

Ronald Reagan Presidential Library  
Digital Library Collections

---

This is a PDF of a folder from our textual collections.

---

**Collection:** Bailey, Norman: Files  
**Folder Title:** East-West Trade  
(03/09/1982-04/30/1982)  
**Box:** RAC Box 5

---

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: [reagan.library@nara.gov](mailto:reagan.library@nara.gov)

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** BAILEY, NORMAN: FILES

**Withdrawer**

SMF 3/5/2010

**File Folder** EAST-WEST TRADE [03/09/1982-04/30/1982]

**FOIA**

F99-078/3

**Box Number** 5

ZUBER

24

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
86513	MEMO	BAILEY TO CLARK RE PIPELINE CONTRACT	1	3/25/1982	B1
86521	CABLE	222354Z MAR 82	1	3/22/1982	B1 B3
86515	MEMO	BAILEY TO CLARK RE GRAIN SANCTIONS	1	3/30/1982	B1
86517	MEMO	BAILEY TO CLARK RE MEETING WITH MEESE AND BLOCK	2	4/6/1982	B1
86519	PAPER	US-USSR GRAINS LONG TERM AGREEMENT	4	ND	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

/S PROFIL

~~SECRET/SENSITIVE~~

ID 8201487

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ENCLOSURE(S)

RECEIVED 09 MAR 82 12

*inf 3/5/80*

*Bailey*

TO PRESIDENT

FROM HAIG, A

DOC DATE 09 MAR 82

*S-6, 1-*

KEYWORDS: FRANCE

.VISIT

MITTERRAND, FRANCOIS

GERMANY F R

CENTRAL AMERICA

CUBA

LIBYA

SUBJECT: TALKERS FOR PRES MTG W/ MITTERRAND ON MAR 12

**SUSPENSE**

ACTION: PREPARE MEMO FOR CLARK

DUE: 09 MAR 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

RENTSCHLER

FONTAINE

SHOEMAKER

STEARMAN

TANTER

NAU

TYSON

KEMP

BAILEY

WHEELER

COMMENTS \*\*CABINET LEVEL -- 3 HR TURNAROUND REQUIRED\*\*

**URGENT**

REF# 8206055

LOG 8200331

NSCIFID

( C / )

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	<i>2/9/82</i>	<i>Rec'd VP (10/12)</i>		<i>8/12</i>

DISPATCH \_\_\_\_\_ W/ATTCH FILE \_\_\_\_\_ (C)

1437

2



THE VICE PRESIDENT  
WASHINGTON

MEMORANDUM TO: JUDGE CLARK

March 9, 1982

FROM: THE VICE PRESIDENT

I think the President should see the attached paper showing Europe's "Dependence on Soviet Energy". This unclassified paper was prepared by the CIA. It shows that France will have minimal dependence on Soviet energy after the pipeline is completed. I am sure Mitterand will raise this point with the President.

G.B. *GB*

cc: Ed Meese  
Jim Baker  
Mike Deaver

UNCLASSIFIED

## West European Countries: Dependence on Soviet Energy

Importing Country	Year	Million b/d oil Equivalent					USSR Share (percent)
		Energy Consumption	Energy Imports from USSR				
			Total	Oil	Gas		
FRG	1979	4.64	0.28	0.14	0.12	0.02	6
	1990	5.50	0.46	0.0	0.44	0.02	8
Italy	1979	2.34	0.37	0.10	0.13	0.14	16
	1990	3.45	0.39	0.0	0.25	0.14	11
France	1979	3.49	0.19	0.10	0.0	0.09	5
	1990	5.37	0.34	0.0	0.25	0.09	6
Netherlands	1979	1.16	0.09	0.09	0.0	0.0	8
	1990	1.38	0.07	0.0	0.07	0.0	5
Belgium	1979	0.81	0.08	0.04	0.0	0.04	10
	1990	1.11	0.13	0.0	0.09	0.04	12
Austria	1979	0.47	0.18	0.03	0.05	0.10	38
	1990	0.65	0.21	0.0	0.11	0.10	32

Source: CIA  
3-1-82

UNCLASSIFIED

4

# National Security Council The White House

RECEIVED

Package # 1481

82 MAR 9 12:01

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	_____	_____	_____
Staff Secretary	_____	_____	<u>A</u>
Sit Room	_____	_____	_____

I-Information A-Action R-Retain D-Dispatch

### DISTRIBUTION

CY To VP	_____	Show CC	_____
CY To Meese	_____	Show CC	_____
CY To Baker	_____	Show CC	_____
CY To Deaver	_____	Show CC	_____

Other \_\_\_\_\_

### COMMENTS

---

NATIONAL SECURITY COUNCIL

March 10, 1982

Dr. Bailey--

I've asked Wheeler's  
office to inform  
State re attached.

pb

S-W.T.

