAS TO GO
BEYOND FACT FINDING TO SYNTHESIS OF MATERIALS SO THAT
CONCLUSIONS CAN BE DRAWN ON THE RELATIVE BALANCE OF
ADVANTAGES BASED ON PURELY ECONOMIC CRITERIA. HE
ADVOCATED A BROAD VIEW INCORPORATING WORK FROM THE
AGRICULTURAL COMMITTEE, THE CSTP AND THE IEA. HE
REMARKED THAT THE STUDY OF EASTERN EUROPEAN EXTERNAL
DEBT TO BE DONE BY THE FINANCIAL MARKETS COMMITTEE,
THE EXPORT CREDITS GROUP, AND THE TRADE COMMITTEE
WILL BE EXTREMELY USEFUL.

5. THE NEUTRAL COUNTRIES' GENERALLY POSITIVE REACTION
TO THE LETTER CONTAINED SEVERAL COMMON THEMES. THE
SWEDISH REP STATED THAT WHILE THE GOS SUPPORTS THE NEED
FOR IMPROVED INFORMATION ON ECONOMIC RELATIONS WITH THE
EAST IT WANTS IT LIMITED TO THE PURELY ECONOMIC. HE
PREFERS THAT EAST-WEST MATTERS BE HANDLED IN A LOW-KEY
MANNER ESPECIALLY AT THE MINISTERIAL. HE WELCOMED
ACTIONS TO SPEED UP THE FLOW OF INFORMATION, BUT IS
OPPOSED TO AN EXPANSION OF EAST-WEST ACTIVITIES AT THE
EXPENSE OF OTHER TOPICS AND DOES NOT WANT TO SEE ANY
ALTERATION IN THE TIMING OF MEETINGS TO PREPARE
EAST-WEST MATERIAL FOR THE MINISTERIAL. HE SUPPORTED
THE CONCEPT OF A WIDER ECONOMIC VIEW OF EAST-WEST

RELATIONS BASED ON INFORMATION PROVIDED FROM A NUMBER
OF OECD COMMITTEES. WINTOL, THE FINNISH REP, USED
THE TERMS "BUSINESS AS USUAL" AND "AVOID MAKING THE
SUBJECT ANY BIGGER THAN IT IS" TO ECHO THE SWEDISH
POSITION. HE CAUTIONED THAT THE NECESSARY ECONOMIC
ANALYSIS SHOULD NOT LEAD TO COORDINATED ACTIONS OR
POLICIES. LACINA, THE AUSTRIAN REP, HAD "NO
OBJECTIONS" TO THE SECRETARY GENERAL'S PROPOSAL AND
PARTICULARLY ENDORSED THE IDEA OF AN EVALUATION OF THE
RELATIVE BALANCE OF ADVANTAGES OF EAST-WEST ECONOMIC
RELATIONS. HE COMMENTED THAT THE ISSUE SHOULD NOT BE
"BLOWN OUT OF PROPORTION". THE SWISS REP APPROVED OF A
"PARTICULAR EFFORT ON THIS SUBJECT", ALTHOUGH THE
TOPIC WEIGHS LESS HEAVILY WITH THE GOS THAN OTHERS SUCH
AS NORTH-SOUTH ISSUES. HE NOTED THAT THE GOS COULD NOT
FOLLOW A COMMON CONCERTED ECONOMIC POLICY BECAUSE OF
ITS POLITICAL POLICIES. HE LAUDED THE ORGANIZATION'S
PAST DATA GATHERING EFFORTS AND SAID THAT THE NEW
EXERCISE SHOULD GO BEYOND THAT STAGE TO ANALYSIS OF A
BROAD RANGE OF TOPICS WHICH WOULD SHOW
INTERRELATIONSHIPS.

6. WITH ONE EXCEPTION (GREECE) ALL SPEAKERS AGREED
EXPLICITLY OR IMPLICITLY THAT THE EXERCISE SHOULD GO
BEYOND MERELY FACT FINDING TO SYNTHESIS AND ANALYSIS OF
DATA FROM WHICH CONCLUSIONS COULD BE DRAWN. THERE WAS
NO SPECIFIC CONSENSUS AS TO WHO SHOULD REACH THOSE
CONCLUSIONS. THE EC REP NOTED THE NEED FOR DATA
COLLECTION AND ANALYSIS SO THAT CONCLUSIONS COULD BE
DRAWN AND PLANS COULD BE MADE. THE JAPANESE REP CALLED
FOR THE BRINGING TOGETHER OF ELEMENTS SO THAT
CONCLUSIONS CAN BE DRAWN IN OECD ON THE RELATIVE
BALANCE OF ADVANTAGES OF ECONOMIC RELATIONS. THE
NORWEGIAN AND U.K. REPS VOICED THE SAME IDEA. POLICY
CONCLUSIONS MAY COME FROM THE ANALYSIS, ACCORDING TO
THE FRG REP. THE SWISS REP BELIEVES THE GOAL OF THE

EXERCISE OUGHT TO BE INSIGHT INTO THE IMPORTANCE OF
EAST-WEST RELATIONS ON THE WORLD ECONOMY. HE SAID THAT
COMMON ECONOMIC POLICIES ARE NOT POSSIBLE BECAUSE OF
THE GOS POLITICAL POLICIES. THE FINNISH ECHOED THAT
SENTIMENT. THE SWEDISH REP CAUTIONED THAT THE OECD
SHOULD AVOID POLICY STATEMENTS IN THIS AREA. THE GREEK
REP WARNED THAT THE OECD SHOULD LIMIT ITSELF TO FACT
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FINDING WHICH WOULD FACILITATE MEMBER GOVERNMENTS'
POLICY MAKING.

7. AMONG THE TOPICS DISCUSSED BY SEVERAL SPEAKERS WAS THE OECD/IEA ENERGY STUDY. ALL REPS WHO SPOKE WELCOMED THE STUDY. THE CANADIAN REP CALLED IT "WELL IN HAND"; EC, FINNISH AND PORTUGUESE REPS PUSHED FOR A "GLOBAL" APPROACH TAKING INTO ACCOUNT ALL FORMS OF ENERGY AND ALL PRODUCING REGIONS. (COMMENT: STUDY'S TERMS OF REFERENCE ALREADY DO THIS.). GREEK AND AUSTRIAN REPS STRESSED INTERDEPENDENCE OF BUYERS AND SELLERS IN EAST-WEST CONTEXT.

8. SEVERAL REPS ADDRESSSED THE QUESTION OF EXPORT CREDITS. THE SWEDISH REP WELCOMED CUTTING SUBSIDIZATION TO ARRANGEMENT CATEGORY I COUNTRIES BUT NOT ON POLITICAL GROUNDS. HE SUGGESTED LOWERING THE GNP CRITERION FOR CATEGORY I (CURRENTLY 4,000 DOLLARS P.C. GNP) TO INCLUDE MORE COUNTRIES. THE NORWEGIAN REP ADVOCATED A MORE COORDINATED CREDIT POLICY TO EASTERN EUROPE INCLUDING AN EXPLANATION BY ALL PARTICIPANTS ON HOW THEY MANAGE CREDITS TO THE EAST. THE CANADIAN REP SUGGESTED IMPROVED REPORTING ON EXPORT CREDITS ALONG WITH CONSULTATION WITH THE BIS TO MAKE THE TWO REPORTING SYSTEMS MORE COMPATIBLE. HE SAID THE GOC REP AT THE MARCH EXPORT CREDITS MEETING WILL MAKE PROPOSALS FOR CHANGES IN OECD REPORTING PROCEDURES. THE JAPANESE REP COMMENTED THAT THE CONTINUED FUNCTIONING OF THE ARRANGEMENT IN A SATISFACTORY MANNER IS QUITE IMPORTANT.

9. CONCERN ABOUT COUNTERTRADE OR COMPENSATION TRADE WAS EVIDENT IN THE REMARKS OF SEVERAL DELEGATES. THE NORWEGIAN, DANISH AND BELGIAN REPS ASKED FOR AN INTENSIFICATION OF WORK ON THE TOPIC. NORWAY PROPOSED

AN EXTENSION OF COUNTRY COVERAGE BEYOND CMEA TO INCLUDE LDCS. ALTHOUGH WORRIED ABOUT COUNTERTRADE DEMANDS, THE ITALIAN REP COMPLAINED THAT IT IS DIFFICULT TO FIGHT THE TREND AND DOUBTED ANYTHING COULD BE DONE ABOUT IT. THE SWISS REP MADE THE USUAL GOS PLEA FOR A CONCERTED OECD POSITION AGAINST COUNTERTRADE AT UPCOMING ECE MEETINGS.

10. IN RESPONSE TO THE SWEDISH REP'S SUGGESTION TO DOWN PLAY EAST-WEST AT THE MAY MINISTERIAL AND THE FINNISH REP'S CALL FOR "BUSINESS AS USUAL", SEVERAL OTHER DELEGATES DISSENTED. STEEG, THE FRG REP AND CHAIR OF THE TRADE COMMITTEE, FIRMLY STATED THAT EAST-WEST RELATIONS WILL BE ON THE MINISTERIAL AGENDA AND THAT IT IS UNREALISTIC NOT TO HAVE THE TRADE COMMITTEE ACCELERATE ITS WORK. SHE WAS SUPPORTED BY THE JAPANESE REP. THE CANADIAN REP ALSO OBSERVED THAT MATERIAL WILL HAVE TO BE READY FOR A MINISTERIAL DISCUSSION ON THIS TOPIC. THE U.K. REP SAID WORK WOULD HAVE TO GO FORWARD "WITH ALL DUE SPEED" TO ACHIEVE SUBSTANTIAL RESULTS BEFORE MAY IN ORDER TO MEET LAST YEARS MANDATE ON THIS SUBJECT.