W  
6

1112

MEMORANDUM

NATIONAL SECURITY COUNCIL

February 23, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NAB*

SUBJECT: Presidential Statement for Leipzig Spring Fair

It seems to me entirely inappropriate under the present circumstances for the President to send a statement to the Leipzig Trade Fair in East Germany (Tab I). I have held up clearance.

RECOMMENDATION:

That you kill it or authorize me to do so.

Approve   ✓   Disapprove       

*HN*  
Henry Nau concurs.

Attachment  
Tab I Clearance Cable on Presidential Statement



National Security Council  
The White House

Package # 1112

02 APR 83 10 25

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>[Signature]</u>	
Bud McFarlane	<u>2</u>	<u>[Signature]</u>	
Jacque Hill	<u>3</u>	<u>[Signature]</u>	
Judge Clark	<u>4</u>	<u>[Signature]</u>	<u>A</u>
John Poindexter			
Staff Secretary			
Sit Room			
I-Information A-Action R-Retain D-Dispatch			

DISTRIBUTION

CY To VP		Show CC	
CY To Meese		Show CC	
CY To Baker		Show CC	
CY To Deaver		Show CC	
Other	_____		

COMMENTS

Cover memo DACOM/D  
back. 3/4/82  
[Signature]

*PMP*

*Bailey*

**WASHFAX RECEIPT**  
DEPARTMENT OF STATE

---

**B**

S/S #

DEPARTMENT OF STATE

1952 FEB 19 PM 7:59

82 FEB 19 P 7:59

MESSAGE NO. 02420 CLASSIFICATION UNCLASSIFIED No. Pages 2

FROM: A. ADAMS S/S 28448 7224  
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION TELEGRAM TO BERLIN RE PRESIDENTIAL STATEMENT FOR LEIPZIG SPRING FAIR

<u>TO: (Agency)</u>	<u>DELIVER TO:</u>	<u>Extension</u>	<u>Room No.</u>
<u>NSC</u>	<u>- MICHAEL WHEELER</u>	<u>395-3044</u>	
	<u>- <i>Bailey</i></u>		
	<u>- <i>NAU</i></u>		

FOR: CLEARANCE  INFORMATION  PER REQUEST  COMMENT

REMARKS:

*do not clear it. JB*

S/S Officer: *[Signature]*

# crosshatch

UNCLASSIFIED

EUR/CE:BWCLARK:DJ  
2/19/82 X22721  
EUR/CE:TGWESTON

NSC:  
USDOC:SLOTARSKI

S/S :  
EUR:TMTNILES

PRIORITY            BERLIN  
ROUTINE             VIENNA

E.O. 12065: N/A

TAGS: BEXP, GC

SUBJECT: PRESIDENTIAL STATEMENT FOR LEIPZIG SPRING FAIR

THERE FOLLOWS THE TEXT OF THE PRESIDENTIAL STATEMENT FOR  
THE SPRING LEIPZIG FAIR:

BEGIN TEXT:

ON BEHALF OF THE AMERICAN PEOPLE, I AM HAPPY TO WELCOME YOU  
TO THIS UNITED STATES EXHIBITION.

OUR EXHIBITORS ARE EMISSARIES OF THE AMERICAN BUSINESS  
COMMUNITY WHO SEEK TO JOIN YOU IN DEVELOPING NEW OPPORTUNI-  
TIES FOR MUTUALLY BENEFICIAL TRADE.

HERE THEY DISPLAY AND DEMONSTRATE PRODUCTS THAT ARE TYPICAL  
OF THE QUALITY GOODS AND SERVICES THAT AMERICAN INDUSTRY  
CAN SUPPLY, IN THE HOPE THAT YOUR INTERESTS AND THEIRS CAN  
BE MUTUALLY SERVED.

THIS EXHIBITION DEMONSTRATES OUR BELIEF THAT EXPANDED TRADE  
PROMOTES INTERNATIONAL FRIENDSHIP, WORLD ECONOMIC PROGRESS  
AND GREATER PROSPERITY FOR ALL. MAY YOU HAVE A PLEASANT  
AND REWARDING VISIT.

TGM  
BWCLARK  
NSC  
S/S  
TGWESTON  
TMTN

UNCLASSIFIED

UNCLASSIFIED

12

SINCERELY,

RONALD REAGAN

END TEXT.

THIS TEXT IS THE STANDARD WHITE HOUSE APPROVED PRESIDENTIAL  
MESSAGE FOR USE AT TRADE FAIRS BY THE DEPARTMENT OF COM-  
MERCE. 44.