11. IN HIS SUMMATION, THE CHAIRMAN (PAYE) OBSERVED THAT THE SECRETARY GENERAL'S LETTER HAD MOBILIZED SOLID SUPPORT. HE FOUND A DIVERGENCE OF VIEWS ABOUT THE PROFILE OF THE ORGANIZATION ON THIS ISSUE. THE WORK MUST GO FORWARD, HOWEVER, HE STATED. THE XCSS MUST SOON SEE RESULTS SO IT CAN HAVE AN ADEQUATE DISCUSSION BEFORE THE MAY MINISTERIAL.

12. MARRIS (SECRETARIAT) SET OUT FOR THE GROUP SOME OF HIS PRELIMINARY THINKING ON THE ECONOMIC ASPECTS OF EAST-WEST RELATIONS. (MARRIS HAS BEEN GIVEN OVERALL

COORDINATING AUTHORITY IN THE SECRETARIAT FOR WORK ON EAST-WEST ECONOMIC RELATIONS.) HE TOOK AS HIS POINT OF DEPARTURE AN ASSESSMENT OF THE ECONOMIC BALANCE OF ADVANTAGES FROM OECD COUNTRIES' RELATIONS WITH THE EAST. HE IDENTIFIED TWO ASPECTS TO THIS GENERAL QUESTION: WHETHER THERE HAD BEEN AN APPROPRIATE BALANCE OF THE GAINS FROM TRADE AND THE IMPLICATIONS OF THE NET TRANSFER OF RESOURCES FROM WEST TO EAST. ON THE FIRST POINT, HE NOTED THAT EAST-WEST TRADE COULD BE DIVIDED INTO TWO PARTS. THE FIRST OF THESE WAS THE BT

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EXCHANGE BY THE EAST OF ENERGY FOR FOOD. THE SECOND PART CONSISTED OF EXCHANGE BETWEEN EAST AND WEST OF MANUFACTURED GOODS. THE EXCHANGE OF ENERGY FOR FOOD REFLECTED DIFFERENCES IN RELATIVE FACTOR ENDOWMENTS AND THEREFORE APPEARED TO BE IN ACCORDANCE WITH RELATIVE COMPARATIVE ADVANTAGE. HE NOTED, HOWEVER, THAT THANKS TO OPEC THE TERMS OF TRADE GOVERNING THIS EXCHANGE HAD MOVED IN FAVOR OF THE EAST. HE NOTED AS WELL THAT SUCH AN EXCHANGE IMPLIED SIGNIFICANT DIFFERENCES AMONG OECD COUNTRIES, WITH THE EUROPEAN COUNTRIES IMPORTING ENERGY AND THE NON-EUROPEAN COUNTRIES EXPORTING FOOD. IN PRINCIPLE SUCH DIFFERENCES IN BILATERAL TRADE BALANCES AMONG OECD COUNTRIES SHOULD NOT POSE ANY SPECIAL PROBLEMS. HOWEVER, BECAUSE OF THE RELATIVELY HIGH DEGREE OF GOVERNMENT INVOLVEMENT IN EAST-WEST TRADE, SUCH BILATERAL DIFFERENCES TEND TO RECEIVE MORE ATTENTION.

13. REGARDING THE EXCHANGE OF MANUFACTURED GOODS BETWEEN EAST AND WEST, HE SAID THAT CONSIDERATIONS OF COMPARATIVE ADVANTAGE WOULD SUGGEST THAT OECD COUNTRIES WOULD EXPORT RELATIVELY CAPITAL-INTENSIVE OR SKILL-INTENSIVE GOODS TO THE EAST WHILE THE EAST WOULD EXPORT TO THE WEST MORE LABOR-INTENSIVE GOODS. WHILE THERE HAD BEEN SOME EVIDENCE OF SUCH AN EXCHANGE, IT APPEARED THAT IN PRACTICE THE ACTUAL GAINS FROM THIS KIND OF EXCHANGE HAVE BEEN LIMITED. THE DIFFICULTY FOR EASTERN COUNTRIES OF PRODUCING GOODS OF A SUFFICIENTLY HIGH QUALITY AT A REASONABLE PRICE HAS LIMITED THE ACTUAL GAINS FROM THIS KIND OF TRANSACTION.

14. TURNING TO THE RESOURCE TRANSFER FROM WEST TO EAST, HARRIS INDICATED THAT RESOURCE TRANSFERS GREW RAPIDLY UP TO THE MID-1970S, BUT SINCE THEN HAVE LEVELED OFF AND MAY EVEN IN THE LAST YEAR HAVE REVERSED

DIRECTION. GENERALLY, SUCH RESOURCE TRANSFERS CAN BE ECONOMICALLY JUSTIFIED WHEN CAPITAL IS EXPORTED FROM COUNTRIES WITH LOW RATES OF RETURN TO COUNTRIES WITH HIGH RATES OF RETURN. IN THE EAST-WEST CONTEXT, SUCH CAPITAL FLOWS MADE ECONOMIC SENSE IN THE CASE OF ENERGY DEVELOPMENT, WHICH IS CHARACTERIZED BY LONG INVESTMENT LEAD TIMES. HOWEVER, THE PROFITABILITY OF INVESTMENT IN MANUFACTURING DEPENDS ON THE COMPETITIVITY OF THE RESULTING OUTPUT AND THE UTILITY OF CAPITAL FLOWS FROM WEST TO EAST FOR THIS PURPOSE WAS MORE PROBLEMATIC.

15. HARRIS NOTED THAT THE SPECIFIC BALANCE OF ADVANTAGES OFFERED AMONG INDIVIDUAL CMEA COUNTRIES AS WELL AS AMONG INDIVIDUAL OECD COUNTRIES. THE EASTERN EUROPEAN COUNTRIES APPEAR TO PLACE A HIGHER VALUE ON IMPORTS FROM THE WEST THAN DOES THE SOVIET UNION. WHILE THE SOVIET FINANCIAL UMBRELLA HAS BEEN SHOWN NOT TO EXIST, FINANCIAL PRESSURES ON INDIVIDUAL CMEA COUNTRIES DO TEND TO BE TRANSMITTED WITHIN THE BLOC THROUGH SWINGS IN BILATERAL CLEARING BALANCES.

16. FROM THESE REFLECTIONS, HARRIS DREW TWO TENTATIVE CONCLUSIONS. FIRST, IT WAS PROBABLE THAT THE TERMS OF TRADE GOVERNING EAST-WEST TRADE WOULD SHIFT IN FAVOR OF THE WEST IN THE NEAR TERM. ENERGY PRICES ARE EXPECTED TO REMAIN SOFT AND PRICES OF AGRICULTURAL COMMODITIES TO RISE IN RESPONSE TO INCREASED DEMAND AS WESTERN ECONOMIES REVIVE. THE SOVIET UNION WILL BE PARTICULARLY AFFECTED BY THIS DEVELOPMENT. SECOND, IT WAS UNLIKELY THAT THERE WOULD BE A RENEWAL ANY TIME SOON OF NET RESOURCE TRANSFERS FROM WEST TO EAST. ON THE OTHER HAND, IT WAS ALSO DOUBTFUL THAT THE EASTERN EUROPEAN COUNTRIES WOULD BE IN A POSITION TO TRANSFER RESOURCES TO THE

WEST.

17. RESPONDING TO HARRIS' ANALYSIS THE SWISS DELEGATE NOTED THE NEED TO DEVELOP ISSUES FOR MINISTERS' CONSIDERATION AT MAY MINISTERIAL. HE FELT THAT THE ISSUE OF COMPENSATED TRADE (COUNTER-TRADE) WAS PARTICULARLY IMPORTANT. STEEG AND THE POSTHUMUS MEYJES (NETHERLANDS) QUESTIONED THE VIEW CONTAINED IN THE

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SECRETARIAT'S NOTES TO THE AGENDA THAT EASTERN EUROPEAN COUNTRIES HAD BEEN MAKING INCREASED RECOURSE TO CASH PAYMENTS FOR IMPORTS. JENKINS (CANADA) REPORTED THAT RECENTLY THE SOVIET UNION HAD BEEN PRESSURING THE CANADIAN GOVERNMENT FOR CREDITS TO COVER ITS GRAIN PURCHASES, WHICH HAVE HERETOFORE TAKEN PLACE LARGELY ON CASH TERMS.

18. UNDER SECRETARY WALLIS SET OUT U.S. VIEWS ON ECONOMIC ASPECTS OF EAST-WEST RELATIONS, PROPOSING SOME ADDITIONAL AREAS OF OECD WORK (SEE REFTEL C). HE IDENTIFIED AS THE TWO CENTRAL ECONOMIC ISSUES ARISING IN THE EAST-WEST CONTEXT THE TRANSFER OF RESOURCES FROM WEST TO EAST AND THE DISTRIBUTION OF BENEFITS FROM TRADE. HE POINTED OUT THAT THE OECD CAN PLAY AN IMPORTANT ROLE IN DEVELOPING BETTER INFORMATION AND ANALYSIS OF EAST-WEST ECONOMIC RELATIONS. RESPONDING TO THE SPECIFIC POLICY ISSUES IDENTIFIED BY THE SECRETARY GENERAL IN XCSS BACKGROUND PAPERS, STATEMENTS AND ANNOTATED AGENDAS, HE STRESSED THE CONTINUING EVIDENCE OF SIGNIFICANT FINANCIAL RISKS IN LENDING TO EASTERN EUROPE. WHEN RESPONDING TO FINANCIAL PROBLEMS IN EASTERN EUROPEAN COUNTRIES, OECD GOVERNMENTS SHOULD INSIST ON ECONOMIC ADJUSTMENT EFFORTS JUST AS THEY HAVE WITH OTHER COUNTRIES. HE WARNED THAT OECD GOVERNMENTS THEMSELVES SHOULD NOT ASSUME RISKS WHICH FINANCIAL MARKETS ARE NO LONGER WILLING TO BEAR NOR SHOULD THEY SUBSIDIZE CREDITS TO EASTERN EUROPE. BILATERAL TRADING PRACTICES, I.E., COUNTERTRADE, SHOULD ALSO BE AVOIDED BECAUSE OF RESULTANT DISTORTIONS TO THE MULTILATERAL TRADING SYSTEM. BEYOND THE WORK PROGRAM OUTLINED IN SECRETARY GENERAL VAN LENNEP'S LETTER, THE UNDER SECRETARY PROPOSED SEVERAL FURTHER EFFORTS ON THIS TOPIC. FIRST HE RECOMMENDED AN INVESTIGATION OF THE WAY THE BALANCE OF ADVANTAGES IN EAST-WEST TRADE HAS BEEN AFFECTED BY

COMMERCIAL PRACTICES WHICH HAVE GROWN UP IN RECENT YEARS. THE TRADE COMMITTEE SHOULD EXPAND ITS WORK BUILDING ON ITS PUBLISHED COUNTERTRADE STUDY TO BROADEN AND DEEPEN ANALYSIS OF PROBLEMS WHICH ARISE FROM THE DIFFERENCES BETWEEN MARKET AND NON-MARKET SYSTEMS. HIS SECOND RECOMMENDATION IS TO TRY TO LEARN HOW TO REDRESS THE BALANCE OF ADVANTAGES IN REGARD TO MAJOR NEW PROJECTS IN THE EAST BY EXAMINING THE TECHNIQUES IN A GIVEN TRANSACTION WHICH ARE AIMED AT EXTRACTING UNDUE ADVANTAGE FROM WESTERN BUSINESS. THE GOAL WOULD BE AN EXCHANGE OF INFORMATION TO KEEP THE SOVIETS FROM EXPLOITING THEIR MONOPSONISTIC POWERS TO THE DISADVANTAGE OF WESTERN COMPANIES. HIS THIRD PROPOSAL IS THAT ALL MEMBER COUNTRIES SHOULD AGREE TO ACCELERATE CREDIT REPORTING PROCEDURES SO THAT THEY ARE INSTITUTED WITH THE PERIOD WHICH TERMINATES IN JUNE 1983 AND TO SUBMIT TRADE DATA MORE PROMPTLY. FOURTH, THE TRADE COMMITTEE REPORT ON EAST-WEST TRADE AND FINANCIAL FLOWS SHOULD CONTAIN MATERIAL WHICH WILL ENABLE OECD MINISTERS NOT ONLY TO CONSIDER WHAT FURTHER WORK NEEDS TO BE DONE BUT ALSO TO FACILITATE THEIR REACHING CONCLUSIONS ABOUT THE NET ECONOMIC BALANCE OF ADVANTAGES.

19. STEEG SAID THAT AFTER DISCUSSIONS WITH THE U.S. TO CLARIFY FURTHER THE SPECIFICS OF THE U.S. PROPOSALS, SHE WOULD PUT THESE POINTS BEFORE THE TRADE COMMITTEE AT ITS MARCH MEETING. HARRIS NOTED THE NEED TO DISTINGUISH BETWEEN UNDESIRABLE TRADE PRACTICES WHICH ARE THE RESULT OF CURRENT DIFFICULT ECONOMIC ENVIRONMENT FROM THOSE UNDESIRABLE PRACTICES WHICH ARE SPECIFIC TO TRADE WITH EAST BLOC COUNTRIES. HE FELT THAT IT WAS NOT CLEAR THAT EASTERN EUROPEAN COUNTRIES HAD IN FACT GAINED A DISPROPORTIONATE SHARE OF THE BENEFITS FROM TRADE; HE QUESTIONED WHETHER THE DUMPING OF EASTERN EUROPEAN GOODS WAS A SERIOUS THREAT, AS

REAL RESOURCE COSTS DID IMPOSE A CONSTRAINT ON EVEN EASTERN EUROPEAN ECONOMIES. HE ALSO NOTED THE DEVELOPMENT OF A SECONDARY MARKET FOR GOODS RECEIVED THROUGH COUNTERTRADE ARRANGEMENTS. THIS WAS A WELCOME DEVELOPMENT AS IT WOULD ENABLE FIRMS TO EVALUATE MORE CLEARLY THE PROFITABILITY OF A GIVEN TRANSACTION. VAN BT

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LENNEP POINTED TO THE WISH OF MOST COUNTRIES TO IMPROVE THE TRANSPARENCY OF EAST-WEST ECONOMIC RELATIONS. KLEPPE (EFTA) WAS SKEPTICAL, THOUGH, THAT IT WOULD BE POSSIBLE TO ARRIVE AT ANY DEFINITIVE CONCLUSIONS REGARDING THE BALANCE OF ADVANTAGES IN EAST-WEST ECONOMIC RELATIONS. HE FELT THAT IN THE MAY MINISTERIAL, THE FOCUS SHOULD BE ON MORE OPERATIONAL WAYS TO ENSURE THAT MARKET CONSIDERATIONS GOVERN EAST-WEST ECONOMIC RELATIONS.

20. THE CHAIRMAN THEN SET OUT THE MAIN POINTS OF THE DISCUSSION AS HE SAW THEM. HE NOTED THAT THE QUESTION OF EAST-WEST ECONOMIC RELATIONS FALLS WITHIN THE TERMS OF REFERENCE OF THE ORGANIZATION AND THAT THERE WOULD NEED TO BE A REPORT ON THIS TOPIC FOR THE MAY MINISTERIAL MEETING. THE PROPOSALS OF THE SECRETARY GENERAL IN HIS LETTER REGARDING OECD WORK IN THIS AREA HAD RECEIVED THE BROAD SUPPORT OF THE GROUP, ALTHOUGH THIS ISSUE WOULD HAVE TO BE LOOKED AT FROM AN ECONOMIC POINT OF VIEW. HE MADE MENTION OF THE PARTICULARITIES IN EAST-WEST ECONOMIC RELATIONS AS WELL AS THE CURRENT FINANCIAL SITUATION OF THESE COUNTRIES WHICH MAKE THESE RELATIONS OF PARTICULAR INTEREST FOR OECD COUNTRIES. HE SAID THAT HE HOPED AT THE NEXT XCSS MEETING THERE WOULD BE AVAILABLE A "FILE OF FACTS AND FIGURES" TO PERMIT MEMBERS TO THINK MORE ABOUT THE PARTICULAR ISSUES. IT WOULD BE UP TO MINISTERS AT THE MAY MEETING TO TRY TO ARRIVE AT CONCLUSIONS FROM THIS ANALYSIS.

21. PAYE IDENTIFIED TWO BROAD AREAS OF STUDY IN THE EAST-WEST AREA: TRADE RELATIONS AND FINANCIAL RELATIONS. REGARDING TRADE RELATIONS, THIS FELL UNDER THE UMBRELLA OF THE TRADE COMMITTEE WHICH WOULD ALSO DRAW ON INPUTS FROM OTHER SPECIALIZED COMMITTEES. HE NOTED IN THIS CONTEXT TECHNOLOGY, SAYING THIS COULD BE LOOKED AT, BUT ONLY FROM AN ECONOMIC PERSPECTIVE. ON FINANCE, HE NOTED THAT DISCUSSIONS

ARE ALREADY UNDERWAY IN OECD COMMITTEES. HE NOTED AS WELL THAT THERE WOULD BE A MEETING IN MARCH OF THE EXPORT CREDITS GROUP WHICH WOULD LOOK AT THE CREDIT ARRANGEMENT. HE SAID THAT THE SECRETARIAT HAD BEEN IN CONTACT WITH THE BIS REGARDING EXCHANGE OF DATA AND HE HOPED THAT THIS WORK WOULD ALSO BE COMPLETED IN TIME TO PERMIT DISCUSSION AT THE MINISTERIAL. - ''
-- ,---STERIAL. - .''

22. PROCEDURALLY, PAYE SUGGESTED THAT THE XCSS MEET AGAIN TO REVIEW THE PROGRESS IN THIS AREA AFTER THE TRADE COMMITTEE MEETING. THE AIM WOULD BE TO MAKE SURE THAT MINISTERS HAD ENOUGH FACTS AND FIGURES TO DISCUSS THIS ISSUE AT THE MINISTERIAL. THE XCSS WOULD THEN BE ABLE TO SUGGEST TO MINISTERS WHAT LESSONS OR CONCLUSIONS MIGHT BE DRAWN. THIS MEANT THOUGH THAT FOR THE NEXT XCSS MEETING THERE WOULD NEED TO BE A COMPLETE FILE ON THIS GENERAL QUESTION. HE NOTED, THOUGH, THAT THERE WOULD BE OTHER IMPORTANT ISSUES FOR THE MINISTERIAL, AND THAT THIS WOULD NOT BE THE ONLY ITEM ON THE AGENDA FOR THE NEXT XCSS MEETING. KATZ
BT

~~CONFIDENTIAL~~

~~SECRET~~

NSDD 66
F. W. Williams

MEMORANDUM

NON-LOG: WEEKLY REPORT

NATIONAL SECURITY COUNCIL

December 23, 1982

~~SECRET~~

INFORMATION

DECLASSIFIED / RELEASED

MEMORANDUM FOR WILLIAM P. CLARK

NLS F96-069/2 #124

FROM: ROGER W. ROBINSON *RWR*

BY [signature], NARA, DATE 1/30/06

SUBJECT: Annual Review and Weekly Report

As you know, I have primary responsibility for East-West economic affairs and secondary responsibility for the International financial and monetary systems. I also have taken on a "special project" related to Japan. I will, therefore, divide up accomplishments and prescriptions along these lines. (S)