UNCLASSIFIED

(draft) 3/11/82

MEMORANDUM FOR: Dr. Norman Bailey, NSC  
Dr. Stephen Bryen, DOD

S-W.T.

SUBJECT: Western Energy Security - Potential Hard Currency Earnings  
and Credit Denial to Soviet Union through Japan's Access  
to North American Energy Resources.

WESTERN ENERGY SECURITY-FRAMEWORK

The principal vulnerability to Soviet military and geopolitical capabilities lies in the USSR's ability to sustain hard currency earnings and attract long-term subsidized credits in the context of large-scale natural gas exports to Western markets. This is due to the fact that energy exports are responsible for over 65% of current Soviet hard currency earnings and that natural gas is the future centerpiece of both the USSR's energy and hard currency earning strategies in the coming decades. Under a new policy framework entitled "Western Energy Security" the U.S. could publicly and systematically engage in denying the Soviet's crucial hard currency earnings from the energy export sector and attendant access to long-term, fixed-rate credits in support of major Western equipment and technology transfers. In the way of corollary benefits such a policy would greatly advance our contingency planning for any politically-inspired disruption of Middle East oil flows or other regional conflicts which might interrupt or create bottle-necks in world energy supplies.

The object lesson from the unsatisfactory results of the Urengoi-Yamburg pipeline controversy is the need for upgraded strategic planning in this area. Opportunities for the U.S. to put forward non-Soviet energy alternatives must be identified with sufficient lead-time to permit negotiations and implementation. Traditional obstacles to U.S. flexibility in providing rational energy offsets (i.e., legislative constraints, maritime and labor union problems) could be overcome if such initiatives are publicly driven by the President in the context of national and Western security interests.

The purpose of this memorandum is to argue for the implementation of this new policy framework and outline specific examples of U.S. leverage which could be potentially exercised over Soviet energy earnings and credits by, for example, providing Japan with access to long-term, secure sources of North American energy (oil and LNG). Other incentives for the U.S. will also be briefly discussed.

URENGOI-YAMBURG AND SAKHALIN LNG PROJECT

In the interests of brevity, the underlying factors and attitudes which differentiate Western Europe and Japan concerning compensation arrangements with the U.S.S.R. are left implicit. The projects which could be directly affected by a U.S. initiative on Alaska oil and gas are the Urengoi-Yamburg project and the Sakhalin project.

## JAPANESE PARTICIPATION IN URENGOI-YAMBURG PROJECT

- July 1980 Ministry of Foreign Trade requested six trading companies to participate in \$2-3 billion bank loan of Japan EXIM Bank covering twenty six export items
- October 1980 Trading companies submit commercial offers on a yen basis for twenty six export items, however Ministry of International Trade and Industry, Ministry of Foreign Affairs, and Ministry of Finance fail to agree on Japanese policy.
- September 1981 Consistent with their perception of reduced East-West tensions (U.S. lifts grain embargo, and French loan agreement with USSR) Japan EXIM Bank signed a protocol with USSR for bank loan tied to gas compressor stations. The protocol listed products to be supplied under Japan EXIM bank credit but it did not determine total amount of loan. Terms of Credit are 7.8% p.a. for 8 years. (Repayment beginning 1984.)
- Due to delayed decision by Japanese Government concerning credit to USSR, Japanese companies lost substantial export opportunities. Contracts currently include only 41 gas after-coolers, 41 valves, and 41 pig launchers and receivers. (Shipment 1982)

### EQUIPMENT

1. <u>Compressors</u> (original orders)	Gas turbine compressor modules	15 Units
	Scrabber and filter separators	41
	Gas after coolers	41
	Chilling systems and stations	6
	Valves	41
	Emergency generators	86
	Pipes for compressor station	41
	Fittings for compressor stations	41
	Pig launchers and receivers	41
	Longhaul microwave communicator system for whole distance	1

2. Steel Pipe Large diameter steel pipe treated separately from gas compressor stations.

The following credits have already been concluded:  
Supplier Credit of 27,000 million yen (roughly \$117 million) for 217,500 metric tons pipe. Loan concluded in September 1981 (interest 7.75% 8 yrs.)

12

Bank Loan of Japan EXIM Bank of 104,700 million yen (roughly \$455 million dollars) for 795,000 metric tons pipe, to be signed in December 1982 (interest 8% 8yrs.)

### 3. Pipelayers

Pipelayers also treated separately from gas compressor stations and pipe.

Supplier credit was signed in October 1981 for 400 units of pipelayers in amount of 36,000 million yen (roughly \$156 million dollars). Shipments already under way.

### ASSESSMENT OF URENGOI-YAMBURG VULNERABILITY

Should Japan's participation in Urengoi-Yamburg be interrupted it will not have any material impact on the construction of compressors due to relatively easy substitution in Europe. However, non-delivery of pipe and pipelayers would have a considerable impact on the project and result in substantial delays (conservatively estimated at 2-3 years). At this writing the Japanese government and EXIM Bank intend to approve loan agreements and contracts signed prior to September 1981.

### IMPACT ON JAPAN OF WITHDRAWAL FROM URENGOI-YAMBURG

- 1) Loss of exports valued at \$2 billion and market share in USSR.
- 2) Possible abrogation of Sakhalin project by USSR (discussed later in text).
- 3) USSR trade retaliation via curtailing Soviet exports to Japan of cotton, non-ferrous metals, coal, lumber, asbestos, pulp and chips, marine products.
- 4). Aggravation of territorial issues.
- 5) Enhanced level of political and military intimidation of Japan by USSR.

### POTENTIAL US OFFSET THROUGH ACCESS TO NORTH AMERICAN ENERGY RESOURCES

- 1) Substantial long-term energy security and heightened level of US-Japanese economic integration.
- 2) Reduced bilateral trade and economic tensions.
- 3) Upgraded military integration and leverage to seek greater concessions concerning defense spending.
- 4) Japanese capital and equipment potentially required for the completion of ANGST project.

14

## SAKHALIN LNG PROJECT

### Time-Table

- Jan. 1972: Preliminary agreement signed between Japan and the USSR on Sakhalin Offshore Oil and Gas Exploration and Development Project.
- Oct. 1974: Sakhalin Oil Development Cooperation Company established (SODECO).
- Jan. 1975: General Agreement signed by Japan (SODECO) and the Soviet Ministry of Foreign Trade.
- Oct. 1975: "Loan Agreement" signed between Japan and the USSR for \$232 million (Yen/Dollar Parity Rate 250:1) representing venture capital (no Soviet repayment required.)
- Oct. 1976: Exploration work commenced.
- Jan. 1981: Agreement reached regarding USSR's supply of LNG to Japan (3 million metric tons annually for 20 years).
- \*Dec. 1982: Final decision to be made on Sakhalin Project.  
1986: Start of crude oil production.  
1988: Start of natural gas production and delivery of LNG.

\* Critical decision-making juncture. Exploration agreement expires 12/82 with a new agreement required for the development phase. Japan currently intends to extend exploration over one more year (12/83). US sanctions on oil and gas equipment (valued at approximately \$1-2 million) would reportedly provide Soviets with legal basis to abrogate agreement due to non-performance. Japan suspects Soviets may allow abrogation in order to develop project with indigenous equipment and technology resources particularly given the near completion of the exploratory phase. A US proposal to Prime Minister Suzuki concerning access to North American energy resources this Spring could potentially dissuade Japan from continuing the project. This would result in the denial of \$3 billion in Japanese equipment and technology transfers on subsidized credit terms and \$60-80 billion hard currency earnings from LNG sales to Japan over a 20-year period. The Soviets might eventually locate other markets for this LNG but only with extreme difficulty.

### PROJECT OVERVIEW:

- Crude Oil: 150 million barrels (25,000 barrels per day) over a 20-year period (half of production exported to Japan).
- LNG: 3 million metric tons annually for export to Japan over 20 years (3.1 trillion cubic feet of gas required in total to fulfill delivery schedule).



15.  
Financing: \$3 billion dollars required for development phase (50% to be financed by Japan EXIM Bank).

Dependency: Sakhalin LNG in 1990 would account for 8.3% of Japan's total LNG, and 0.8% of Japan's total energy mix. The total Soviet export share (LNG, coal, heavy and crude oil) of Japan's energy mix in 1990 is estimated to be 6.23% assuming Sakhalin completion.

US EQUIPMENT COMPONENT:

Below are listed the US suppliers and types of equipment involved in Sakhalin that are presumably covered by US sanctions which prohibit export to USSR:

Spare Parts: National Supply, G.E.; Cameron Iron Works; Martin Decker; NL Industries; B.J. Hughes; BARCO; Hutchinson; Haig; Halliburton; Gardner Denver.

Drilling Materials: Halliburton; A.Z. International; Cameron; BETCO

Gas Gathering Service: Otis

Mud Analysis Service: Schlumberger

SIMILARITIES OF URENGOI-YAMBURG AND SAKHALIN

- 1) Both projects involve large-scale equipment and technology transfers on a compensation basis (no Soviet cash out-lays) which enhance Soviet energy production
- 2) Both involve long-term fixed rate credit under government guarantee programs. Direct Japan Eximbank financing of between \$1-2 billion for development phase of Sakhalin.
- 3) Both directly provide Soviets with access to huge hard currency earnings (est. \$250 billion Urengoi-Yamburg and est. \$60-80 billion-Sakhalin) for expansion of Soviet military and geo-political activities.
- 4) Both are subject to US sanctions on export of oil and gas-related equipment.