East-West Economics

Accomplishments

-- We have succeeded in establishing the first unified and security-minded framework for the conduct of East-West economic relations in history. This was accomplished by the consistent and courageous willingness of the President since Ottawa 1981 "to take the heat of the kitchen" with the allies on this crucial security issue and persuade them (with the possible exception of France) that a comprehensive approach to trade with the USSR must be a major component of our NATO security arrangements. There is no doubt that his June 18 decision will eventually be widely accepted as having been a tactical necessity in achieving this overall objective. Not to have gone to the mat at this time would have, for reasons now clear to all, caused far greater estrangement within the alliance later -- for example, had we glossed over or delayed the hard choices until a second strand was being negotiated or finalized. We are now positioned to derail what I am convinced is the number one priority of Soviet planners in the economic field -- the domination of the European gas markets in the 1990s and beyond. It should also be kept in mind that the debilitating political impact on NATO of achieving this Soviet objective is close to the top of the list of priorities (along with halting INF deployment) of both Soviet foreign policy and military strategists. In sum, was it all worth it, including a largely unsuccessful public affairs strategy? The historical answer will be an emphatic yes. (S)

Prescriptions

-- Vigorous follow up with the allies in implementing the Summary of Conclusions and achieving the objectives of NSDD-66. Secretary Shultz's trip to Europe advanced this process with allied acceptance of a study of the security dimensions of East-West economic relations in NATO as the single most important

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result. Astrakhan and the second strand will be major challenges with the achievement of a joint allied commitment to accelerated development of the Troll field in Norway as our principal objective. (S)

-- Continue to monitor the debt situation in COMECON and Soviet proxies and restrict Western subsidized or covert lending (GDR). In this Administration, Poland, Romania, Vietnam, and Cuba have all declared insolvency, with Hungary and the GDR potentially waiting in the wings. This represents half of COMECON's membership already down with possibly two to go. It should occur to the world that the Soviet system is bankrupt of the basic human incentives and dynamism required to sustain, much less improve, the standard of living of its people. (C)

International Financial System

Accomplishments

-- This Administration has correctly elevated the priority of this policy area to an unprecedented level in recent decades. The immediate and bold steps taken to bolster Mexico and Brazil have demonstrated to the world our willingness to take on an inordinate share of the burden to maintain the liquidity of the financial system. Our coordination of debt management is improving with the SIG-IEP designated the appropriate interagency framework. Some imaginative solutions such as pre-purchases for the SPR have been successfully implemented. (C)

Prescriptions

-- The centralization of debt management in the SIG-IEP (creation of an Office of Debt Management with regional IG working groups and an Ambassador-at-Large) is proceeding too slowly to cope with the velocity of these liquidity crises. Although IG's have been established for Eastern Europe and Latin America, they have never met. Tanzania and about 5-6 other African countries will be insolvent in 1983 which calls for an Africa IG. Asian and Western European IG's should also be added. (e)

-- Rather than reacting to country liquidity crises on an ad hoc basis (often without even examining the foreign policy quids expected for our relief efforts), we must formulate generalized guidelines and precedents for the management of the international debt crisis to ensure that we derive maximum benefits from required USG assistance. I will be doing a more comprehensive memo on this subject when I return from holiday. (S)

-- Yugoslavia is not going nearly as smoothly as many believe, particularly given the short fuse (mid-January). We will have to reappraise the type and extent of U.S. participation in Western

relief package immediately in the new year. Other allies wishing to contribute exclusively "export credits" will have to be persuaded to do the same. (See my memo for today's SIG-IEP.) ~~(S)~~

-- In the rush to meet immediate short-falls (Brazil), we are avoiding the difficult but necessary business decisions of whether an orderly debt rescheduling might be preferable to continuous frenzied bridge-financing activities that are likely, themselves, to fall short of a country's needs. ~~(S)~~

Japan

-- I originally proposed we release Alaska oil to Japan in March in return for political/economic quids, including a "pause for reflection" prior to a commitment to the \$3 billion development phase of Sakhalin. Over the past months, I have worked closely with Bill Martin and, more recently, Gaston Sigur to bring this proposal to fruition and now believe the Congress can live with the manner in which we intend to structure this proposal. ~~(S)~~

-- This initiative comes at a perfect time. Among other considerations, it provides us with a meaningfully positive step to "reward" the courageous pro-U.S. posture of Nakasone. It also dovetails with the dialogue taking place in the channel I established between the West Wing and the Prime Minister's office this August. Gaston and I intend to expand the usefulness of this channel in taking fuller advantage of the improved bilateral relationship. ~~(S)~~

Weekly Report

-- Had luncheon with Milutin Galovic, DCM, Yugoslav Embassy, to gain a better sense of imminent liquidity crises and an adequate Western response. ~~(S)~~

-- Attended Tim McNamar's weekly debt meeting. Beryl Sprinkel will assume debt management responsibilities as McNamar has been moved to other responsibilities. It appears clear that Sprinkel is less equipped than McNamar in dealing with this high velocity and unpredictable systemic crisis. ~~(S)~~

-- Attended luncheon with Norman Bailey and representatives of Morgan, Chemical and Manufacturers Hanover on Yugoslavia. (U)

-- Prepared briefing package for SIG-IEP on 12/23. (U)

-- Structured the bulk of NSC comments and recommendations along with Dennis Blair to State draft on strategy and terms of reference on East-West economic working group. ~~(S)~~

-- Reacted to Treasury memo on Mexico-Brazil-SPR-Oil Transaction. (S)

-- Worked with Norm Bailey in refining the concept of "exchange participation notes" as a possible instrument to alleviate much of the trauma of the international financial crisis. (S)

Comment

I joined the NSC staff at a time when East-West economics and the sanctions were entering high gear (leading up to Versailles), and the perceptual problems the staff encountered with State are a matter of record. More recently, I have made considerable headway in forging new, constructive relationships at State and with other agencies that in some cases started off less favorably due to the hard choices we had to make in my area of responsibility. Shifting a good deal of my attention to the international financial crisis (notably Yugoslavia) has assisted in this regard. I also believe we have located much more common ground with State in East-West economics. Although recognizing that this job is not a popularity contest (and I obviously have not acted that way), I am gratified by these improved personal relationships at an interagency level which permit me to function more efficiently. Relations with other staff members have always been good, but I believe they have also been strengthened. (U)

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Date February 5, 1981

**Original
Cable**

THE HONORABLE RONALD WILSON REAGAN
PRESIDENT OF THE UNITED STATES

Originating Department
Organization Number

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Attention: _____

DEAR MR. PRESIDENT:

AS I SHARE YOUR BIRTHDAY (IN MY CASE FEBRUARY 6, 1951) I WANTED TO TAKE THIS OPPORTUNITY TO WISH YOU AND MRS. REAGAN THE VERY BEST OF HEALTH AND SUCCESS DURING YOUR TERM IN OFFICE AND BEYOND. YOU AND YOUR FINE CABINET AND STAFF REPRESENT THE BRIGHTEST BEACON OF HOPE FOR THE FREE WORLD AND THOSE PEOPLE LIVING UNDER REPRESSIVE REGIMES STRUGGLING TO BE FREE. I JOIN WITH MY FELLOW CITIZENS IN EXPRESSING MY FULL FAITH AND CONFIDENCE THAT YOU WILL ACHIEVE OUR COUNTRY'S MOST CHERISHED OBJECTIVES AND REVERSE THE RECENT PROGRESS OF OUR ADVERSARIES. YOU EMBODY ALL OF THE ATTRIBUTES AND FIBER OF THE COURAGEOUS MEN AND WOMEN WHO BUILT OUR GREAT NATION AND WE CAN ALL TAKE PRIDE IN YOUR LEADERSHIP.

WITH WARM WISHES,

ROGER W. ROBINSON, JR.

The Chase Manhattan Bank, N.A.
One World Trade Center, Suite 7800
New York, New York 10048

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Date February 6, 1981

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Organization Number

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THE HONORABLE RONALD WILSON REAGAN
PRESIDENT OF THE UNITED STATES

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WITH WARM WISHES,

ROGER W. ROBINSON, JR.

The Chase Manhattan Bank, N.A.
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National Security Council
The White House

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Bud McFarlane	2	<input checked="" type="checkbox"/> M	
Jacque Hill	3		
Judge Clark	4	<input checked="" type="checkbox"/>	I
John Poindexter			
Staff Secretary			
Sit Room			
<u>BUD</u>	5		

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COMMENTS

*7/25/82
Bud. Think we
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MEMORANDUM

4468

NATIONAL SECURITY COUNCIL

June 28, 1982

~~TOP SECRET CODEWORD~~
ATTACHMENT

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK ^{WP}

FROM: NORMAN A. BAILEY *NB*

SUBJECT: Internal Undercutting of the President's
Sanctions Decision

I draw your attention to the attached intercept (Tab I),
and especially the underlined passages.

Attachment
Tab I Intercept

cc: Tom Reed
Dick Boverie
Don Gregg
Richard Pipes
Bill Martin

~~TOP SECRET CODEWORD~~ JAs 10/25/99
ATTACHMENT

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NATIONAL SECURITY COUNCIL

Robinson
SIG-IEP
E-W agenda

~~CONFIDENTIAL~~

INFORMATION

January 11, 1983

MEMORANDUM FOR WILLIAM P. CLARK

FROM: DENNIS C. BLAIR *DCB*

SUBJECT: SIG-IEP Agenda Item for January 12:
Implementation of NSDD-66

Discussion

The status of NSDD-66 implementation is as follows: the four interagency working groups (energy, high technology, credits and overall East-West trade) have completed their first papers setting forth U.S. strategy to reach the NSDD-66 goals through studies with the Allies in various fora. These papers are shaping up, but have been cleared only at working levels in the agencies. Meanwhile Shultz has sent cables to many of his counterparts with U.S. ideas based on the preliminary conclusions of these working groups. (C)

NSDD-66 states that "working groups will submit for approval by the SIG-IEP, the strategies for attaining U.S. objectives." Your presence at this SIG-IEP meeting is important to remind the participants that the NSDD sets out a clear procedure of approval for these papers. Allen Wallis circulated the latest versions of the working group papers the night before Wednesday's SIG-IEP. However they need to be reviewed carefully to ensure they are coordinated with each other and do not leave any gaps. Thus the final SIG-IEP approval cannot be given for the papers at this meeting. In addition, a summary paper on the strategy, drawing on the individual working group papers, should be submitted to the SIG-IEP formally, approved and sent on to the President. Unless a strong reminder is made at this point, there is a risk of further dilution of the NSDD process and results. (C)

Talking Points

- WE JUST RECEIVED LAST NIGHT THE WORKING GROUP PAPERS ON REACHING U.S. OBJECTIVES THROUGH THE VARIOUS STUDIES.
- WE NEED TO REVIEW THESE PAPERS CAREFULLY TO ENSURE THEY SUPPORT EACH OTHER, AND FEED INTO AN OVERALL STRATEGY TO REACH NSDD-66 OBJECTIVES.