DIFFERENCES

- 1) U.S. equipment component is reportedly critical to exploration and development of Sakhalin project. Substitution in Europe estimated to take at least one year. Involves direct U.S. exports and therefore avoids extraterritorial measures to halt shipments.

- 16
- 2) Sufficient lead-time exists to structure a meaningful non-Soviet energy alternative for Sakhalin (North America) which is regarded by Japan as not only viable but the substantial realization of the country's most important foreign policy objective - securing long-term sources of energy. (Conservative estimates of gas reserves in Alaska are currently about 140 trillion cubic feet compared to 3.1 trillion cubic feet required to offset total Sakhalin deliveries over the life of the project.)
  - 3) Such an alternative could be put forward prior to Japanese investment of between \$2.7 - 3 billion for the development phase.
  - 4) Strong anti-Soviet sentiment in Japan illustrated by a recent poll (9/81) conducted jointly by Yomiuri newspaper and Gallup showing that 80% of Japanese population named the Soviet Union as Japan's principal adversary. Growing skepticism of Japanese business community concerning reliability of USSR as long-term commercial partner.
  - 5) Japan has traditionally exhibited greater cooperation with U.S. policy concerning sanctions against USSR, i.e. Afghanistan.
  - 6) Japan's dependence on Soviet LNG in the post-Sakhalin period would be only 0.8% of its total energy mix with total Soviet energy exports accounting for 6.23% of Japan's total energy requirements. These figures are in sharp contrast to 35% West European gas dependency on Soviet gas post-Urengoi-Yamburg (38% for FRG.). Interruption of Soviet energy supplies would reportedly result in no significant economic dislocation in Japan, but would create considerable hardship for Western Europe particularly post-Urengoi-Yamburg.

#### SUMMARY

This brief analysis is necessarily conceptual in character due to severe time constraints and the lack of infrastructure support. Nevertheless, there are a number of major US policy objectives which could be advanced by this initiative toward Japan, among them being: 1) a dramatic easing of tensions in our bilateral trade relationship due to newly generated multibillion dollar exports from the US (oil and LNG); 2) a consistent approach concerning our policy to deny the USSR massive hard currency earnings, equipment, technology, and subsidized long-term capital; 3) demonstration to the European Allies that the US can act in a comprehensive framework to advance Western energy security for our allies based on non-Soviet energy alternatives; 4) potential attraction of Japanese funding in the range of \$4-5 billion to offset possible capital shortfall connected with ANGST; 5) new source of critical leverage over Urengoi-Yamburg completion should East-West tensions continue to increase.

Roger W. Robinson, Jr.

# WITHDRAWAL SHEET

## Ronald Reagan Library

*Collection Name*

BAILEY, NORMAN: FILES

*Withdrawer*

SMF 3/5/2010

*File Folder*

EAST-WEST TRADE [03/09/1982-04/30/1982]

*FOIA*

F99-078/3

ZUBER

*Box Number*

5

24

---

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
86513	MEMO  BAILEY TO CLARK RE PIPELINE CONTRACT	1	3/25/1982	B1

---

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

**B-1** National security classified information [(b)(1) of the FOIA]

**B-2** Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

**B-3** Release would violate a Federal statute [(b)(3) of the FOIA]

**B-4** Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

**B-6** Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

**B-7** Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

**B-8** Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

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

C. Closed in accordance with restrictions contained in donor's deed of gift.

# WITHDRAWAL SHEET

## Ronald Reagan Library

*Collection Name*

BAILEY, NORMAN: FILES

*Withdrawer*

SMF 3/5/2010

*File Folder*

EAST-WEST TRADE [03/09/1982-04/30/1982]

*FOIA*

F99-078/3

ZUBER

*Box Number*

5

24

---

<i>ID</i>	<i>Document Type</i>	<i>No of</i>	<i>Doc Date</i>	<i>Restrictions</i>
	<i>Document Description</i>	<i>pages</i>		
86521	CABLE	1	3/22/1982	B1
	222354Z MAR 82			B3

---

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

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

C. Closed in accordance with restrictions contained in donor's deed of gift.

# WITHDRAWAL SHEET

## Ronald Reagan Library

*Collection Name*

BAILEY, NORMAN: FILES

*Withdrawer*

SMF 3/5/2010

*File Folder*

EAST-WEST TRADE [03/09/1982-04/30/1982]

*FOIA*

F99-078/3

ZUBER

*Box Number*

5

24

---

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
86515	MEMO  BAILEY TO CLARK RE GRAIN SANCTIONS	1	3/30/1982	B1

---

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

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

C. Closed in accordance with restrictions contained in donor's deed of gift.

*Subj 20*

MEMORANDUM

1886

NATIONAL SECURITY COUNCIL

April 1, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NB*

SUBJECT: Letter from Senator Bob Dole

Senator Bob Dole has written (Tab II) expressing his views on selling grain to the Soviet Union.

A suggested reply for your signature is at Tab I.

RECOMMENDATION:

That you sign the letter to Senator Dole at Tab I.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Attachments

- Tab I Letter to Dole
- Tab II Correspondence from Dole

21

THE WHITE HOUSE

WASHINGTON

Dear Senator Dole:

Thank you for your letter of March 24 expressing your views concerning the sale of grain to the Soviet Union.

We are in the process of setting up the semi-annual consultations under the U.S.-Soviet grain agreement and will need to address the question of extension of this agreement sometime soon thereafter.

I expect to stay in close touch with you on this issue and would appreciate any specific views you may have on longer-term solutions.

Sincerely,

William P. Clark

The Honorable Bob Dole  
United States Senate  
Washington, D.C. 20510

# United States Senate

WASHINGTON, D.C. 20510

March 24, 1982

## MEMORANDUM

TO: WILLIAM P. CLARK  
FROM: BOB DOLE  
RE: U.S./SOVIET GRAIN TALKS

Semi-annual consultations are called for under the current U.S./U.S.S.R. Grain Supply Agreement. The last discussions were held in Moscow in October, and it is appropriate for the Department of Agriculture to issue an invitation for talks in Washington in April or early May.

The consultations deal with the performance of both parties under the existing Agreement, and do not necessarily include negotiations on any successor, to be effective in October 1982. The Soviets have made clear, however, that their dependence on the U.S. grain market will be conditioned by our willingness to maintain and abide by a structured trading relationship.

I strongly hope that the Administration recognizes the benefits of large and stable export markets to U.S. agriculture and the national economy. Any progress in reopening the dialogue on U.S./Soviet grain trade would be greatly appreciated.





# WASHINGTON ASSOCIATION OF WHEAT GROWERS

109 East First Avenue, Ritzville, Washington 99169 Telephone (509) 659-0610

*S-W T.*

### EXECUTIVE COMMITTEE

- Alex McLean  
President
- Jim Miller  
First Vice-President
- Dennis Bly  
Second Vice President
- Stephen Naught  
Past President
- Del Schwisow  
Treasurer
- John Robinson  
Appointed Member
- Lee McGuire  
Appointed Member

### BOARD OF DIRECTORS

- LeRoy Watson, Jr.  
Adams
- Dean Reeves  
Asotin
- Larry Wilkerson  
Benton
- Rick Turner  
Columbia
- Tony Viebrock  
Douglas
- Arnold Hudlow  
Franklin
- Gary Houser  
Garfield
- Mike Edwards  
Grant
- Jim Knapp  
Lincoln
- Barry K. Buth  
Spokane
- Doug Bayne  
Walla Walla
- Dave Harlow  
Whitman
- Jim Schuster  
Yakima-Klickitat

### STAFF

- Brent Heinemann  
Executive Director  
Ritzville
- John Leenders  
Assistant Director  
Ritzville
- Dale Severson  
Public Relations  
Spokane
- Randall Ray  
Legislative Consultant  
Olympia

April 1, 1982

Norman A. Bailey, MIA, Ph.D.  
 Director of Policy Planning  
 National Security Council  
 373 Old Executive Office Building  
 Washington, D.C. 20506

Dear Dr. Bailey:

Thank you very much for meeting with our group last week to discuss the problems of future U.S. grain sales to the Soviet Union. We are encouraged by your predictions of early summer negotiations for at least a one year grain agreement.

Thank you again for visiting with us.

Sincerely yours,

WASHINGTON ASSOCIATION OF WHEAT GROWERS

Jim Miller, Vice President

lk

S-W T. 24

Economic Relations with the Soviet Union and Eastern Europe

April 6, 1982

WPC HAS SEEN

Draft report discussed:

"TRADING WITH THE SOVIET BLOC: Economic Relations between the Trilateral Countries and the Soviet Union and Eastern Europe"

Jointly prepared by:

North American Author: Robert V. Roosa (Brown Brothers Harriman; former Under-Secretary of the Treasury)

European Author: Armin Gutowski (Hamburg Institute for Economic Research; former member of German Council of Economic Advisors)

Japanese Author: Michiya Matsukawa (Nikko Securities; former Japanese Vice-Minister of Finance for International Affairs)

North America, Western Europe and Japan have a variety of economic involvements with the Soviet Union and Eastern Europe; and we have not done a very good job of developing and sustaining a common framework to guide these economic relations with our principal political adversary. The authors of this paper set about trying to develop a more common framework of restraints, and also "to identify some kinds of constructive East-West economic relations that may develop whenever the tensions and strains of early 1982 subside."