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NLS F96 0609/2 #126
BY CIS NARA, DATE 10/29/12

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2

-- SECRETARY REGAN, YOU SHOULD TASK THE PREPARATION OF A SUMMARY STRATEGY PAPER, DRAWING ON THE INDIVIDUAL WORKING GROUP EFFORTS, FOR SUBMISSION AS SOON AS POSSIBLE TO THE SIG-IEP, AND THEN TO THE PRESIDENT.

Nau and Robinson concur.

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August 28, 1997

19/25/95

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TO PRESIDENT

FROM TRUDEAU, PIERRE E

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*NSDD 105 JAN 83
E-W*

KEYWORDS: CANADA

USSR

EAST WEST ECONOMICS

HS

SUBJECT: RESPONSE TO PRES MSGS OF NOV 12 RE RELATIONS W/ USSR & EAST WEST
ECONOMIC RELATIONS

ACTION: FOR RECORD PURPOSES

DUE:

STATUS C

FILES PA

FOR ACTION

FOR CONCURRENCE

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DOBRIANSKY ✓

ROBINSON ✓

MYER ✓

NAU ✓

Bailey ✓

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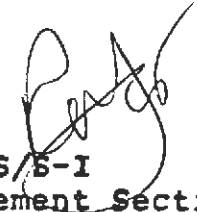
MEMORANDUM FOR:

Mr. Michael O. Wheeler
NATIONAL SECURITY COUNCIL

SUBJECT:

Alerting NSC on Presidential
Correspondence

Enclosed is a copy of a letter to President
Reagan from Prime Minister Trudeau dated 12/31/82.


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TO SECSTATE WASHDC IMMEDIATE 0151

~~CONFIDENTIAL~~ SECTION 01 OF 02 PARIS 00027

NODIS

E. O. 12356: DECL: OADR
TAGS: ECON, NATO, ESTC, FEWT, FR
SUBJECT: CHEYSSON'S LETTER TO THE SECRETARY ON EAST-
 WEST ECONOMIC RELATIONS
REF: 82 STATE 360071

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.
2. SUMMARY: DURING LUNCHEON WITH DCM AND ECONMIN DEC. 29, QUAI DIRECTOR OF ECONOMIC AFFAIRS PAYE EXPANDED ON FRENCH ATTITUDE TOWARD FOLLOW-UP TO RECENT DISCUSSIONS OF EAST-WEST ECONOMIC RELATIONS. PAYE, WHO ALMOST CERTAINLY DRAFTED CHEYSSON'S LATEST LETTER TO THE SECRETARY (REFTEL), WAS AS PRICKLY AS EVER IN DEFENDING THE FRENCH CONCEPT OF HOW DISCUSSIONS SHOULD BE PURSUED. HE GAVE NO GROUND ON ISSUES OF PRINCIPLE AND REFLECTED THE FAMILIAR FRENCH SUSPICIONS ABOUT THE US PURSUING ECONOMIC WARFARE WITH THE SOVIET UNION AND TRYING TO IMPOSE OUR POLICIES ON THE ALLIES. BUT HE ALSO APPEARED TO WANT TO GET THIS ISSUE BEHIND US, AND REPEATEDLY STRESSED THAT IT WAS MORE IMPORTANT FOR THE ALLIES TO ADDRESS THE PROBLEM OF GETTING THEIR ECONOMIES MOVING AGAIN THAN IT WAS TO IMPOSE RESTRAINTS ON TRADE WITH THE USSR. AND HIS BOTTOM LINE WAS CLEARLY THAT THE ALLIES SHOULD NOW MOVE AHEAD ON THE STUDIES WHICH HAVE BEEN OUTLIEND, AND SEE IF THEY CAN BE COMPLETED BEFORE NEXT SPRING'S ROUND OF HIGH-LEVEL MEETINGS. DESPITE THE CLEAR DISCREPANCIES WHICH PERSIST BETWEEN THE FRENCH VIEWS AND OURS, WE AGREE WITH PAYE THAT THE BEST COURSE NOW IS TO PRESS AHEAD. END SUMMARY.
3. IN PAYE'S INITIAL REVIEW OF CHEYSSON'S LETTER, HE HIGHLIGHTED TWO POINTS: THE INCLUSION IN THE STUDY OF AGRICULTURAL TRADE, WHICH HE SAID HAD BEEN INCLUDED IN THE WASHINGTON DISCUSSION BUT NOT IN THE SECRETARY'S LETTER SUMMARIZING THE CURRENT STATE OF PLAY, AND NATO'S ROLE, WHICH HE MELLIFLUOUSLY DESCRIBED AS MERELY A CONTINUATION OF NATO'S TRADITIONAL MANDATE FOR STUDYING THE DEVELOPMENT OF THE ECONOMIES OF THE SOVIET BLOC COUNTRIES. WHEN WE PROBED ON THE AGRICULTURAL STUDY, PAYE SAID BRUSQUELY THAT IF WE WISHED TO DISCUSS STRATEGIC TRADE WITH THE EAST, THERE WERE OTHERS WHO WISHED TO DISCUSS AGRICULTURAL TRADE. HE IMPLIED THAT INCLUSION OF A STUDY OF AGRICULTURAL TRADE HAD BEEN

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AGREED DURING THE WASHINGTON TALKS, AND THAT WE MAY HAVE CONVENIENTLY OVERLOOKED IT. AS FOR THE NATO ROLE, PAYE REPEATED THE SAME THEME THAT TUAI DEPSEC GEN MARTIN USED TWO WEEKS AGO (PARIS 43741): FRANCE COULD NOT BE IN A POSITION WHERE IT APPEARED THAT NATO WAS COORDINATING WESTERN ECONOMIC RELATIONS WITH THE USSR. THUS THERE COULD BE NO STUDY WHICH IMPLIED OVERALL NATO SUPERVISION.

4. WITH REGARD TO THE STUDY OF ENERGY NEEDS, PAYE WAS EMPHATIC THAT THIS WOULD HAVE TO BE A STUDY OF OVERALL WESTERN ENERGY NEEDS. IT COULD NOT FOCUS ONLY ON WEST EUROPEAN NEEDS; US AND JAPANESE NEEDS WOULD ALSO HAVE TO BE INCLUDED. ON THE OTHER HAND, THE EC HAD DONE SOME WORK IN THIS AREA, AND CHEYSSON HAD DELIBERATELY INCLUDED A REFERENCE TO THE EC'S WORK IN HIS LETTER.

5. PAYE WAS ALSO MINIMALIST IN HIS APPROACH TO COCOM'S WORK. THIS WOULD SIMPLY BE A CONTINUATION OF THE NORMAL WORK OF THE LIST REVIEW CONFERENCE WHICH IS CURRENTLY IN SESSION AND WHERE NATIONAL DELEGATIONS HAVE ALL THE INSTRUCTIONS AN AUTHORITY THEY NEED. INSPIRED BY AMBASSADOR KATZ'S IDEAS IN PARIS 44387, WE ASKED PAYE IF HE THOUGHT CONSIDERATION OF POSSIBLE STRATEGIC IMPLICATIONS OF OIL AND GAS EXPLORATION EQUIPMENT, FOR EXAMPLE, MIGHT NOT BE BEYOND THE SCOPE AND EXPERTISE OF THE COCOM DELEGATIONS AND THE COCOM SECRETARIAT AS CURRENTLY CONSTITUTED. TO CONSIDER SUCH A SUBJECT, DIDN'T PAYE THINK IT MIGHT BE DESIRABLE TO REINFORCE DELEGATIONS OR SECRETARIAT WITH PERSONNEL WHO COULD DRAW THE BROAD CONNECTION BETWEEN SUCH EXPLORATION AND SOVIET STRATEGIC OBJECTIVES? NOT AT ALL, PAYE SAID. COCOM DELEGATIONS WERE FULLY COMPETENT, AND IF THEY NEEDED INSTRUCTIONS ON SUBJECTS BEYOND THEIR EXPERTISE, ALL THEY HAD TO DO WAS ASK FOR SUCH INSTRUCTIONS. THERE WAS NO QUESTION OF ANYTHING BEYOND THE EXISTING ARRANGEMENTS.