Continuing CoCom Restraints

Strengthened CoCom restraints are a key part of the framework of restraints. The authors recommend a firmer legal status for CoCom, concentration on very critical items, and an upgrading of staff and political supervision.

"Great strength would be imparted to the effort if the participating countries could endow it with a firm legal status by establishing a formal organization, preferably through international treaties. If that were combined with an operating emphasis on selecting a very small set of very critical items, rather than risking avoidance or loss of credibility by casting a wider dragnet, the CoCom approach could provide, outside its boundaries, the indication of a more meaningful guideline for the channeling of "legitimate" economic relations than anything thus far developed. In this sense, to maintain an effective CoCom procedure, year in and year out, should be a primary objective of the Trilateral countries....

A permanent, technically competent staff should work under periodic review by senior government officials."

These recommendations were not challenged in the discussion.

Use of Sanctions

The Trilateral team of authors does not evaluate highly recent sanctions efforts against the Soviet Union. They speak, for instance, of "the spontaneous and precipitate confusion which has characterized headlong rushes into sanctions by the United States, which its allies have been unable fully

to support -- and which became rather futile without widespread participation." By no means do the authors want to remove sanctions from the Western arsenal, but they do call for more careful application based on a much firmer foundation of allied consultation and coordination.

"Perhaps as an extension of a more formal organization created to strengthen the CoCom proscriptions, and taking an example from the International Energy Agency, the participating countries could agree on the kinds of thresholds at which some consultation and action would be triggered, and on the arrangements that might then be appropriate for burden sharing among the participants when sanctions become costly. It is worth pondering whether the ability of the West simply to reach an agreement on a framework for the use of sanctions might not, by its very existence, become a powerful force for impelling negotiations in crisis periods, thereby averting a triggering of the actual use of sanctions."

Some of the authors' conclusions on sanctions were challenged in discussion. Several participants evaluated more highly U.S.-led sanctions against the Soviet Union after the invasion of Afghanistan. (If the U.S. response had been limited to diplomatic representations and United Nations resolutions would not the chorus of criticism of the U.S. response, particularly in Europe, have been even louder?) They argued that a prescription to seek near unanimity on sanctions is a prescription for doing nothing.

#### No Concessional Terms

An important restraint of another sort, stressed by the authors throughout their paper for economic as much as political reasons, is that there be no concessional terms in economic relations with the Soviet Union and most of Eastern Europe. This restraint has not been observed consistently by various Trilateral parties, through a "competition in laxity" on credit terms, through various subsidies for Trilateral exports, through not-always-sound compensatory trading arrangements. The thrust of the report here was not challenged in discussion, except perhaps for one European who noted that there is great pressure on some Western European firms to accept rather disadvantageous terms since the alternative is to close plants.

#### Keeping Vulnerability within Prudent Limits

The Trilateral team has concluded, after detailed analysis, that "with the possible exception of energy imports from the U.S.S.R. by some Western European countries, there is as yet no critical dependence of any of the Western countries either on the export markets or the products of the East." The conclusion is rather striking to American eyes that "in 1979, of all sectors of East-West trade, the U.S. dependence on the Soviet market for agricultural sales constituted the most significant example of export dependence."

The Trilateral team is fairly relaxed about the new gas pipeline from the Soviet Union to Western Europe, given the various back-up possibilities available to Western Europe and the stake the Soviets will have in a smoothly functioning project. Some speakers from the floor, including a few Europeans, were much less relaxed about the vulnerability associated with the pipeline.

### Shaping Soviet Development

A number of speakers from the floor argued that economic relations needed to be imbedded more firmly in a political strategy for shaping Soviet development. They tended to emphasize the deterioration of the Soviet economic system and its lopsided concentration of resources on armaments, and argue that active economic relations with the Trilateral countries, in effect, helped the Soviets continue to concentrate on armaments and sustain a stagnating economy. The Trilateral team of authors was skeptical of such views, and of the capacity of the Trilateral countries to carry out such a broad-gauge strategy. The authors argue that the Soviet bloc is too large and self-sufficient to depend so strikingly on economic relations with Trilateral countries. They argue that the Soviets will meet their military requirements first in any case, whether or not there is active trade with the West. Moreover, "the West can hope that mutually beneficial trade relations, as and if they develop, will help provide an atmosphere conducive to constructive negotiations" on more sensitive political-security issues.