6. ON TIMING OF COMPLETION OF THE STUDIES, PAYE THOUGHT IT WOULD BE QUITE ACCEPTABLE IF THE STUDIES COULD BE COMPLETED PRIOR TO NEXT SPRING'S SERIES OF HIGH LEVEL MEETINGS. BUT HE WONDERED WHY WE WERE "IN SUCH A RUSH" TO COMPLETE THEM, AND HYPOTHESIZED THAT WE WISHED TO DEMONSTRATE THAT WE COULD PRESS ALL THE ALLIES INTO LINE WITH OUR OWN POLICIES BEFORE WE OPENED BROAD NEGOTIATIONS WITH THE USSR. WE RETORTED THAT THIS SEEMED A DELIBERATELY MISCHIEVOUS INTERPRETATION; ALLIED UNITY IN ECONOMIC RELATIONS WITH THE SOVIETS WAS IN THE INTEREST OF ALL THE ALLIED COUNTRIES, ESPECIALLY DURING THE COMING YEAR, WHICH PROMISED TO

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TO SECSTATE WASHDC IMMEDIATE 0152

~~CONFIDENTIAL~~ SECTION 02 OF 02 PARIS 00027

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BE A DIFFICULT ONE IN OUR RELATIONS WITH THE USSR. PAYE REPLIED WITH THE USUAL FRENCH LINE: FRANCE WOULD NOT JOIN IN A KIND OF ECONOMIC WARFARE AGAINST THE USSR, WHICH THE FRENCH DO NOT BELIEVE CAN CHANGE SOVIET SOCIETY.

7. PAYE NEVERTHELESS CLEARLY THOUGHT IT WOULD BE DESIRABLE TO MOVE BEYOND THE US-FRENCH DISPUTE OVER ECONOMIC RELATIONS WITH THE USSR. HE RETURNED SEVERAL TIMES TO THE NOTION THAT IT WAS MORE IMPORTANT FOR WESTERN COUNTRIES TO ADDRESS THE PROBLEM OF GETTING THEIR ECONOMIES MOVING AGAIN THAN IT WAS TO RESTRICT TRADE WITH THE EAST. IN THIS CONNECTION HE NOTED THAT THE PIPELINE DISPUTE HAD REVEALED THE NEED TO RESOLVE A PROBLEM OF CONFLICTING SOVEREIGNTIES WHICH ARISES OUT OF CLAUSES COMMONLY INCLUDED IN INTERNATIONAL LICENSING AGREEMENTS. PAYE RECOGNIZED THAT A SOVEREIGN COUNTRY HAS THE RIGHT TO EXERCISE CONTROL OVER ITS INTELLECTUAL PROPERTY (SUCH AS TECHNOLOGY), BUT ASSERTED THAT SUCH CONTROL CANNOT BE EXERCISED AFTER THE COUNTRY WHICH HAS RECEIVED THE LICENSE HAS CONTRACTED WITH A THIRD COUNTRY TO USE THAT TECHNOLOGY. PAYE IMPLIED THAT THE FRENCH WOULD BE RAISING THIS ISSUE WITH A VIEW TOWARD FINDING A SOLUTION, BUT HE DID NOT INDICATE HOW OR WHERE THEY WOULD BROACH THE SUBJECT.

8. PAYE THOUGHT THE BEST COURSE NOW FOR CONTINUATION OF THE DISCUSSION OF EAST-WEST RELATIONS WOULD BE TO MOVE AHEAD WITH THE STUDIES WHICH HAD BEEN OUTLINED. HE DID NOT SEE ANYTHING TO BE GAINED IN FURTHER DISCUSSION OF HOW THE STUDIES SHOULD BE STRUCTURED. HE ADVISED US NOT TO REOPEN ISSUES OF PRINCIPLE WHICH WOULD OBLIGE THE FRENCH TO RESTATE THEIR OWN PRINCIPLED POSITIONS AND WOULD NOT ADVANCE MATTERS. HE SPECIFICALLY ADVISED AGAINST US ANNOUNCEMENTS OF BROAD OBJECTIVES SUCH AS A CENTRALLY-COORDINATED TRADE POLICY TOWARD THE USSR, WHICH WOULD CALL FOR A FRENCH RETORT. A BETTER APPROACH WOULD BE TO WORK QUIETLY IN REGULAR CHANNELS AND SEE WHAT KIND OF RESULTS CAN BE AGREED.

9. COMMENT: THERE ARE CLEARLY A NUMBER OF SPECIFIC DIFFERENCES BETWEEN OUR APPROACH TO THIS PROGRAM OF STUDIES AND THE ONE REFLECTED IN CHEYSSON'S LETTER AND PAYE'S AMPLIFYING REMARKS. PERHAPS MORE IMPORTANTLY,

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PAGE 02 OF 02 . PARIS 0027 .

DTG: 031429Z JAN-83 PSN: 061918 .

THERE IS UNDERLYING THE FRENCH POSITION A MINIMALIST ATTITUDE WHICH APPEARS BROADLY TO CONTRADICT OUR OBJECTIVES. CHEYSSON HAS DRAWN BACK ABOUT AS FAR AS HE CAN WITHOUT SPECIFICALLY RENEGING ON COMMITMENTS HE AND MITTERRAND GAVE DURING THE SECRETARY'S VISIT HERE. WE BELIEVE THIS SITUATION RESULTS PARTLY FROM THE NATURAL TENSION WITHIN THE FRENCH POSITION BETWEEN THE DESIRE TO MAINTAIN A FIRM POLICY TOWARD MOSCOW AND THE NEED TO DEMONSTRATE INDEPENDENCE AND RETAIN MAXIMUM FREEDOM TO INCREASE EXPORTS TO THE USSR. THE COMPLEX POLITICAL PRESSURES ON MITTERRAND'S GOVERNMENT DO NOT HELP; HE IS LOOKING OVER HIS SHOULDER AND TRYING TO STEM CRITICISM FROM COMMUNISTS, GAULLISTS AND CENTRISTS, NOT TO MENTION THE VARIED FACTIONS OF HIS OWN SOCIALIST APRTY.

10. THIS HAVING BEEN SAID, WE AGREE WITH PAYE'S BOTTOM LINE; THAT IT WILL ADD NOTHING TO DISCUSS PRINCIPLES OR PROCEDURES ANY FURTHER, AND THAT OUR BEST COURSE OF ACTION NOW IS TO FORGE AHEAD WITH THE STUDIES WHICH HAVE BEEN IDENTIFIED. IN SOME OF THEM (PARTICULARLY AT NATO) WE FORESEE A CONTINUING TENSION AS WE PURSUE OUR EFFORTS TO BROADEN THE STUDY'S SCOPE AND SIGNIFICANCE, WHILE THE FRENCH TRY TO NARROW THEM. WE SHOULD BE PREPARED TO DEAL WITH THIS PATIENTLY BUT WITHOUT LETTING THE FRENCH GET OUT OF THE COMMITMENTS THEY HAVE GIVEN AT A VERY HIGH LEVEL ABOUT COMPLETING THESE STUDIES BEFORE NEXT SPRING'S MEETINGS.

11. ONE SMALL BUT POTENTIALLY IMPORTANT TECHNICAL POINT: WE RECEIVED THE ORIGINAL FRENCH TEXT OF CHEYSSON'S LETTER FROM THE FRENCH, AND HAVE NOTED AN ERROR IN THE REFTEL TRANSLATION. WITH RESPECT TO THE RELATIONSHIP OF JAPAN TO THE NATO STUDY, CHEYSSON SAYS JAPAN SHOULD NOT BE "ASSOCIATED WITH" IT ("ASSOCIE A"), VICE "PARTICIPATION IN" AS TRANSLATED REFTEL. THE BROADER IMPLICATIONS OF THE ORIGINAL FRENCH ARE OBVIOUS.

12. DEPARTMENT REPEAT TO BONN, LONDON, BRUSSELS FOR USEC AND USNATO. WE ARE PROVIDING A COPY TO USOEC FOR AMBASSADOR KATZ.
GALBRAITH
BT

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NSDD-66
E-W economic study

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~~CONFIDENTIAL~~ STATE #02273

E.O. 12356: DECL: OADR
TAGS: NATO, ECON
SUBJECT: NATO ECONOMIC COMMITTEE GUIDANCE FOR JANUARY
6 MEETING

REF: A) USNATO 7968 (NOTAL); B) USNATO 8093 (NOTAL);
C) USNATO 8145 (NOTAL); D) USNATO 8102 (NOTAL)

1. ~~ENTIRE~~ - ENTIRE TEXT.

2. SUMMARY: THIS TELEGRAM OUTLINES WASHINGTON THINKING ON THE ANTICIPATED NATO STUDY ON THE SECURITY ASPECTS OF EAST-WEST ECONOMIC RELATIONS AND PROVIDES GUIDANCE FOR DISCUSSION OF THE COMMITTEE'S WORK PROGRAM AT THE JANUARY 6 COMMITTEE MEETING. END SUMMARY.

3. WE VIEW THE ECONOMIC COMMITTEE AS THE LOGICAL BODY WITHIN NATO TO TACKLE THE ANALYTICAL ECONOMIC WORK THAT WOULD FORM THE HEART OF THE STUDY ON THE SECURITY ASPECTS OF EAST-WEST ECONOMIC RELATIONS. THIS MAJOR WORK WILL REQUIRE MODIFICATION OF THE COMMITTEE'S WORK PLAN (REF C) AND, VERY LIKELY, A TEMPORARY MANPOWER INCREASE FOR THE ECONOMIC DIRECTORATE, WHICH MIGHT BE ACCOMPLISHED BY SECONDMENTS OF ECONOMIC ANALYSTS FROM THE CAPITALS.

4. WE WOULD PREFER THAT THE INITIAL PROPOSAL THAT NATO UNDERTAKE SUCH A STUDY BE MADE BY A MEMBER OTHER THAN THE U.S. FRG HAS INDICATED (REF A) THAT ITS PERMREP PLANNED TO PROPOSE, DURING A PERMREP LUNCH IN EARLY JANUARY, THAT NATO UNDERTAKE A STUDY ON OVERALL DEPENDENCIES AND VULNERABILITIES IN EAST-WEST ECONOMIC RELATIONS. NOW THAT WE HAVE A CONSENSUS ON THE NATO STUDY, MISSION SHOULD DISCUSS OUR THINKING WITH FRG PERMREP AND ENCOURAGE HIM TO EXPAND HIS PROPOSAL TO ENCOMPASS THE OVERALL STUDY. WE WOULD LIKE TO SEE THIS PROPOSAL MADE DURING NAC MEETING IN EARLY JANUARY. US WOULD FOLLOW-UP THE FRG PROPOSAL WITH A SUGGESTED TERMS OF REFERENCE (TOR) FOR THE STUDY. PROPOSED TOR IS NOW GOING THROUGH INTERAGENCY CLEARANCE PROCESS AND WILL BE PROVIDED BY SEPTEL.

5. DEPARTMENT AND CIA-ECONOMIC EXPERTS BELIEVE THAT THE STUDY COULD BEST BE HANDLED BY A SERIES OF REINFORCED EXPERT-LEVEL MEETINGS IN THE ECONOMIC COMMITTEE, FOLLOWED BY A MEETING OF POLICY-LEVEL OFFICIALS TO DRAW OUT THE IMPLICATIONS OF THE ANALYTICAL WORK. THE LATTER MEETING MIGHT TAKE PLACE IN THE NAC. IN ORDER TO MINIMIZE TRAVEL PROBLEMS, IT MIGHT BE PREFERABLE TO HOLD THREE ANALYTICAL MEETINGS DURING A TEN-DAY PERIOD IN LATE FEBRUARY/EARLY MARCH. THESE MEETINGS WOULD REPLACE THE PROPOSED FEBRUARY 21-23 MEETINGS ON CMEA ECONOMIC TRENDS AND SOVIET ECONOMIC OPTIONS. THE THREE ANALYTICAL MEETINGS MIGHT BE STRUCTURED TO ADDRESS: 1) THE PRESENT SOVIET ECONOMIC SITUATION, 2) THE RELATIONSHIPS OF EAST-WEST ECONOMIC RELATIONS AND SOVIET MILITARY POWER, AND 3) ECONOMIC VULNERABILITIES AND DEPENDENCIES.

6. AN OBSTACLE THAT STILL REMAINS TO BE OVERCOME IS THE MEANS OF INVOLVING THE JAPANESE IN THE STUDY. FRANCE HAS RECENTLY RESTATED TO US ITS POSITION THAT JAPAN SHOULD NOT BE ASSOCIATED WITH NATO WORK. A SOLUTION TO THIS PROBLEM SHOULD BE DISCUSSED IN THE NAC, WHEN THE PROPOSAL TO UNDERTAKE THE OVERALL STUDY IN NATO IS MADE.

7. GUIDANCE FOR JANUARY 6 ECONOMIC COMMITTEE MEETING: DURING DISCUSSION OF THE COMMITTEE'S WORK PROGRAM AT JANUARY 6 MEETING, US ECONAD SHOULD STATE THAT U.S. ANTICIPATES THAT NATO WILL SOON UNDERTAKE A STUDY ON THE SECURITY ASPECTS OF EAST-WEST ECONOMIC RELATIONS, TO BE COMPLETED PRIOR TO THE SPRING MINISTERIAL MEETING. THE ECONOMIC COMMITTEE WILL MOST LIKELY DO THE ANALYTICAL WORK FOR THE STUDY, DRAWING ON ITS OWN PREVIOUS STUDIES AND NATIONAL CONTRIBUTIONS. THE INITIAL SERIES OF MEETINGS ON THIS STUDY WOULD REPLACE THE PROPOSED FEBRUARY 21-23 MEETINGS. THE SCHEDULED MARCH 17-18 MEETING ON SOVIET AND EAST EUROPEAN AGRICULTURE WILL PROBABLY NEED TO BE RESCHEDULED OR CANCELLED. THE OVERALL STUDY CAN BE EXPECTED TO COVER THIS TOPIC. INFORMAL CONSULTATIONS WITH FRENCH, GERMAN AND OTHER APPROPRIATE ECONADS PRIOR TO THE COMMITTEE MEETING ARE RECOMMENDED. OUR GENERAL THINKING ABOUT THE TERMS OF REFERENCE FOR THE STUDY, OUTLINED IN PARAGRAPH 5, CAN BE DRAWN UPON IN THESE CONSULTATIONS. HOWEVER, WE PREFER NOT TO GO INTO DETAIL ON OUR PROPOSED TOR IN THE COMMITTEE UNTIL IT HAS BEEN DISCUSSED IN THE NAC.

8. MISSION'S COMMENTS ON THE ABOVE ARE INVITED. AS REGARDS JAPANESE ISSUE (PARA 6 ABOVE), WOULD SO-CALL "D TRIO" MECHANISM USED DURING ALLIANCE DISCUSSIONS OF POLISH CONTINGENCIES (FALL/WINTER 1980-81) BE ACCEPTABLE TO OTHER ALLIES IN MISSION'S VIEW? SHULTZ
BT

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FROM TRUDEAU, PIERRE E

DOCDATE 31 DEC 82

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*NSDD 66 05 JAN 83
EW Economic*

KEYWORDS: CANADA

USSR

EAST WEST ECONOMICS

HS

SUBJECT: RESPONSE TO PRES MSGS OF NOV 12 RE RELATIONS W/ USSR & EAST WEST
ECONOMIC RELATIONS

ACTION: FOR RECORD PURPOSES

DUE:

STATUS C

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FOR ACTION

FOR CONCURRENCE

FOR INFO

NONE

BLAIR

DOBRIANSKY

ROBINSON

MYER

NAU

*Bailey
Wheeler*

COMMENTS

REF#

8300132

LOG 8208070

NSCIFID

(C / C)

ACTION OFFICER (S)

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ACTION REQUIRED

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COPIES TO



DEPARTMENT OF STATE

Washington, D.C. 20520

January 5, 1983

MEMORANDUM FOR: Mr. Michael O. Wheeler
National Security Council

SUBJECT: Alerting NSC on Presidential
Correspondence

Enclosed is a copy of a letter to President Reagan from Prime Minister Pierre Trudeau of Canada which is transmitted for your information.

This document was received in the Executive Secretariat Information Management Section on January 4, 1983.

Charles H. Jackson Jr.
Director, S/S-I
Information Management Section
Executive Secretariat
ext. 23836

8300132

Canadian Embassy



Ambassade du Canada

1746 Massachusetts Ave. N.W.,
Washington, D.C. 20036

December 31, 1982

~~SECRET~~

Dear Mr. Secretary,

...
Enclosed is the text of a letter from Prime Minister Trudeau to President Reagan in response to President Reagan's two messages of November 12 dealing with relations with the USSR and East-West economic relations. I would be grateful if you would arrange to have this brought to the President's attention.

We expect to receive the original of the letter in the next week and will forward it at that time.

Yours sincerely,

Allan Gotlieb
Allan Gotlieb
Ambassador

The Honorable
George P. Shultz,
Secretary of State,
Department of State,
WASHINGTON, D.C.

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The President
The White House
WASHINGTON, D.C.

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JAS 12/14/99

The Honorable
George P. Shultz,
Secretary of State,
Department of State,
WASHINGTON, D.C.

BY HAND

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EXDIS
E. O. 12356; DECL: OADR
TAGS: EEWT EFIN UR
SUBJECT: EAST-WEST FOLLOW-UP

.. ENTIRE TEXT SECRET

2. EMBASSY SHOULD DELIVER FOLLOWING LETTER FROM THE SECRETARY TO CLAUDE CHEYSSON. THERE WILL BE NO SIGNED ORIGINAL.

3. BEGIN TEXT

DEAR CLAUDE:

I FOUND OUR DISCUSSIONS IN PARIS TO BE MOST ENCOURAGING AND WANT TO LET YOU KNOW WHAT I HAVE DONE TO-INFORM OUR NATO COLLEAGUES OF NEXT STEPS IN DEVELOPING FOLLOW-ON WORK ON EAST-WEST ECONOMIC RELATIONS, USING EXISTING INSTITUTIONS AS WE AGREED.

I HAVE WRITTEN TO NATO FOREIGN MINISTERS ALONG THE LINES OF MY RECENT LETTER TO YOU TO GIVE THEM AN IDEA OF THE AGREED WORK PROGRAM. IN ADDITION, I HAVE SENT MESSAGES TO MY COLLEAGUES IN JAPAN, AUSTRALIA AND NEW ZEALAND TO KEEP THEM INFORMED. I KNOW YOU SHARE MY

CONCERN THAT JAPAN IN PARTICULAR BE BROUGHT FULLY INTO THE OVERALL STUDY ON THE SECURITY ASPECTS OF EAST-WEST ECONOMIC RELATIONS, TO BE CARRIED OUT IN NATO. THEY WILL BE FULLY INCLUDED, OF COURSE, IN THE OTHER FIVE STUDIES IN COCOM AND THE OECD.

I LOOK FORWARD TO HEARING YOUR FURTHER VIEWS AS WE PROCEED WITH THIS MULTILATERAL EFFORT.

WITH WARM REGARDS,

SINCERELY,
/S/ GEORGE

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END TEXT.
BT

SHULTZ

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Oil and Gas Controls



United States Department of State

Washington, D.C. 20520

*COCOM
oil + gas*


MEMORANDUM

TO: Members of the Working Group on COCOM and High Technology

FROM: EB/TDC - Denis Lamb *D.L.*

SUBJECT: Revised Draft of the Oil and Gas Paper

I have revised the oil and gas paper to take into account what I found to be a very helpful meeting on Tuesday afternoon. I have tried to sharpen (and shorten considerably) the discussion of what we are trying to do in the study and how it relates to the underlying issue, which we all agreed was key: future Western gas purchases.

- cc: CIA: 
- DOD: DGoldstein
- DOC: SSullivan
- NSC: DBlair
- EUR/RPE: DMiller
- T: MMarks
- EB: RMorris
- PM: BRennagel
- EB/TDC/EWT: RADugstad
Galdonas
- EB/IEP: JMediros

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Multilateral Export Controls of High Technology Oil and Gas Equipment and Data

Our arguments for imposing controls on oil and gas equipment and technology exports to the Soviet Union focus on (1) the implications of rapid development of energy export capacity by the USSR for Western energy security and (2) the strategic threat posed by Soviet hard currency earnings derived from such exports.