# WITHDRAWAL SHEET

Ronald Reagan Library

*Collection Name*

BAILEY, NORMAN: FILES

*Withdrawer*

SMF 3/5/2010

*File Folder*

EAST-WEST TRADE [03/09/1982-04/30/1982]

*FOIA*

F99-078/3

ZUBER

*Box Number*

5

24

---

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
86517	MEMO  BAILEY TO CLARK RE MEETING WITH MEESE AND BLOCK	2	4/6/1982	B1

---

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

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

C. Closed in accordance with restrictions contained in donor's deed of gift.

# WITHDRAWAL SHEET

## Ronald Reagan Library

*Collection Name*

BAILEY, NORMAN: FILES

*Withdrawer*

SMF 3/5/2010

*File Folder*

EAST-WEST TRADE [03/09/1982-04/30/1982]

*FOIA*

F99-078/3

ZUBER

*Box Number*

5

24

---

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
86519	PAPER  US-USSR GRAINS LONG TERM AGREEMENT	4	ND	B1

---

**The above documents were not referred for declassification review at time of processing**

**Freedom of Information Act - [5 U.S.C. 552(b)]**

**B-1 National security classified information [(b)(1) of the FOIA]**

**B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]**

**B-3 Release would violate a Federal statute [(b)(3) of the FOIA]**

**B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]**

**B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]**

**B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]**

**B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]**

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

**C. Closed in accordance with restrictions contained in donor's deed of gift.**



33  
**UNITED STATES DEPARTMENT OF COMMERCE**  
**The Under Secretary for International Trade**  
Washington, D.C. 20230

APR 8 1982

MEMORANDUM FOR: Dr. Norman Bailey  
James Buckley  
Fred Ikle  
Marc Leland

FROM : Lionel H. Olmer *LHO*

SUBJECT : European Natural Gas Imports

*EWT.*

The attached Reuters article cites a Dutch company's forecast, Nederlandse Gasunie, that Western Europe would have to import 47 percent of its gas supplies from OPEC and Soviet sources by 2000, compared with 14 percent in 1980. The report estimates that the Soviet Union would provide about 25 percent of Western Europe's supplies with North Africa, West Africa and the Middle East contributing 13, 6, and 3 percent respectively.

The prospects for higher levels of European import dependence on Soviet and OPEC natural gas supplies reinforces the need for the USG to move forward on Energy Alternatives to Soviet Gas in Western Europe. In this regard, a U.S. Trade Mission led by Commerce Assistant Secretary William Morris will visit Spain, Italy and Belgium from May 19-28 to promote long-term European purchases of U.S. steam coal. The delegation will also include representatives from MARAD, Interior, the Army Corps of Engineers, the Port Association and at least 15 coal companies.

Attachment



34

## Gas Imports By Europe

AMSTERDAM, April 6 (Reuters)—  
A Government-controlled natural gas  
company forecast today that Western  
Europe would have to import 47 per-  
cent of its gas supplies by 2000, com-  
pared with 14 percent in 1980.

The company, Nederlandse Gasunie, said that about 25 percent of the  
supplies would come from the Soviet  
Union. Western Europe's plans to rely  
more heavily on Soviet gas have  
caused concern to the United States,  
which opposes the building of a pipe-  
line to import Siberian gas.

North Africa would provide another  
13 percent, West Africa 6 percent and  
the Middle East 3 percent, Gasunie  
said in a paper presented to an oil and  
gas conference in Amsterdam.





DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

April 29, 1982

Dear Tom:

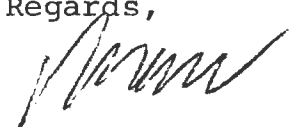
Following up on our recent discussion about the question of Hungary's admission to the Bank, I would appreciate it if you could send me some information as to how the Bank plans to determine an appropriate per capita income figure for Hungary.

As you know, we are concerned that there seem to be significant problems in the calculation of a per capita income figure for non-market industrial economies comparable to the figures developed for most of the western industrial countries or the majority of developing countries. This impression is created by both the data and calculations adduced by the IMF staff in its recent consideration of Hungarian membership and by the 1981 World Bank Atlas description of "alternative estimates" to the commonly used approach for centrally planned economies. Anyone familiar with the Hungarian economy is surprised at a methodology that puts Hungary at a 1980 per capita income level equivalent to that of Brazil and below that of Mexico, Argentina, and Chile.

It would be helpful if you could let me know the extent to which you would expect to rely on data developed by the IMF staff in making your calculations, and the extent to which you intend to work up your own information and methodology. Also, have there been cases in the past where the Bank has developed national income estimates which differ substantially from those already prepared by the Fund?

This information will all, of course, be useful to us in dealing with the issue of Hungary's admission to the Bank. Thanks very much.

Regards,

  
Marc E. Leland  
Assistant Secretary  
International Affairs

The Honorable  
A. W. Clausen  
President  
International Bank for  
Reconstruction and Development  
Washington, D.C. 20433