It is plausible to impute two motives to the USSR's intention to accelerate energy development. The Soviets want to insulate their economy from the effects of energy shortages, and they wish to maintain (or increase) their energy exports. The separate allied study of Western energy security will deal with the issue of Western energy dependence on the USSR. Beyond that central issue, export sales will also enable the Soviets to:

- (1) continue and possibly increase their influence in Eastern Europe;
- (2) continue to support client states in the third world
- (3) continue to sustain a military build-up far above their legitimate needs

Accelerated development of natural gas production is central to Soviet energy strategy. The crash program contained in the current five year plan, if completed, would enable the USSR both to avoid shortfalls which could have a serious impact on a faltering domestic economy and to pursue its foreign policy goals. The Soviets intend their natural gas exports, which totaled about 55 BCM in 1980 (about 30 BCM to Eastern Europe; 25 BCM to the West), to rise to about 200 BCM by the year 200 (about half destined for Eastern Europe, half to the West). If this goal were achieved, hard currency earnings from energy exports alone could rise to as much as \$30 billion annually by the early 1990's, an amount greater than total hard currency earnings in 1980. (On the other hand, Western analysts predict that Soviet hard currency earnings will drop in the late 1980's. Similarly, Western analysts do not see French and West German dependence on Soviet gas rising to 40 percent, as Soviet export projections would imply.) However, whether or not we believe the Soviets can achieve their ambitious objectives, their push to develop and export their natural gas resources is troubling for two reasons:

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(1) The USSR shortly will have sufficient excess capacity in existing export pipelines to displace sales of alternative Western sources of gas, and;

(2) Even at moderated levels, Soviets hard currency earnings will pose a major strategic threat to the West.

Obviously, the key to dealing with both the dependence/displacement issues and the hard currency problem is to discourage Western purchases of Soviet gas. The study the Seven have agreed to undertake in COCOM is, in this sense, secondary. What the study can do, however, is:

(1) Give us a second bite at the apple, in a forum where it would be appropriate -- indeed necessary -- for us to explain in detail our strategic concerns related to Soviet hard currency earnings. This aspect will not be discussed in the energy study, all the more so because much of the work will be done in the OECD and the IEA, where security concerns cannot be adequately aired, and

(2) Possibly enable us to work with the Allies on a list of controllable oil and gas equipment and technology. It seems unlikely in the extreme that the Allies would agree to controls if they did not agree to restrain their purchases of Soviet gas. If they do agree, then equipment and technology controls would complement and reinforce that agreement.

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. However, we can expect to hear the argument that controls which affect development of Soviet energy for indigenous as well as hard currency export will have crossed over into economic warfare. Our response should be that this step is a prudent action in the best interests of the Western Alliance and is an acceptable measure under normal diplomatic relations.

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We are, furthermore, likely to face skepticism regarding the ultimate connection between hard currency earnings and military spending - adventurism - support of client states. But the relationship should and can be convincingly argued.

As part of our effort to overcome these concerns, and reach agreement with the Allies, we should consider several options for the form and content of controls, with the attitude that this represents a first step, and is implicitly linked to the degree of restraint the allies agree to exercise with respect to gas purchases from the Soviets. The options discussed below are not mutually exclusive.

We should consider:

- proposing controls on high technology equipment and technical data;
- proposing controls on technology alone, (which would parallel U.S. licensing policy which permits equipment exports while denying technology);
- tying the controls to near term improvement in Soviet behavior or including a sunset provision as opposed to permanent controls;
- limiting controlled items to those available principally from the U.S.;
- concentrating controls largely on equipment and technology for transmission of oil and gas;
- proposing controls without a specific policy of general denial for the initial purpose of monitoring such exports;
- tying controls to Soviet export-oriented energy projects instead of specific categories of technology or equipment;
- tying controls to items not generally available in the Communist Bloc countries;

Controls on technology alone would serve the purpose of preventing the Soviets from developing their own capabilities in the oil and gas area based on Western technology. Such a proposal would be more acceptable to the Allies since the technology is largely of U.S. origin and it would permit them to continue exporting equipment on which employment depends in their countries. Since the USSR would continue

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to be dependent on Western equipment, it might be less likely to exploit Western European dependence on Soviet gas. Soviet hard currency earnings would also be lower than if Western technology imports permitted an eventual reduction of Western equipment purchases.

Tying the controls to near term Soviet behavior or including a sunset provision would likely make the controls more palatable to the Allies. The trick would be defining mutually acceptable criteria for the lifting of the controls. That problem might be avoided by merely setting a specific time period for the controls. 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 reasonably become available.

Multilateral controls without presupposing a policy of general denial 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 acceptable first step, however, in that it comports with the language of the Summary of Conclusions and would give the West a future foreign policy tool in dealing with the Soviets as a policy of denial could be easily implemented, should events require, once the overall framework of the controls is in place.

Moreover, we could seek a policy of denial for those items which contribute directly to Soviet export capabilities. This 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.

Tying the controls to Soviet export oriented projects has been considered previously. It narrows unnecessarily the focus of Western controls and leaves open the domestic project that facilitates internal Soviet shifting of energy suppliers and allocations. Tying controls to items not generally available is an essential condition of Western export controls, but it requires more specific definition of the technological level intended for embargo.

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- 5 -

We may consider focussing controls solely on items for the transmission of oil and gas, which are most directly related to Soviet export ability and ability to preempt the Western European gas market. Parinq down the list itself would meet the likely Allied objections to controls which would, by their nature, also affect indigenous energy development. Such a limitation would go a long way toward meeting any argument that the controls amount to economic warfare. Limiting the list of controlled items to those available principally from the U.S. would also serve to make the proposal more acceptable to the Allies.

An initial proposal for control should be tabled along with our rationale emphasizing the strategic threat posed by Soviet access to hard currency. This appears essential in order to focus discussions on control, rather than the issue of energy security. We should make clear that the list we propose is negotiable in technological levels of equipment as well as in how to apply the controls and seek agreement 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.

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COCOM - February Steering Group Meeting of the Seven

U.S. primary objectives re COCOM at this meeting will be to obtain agreement of the seven that they will support:

(a) an anticipated U.S. proposal to be submitted to COCOM immediately after the February meeting that a second high level meeting (HLM) be held in July, or at some other 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.

Half of the COCOM members are not represented on the "steering group." To avoid misunderstandings that might undermine efforts within COCOM itself, we must be careful to emphasize that, in the U.S. view, the purpose of the steering group is to develop a consensus among the seven on COCOM-related policies and actions but to refrain from the appearance of making decisions on behalf of that organization.

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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NLS F96-069/2-137

BY ; NARA, DATE 1/30/06

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 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 subcommittee 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 members of the steering group to support within COCOM 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.

At the Steering Group meeting the United States should indicate that it would like to pursue its earlier initiative to revise the strategic criteria for the reasons outlined above and seek general support for such an undertaking. We would not expect the steering group to discuss the specific wording of a revision.

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 to seek a pledge that the other members will join us in striving 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 inter-agency agreement on the content of U.S. proposals have been time-consuming.

The U.S. should outline to the steering group an overall assessment of the first round of the List Review. The above assessment should be updated just before the meeting of the steering group because the first round does not end until late February. 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.

We should seek a commitment by 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. We may also wish to use the meeting to press for early resolution of other outstanding proposals which may be close to full Committee approval.

State, in conjunction with Commerce, Defense, and Energy, will draw up an initial draft of the U.S. presentation to the steering group during the Christmas break in the first round from mid-December to mid-January. This will be supplemented and revised as necessary following the January - February portion of the First Round.

The U.S. should refer to its January proposals on robotics and computers as revisions which take into account first round discussions indicating the need for refinements and as evidence of intent to continue the process as necessary to reach clear and effective controls. The U.S. should also emphasize critical military applications and Soviet deficiencies in the priority areas for strengthening controls where substantial differences still exist. No effort should be made, however, to initiate within the steering group a detailed technical discussion of the proposals.

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

Objective: To obtain a pledge from steering group 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. 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. 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.

Because of the large number of enforcement and harmonization issues being discussed with the other members and the detailed technical nature of some of them, the U.S. should plan to raise only a few key items at the "steering group" meeting. These should 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. 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 steering group 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 should prepare the U.S. presentation which should reflect to the extent possible the results of the enforcement and harmonization bilaterals in January and February.

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.

If, despite such suggestions, strong opposition from the steering group 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 of the steering group meeting) or (2) informal meetings of military and defense specialists of the interested steering group 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 the steering group 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 of the steering group that they will be prepared to increase their own monetary contributions to meet their shares of this increased cost.

The United States should also outline 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.

We should also explore the willingness of the steering group 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 the steering group. These plans for expanded COCOM expenses 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

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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.

The United States should seek steering group support for pursuing in the Sub-Committee the idea of joint approaches to third countries to expand the use of IC/DV procedures. In particular, the United States should urge that other members of the steering group join the United States in making such approaches, with the specific participation by member governments and the substantive details and timing of approaches to non-member countries to be worked out in the Sub-Committee.

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United States Department of State

Washington, D.C. 20520

*COCOM
oil + gas*

MEMORANDUM

TO: Members of the Working Group on COCOM and High
Technology

FROM: EB/TDC - Denis Lamb *D/L*

SUBJECT: Revised Draft of the Oil and Gas Paper.

I have revised the oil and gas paper to take into account what I found to be a very helpful meeting on Tuesday afternoon. I have tried to sharpen (and shorten considerably) the discussion of what we are trying to do in the study and how it relates to the underlying issue, which we all agreed was key: future Western gas purchases.

cc:

[REDACTED]

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DOC: SSullivan
NSC: DBlair
EUR/RPE: DMiller
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EB: RMorris
PM: BRennagel
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