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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** BAILEY, NORMAN: FILES

**Withdrawer**

SMF 3/8/2010

**File Folder** EAST-WEST TRADE [07/01/1982-07/14/1982]

**FOIA**

F99-078/3

**Box Number** 5

ZUBER

33

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
86698	MEMO	ROBINSON TO CLARK RE STATE APPROACH TO SANCTIONS	2	7/8/1982	B1
86699	MEMO	ROBINSON TO CLARK RE FOREIGN REPORT	1	7/8/1982	B1
86700	MEMO	ROBINSON TO CLARK RE SOVIET USE OF OIL SHIPMENTS	1	7/8/1982	B1 B3
86712	CABLE	RE SOVIET TRADE	3	7/2/1982	B1 B3
86701	MEMO	BAILEY TO CLARK RE MEETING WITH SECRETARY BLOCK	1	7/9/1982	B1
86702	MEMO	BLOCK TO THE PRESIDENT RE US-USSR GRAIN TRADE	1	ND	B1
86703	MEMO	ROBINSON TO MCFARLANE RE PRESIDENT'S VIEWS ON EAST-WEST ECONOMIC RELATIONS	1	7/9/1982	B1
86704	CABLE	RE EXPORT CONTROLS	1	7/10/1982	B1
86715	TRANSMITTAL SHEET		1	7/14/1982	B1 B3

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

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

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# WITHDRAWAL SHEET

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ZUBER

33

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
86710	MEMO	RE CRISIS IN US-WEST EUROPEAN ECONOMIC RELATIONS	7	ND	B1

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**International  
Communication  
Agency**

United States of America  
Washington, D. C. 20547

5111  
Office of the Director

JUL 2 1982

*Bailey*



MEMORANDUM FOR: The Honorable  
Michael K. Deaver  
Deputy Chief of Staff and  
Assistant to the President  
The White House

FROM: Charles Z. Wick  
Director

SUBJECT: [REDACTED]

*CM*  
*wpe*  
*interest*  
*E-WT.*

I would like to recall to your attention findings on the Yamal natural gas pipeline from our recent surveys in Western Europe. On the eve of the Versailles Summit, USICA opinion polls found that:

- o Most French (57%), Germans (50%), and Italians (64%) favored building the gas pipeline with the USSR.
- o But nearly one-half (Germany) to two-thirds (Italy and France) changed their minds and opposed the pipeline if they thought that Soviet hard-currency earnings would be used to beef-up Soviet military strength.

Europeans were of several minds on whether buying energy supplies would: make them more vulnerable; moderate Soviet actions; or have no effect. The most popular response was "vulnerable" (32%-37%) -- an increase of 12-14 percent over last year (except in Italy).

On trade generally, Europeans did not see their economies dependent on Soviet trade and, at the same time, their prevailing view was that trade should continue regardless of Soviet actions in Poland and elsewhere.

While having little desire for trade sanctions or halting detente, they agreed with key U.S. positions:

- o The prevailing view (except in Italy) was to restrict "high technology" sales to the USSR. The Italians were split, but a year ago the prevailing view opposed restrictions (as was also true in France).
- o Though desiring trade, they did not want to subsidize the Soviet economy. Most (60% in Italy to 84% in Britain) opposed granting special trade concessions to Moscow -- such as low interest loans and credit.
- o And, Europeans preferred coordinating their Soviet trade policy with the U.S. -- even if it means less trade -- rather than making their own "best deals."

MEMORANDUM

5111

NATIONAL SECURITY COUNCIL

INFORMATION

July 22, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM:

NORMAN A. BAILEY *NB*

WPC HAS SEEN

SUBJECT:

European Attitudes Towards East-West Trade

Mike Deaver has sent you the attached memorandum from Wick (Tab I) indicating less European support for East-West trade than is generally assumed.

cc: Lord  
Pipes  
Robinson  
Rentschler

**International  
Communication  
Agency**

United States of America

Washington, D. C. 20547

5111  
Office of the Director



RECEIVED

JUL 2 1982

NO HAS BEEN

MEMORANDUM FOR: A 9 The Honorable  
82 JUL 9 Judge William P. Clark, Jr.  
Assistant to the President  
for National Security Affairs  
The White House

FROM: Charles Z. Wick  
Director *Em*

SUBJECT: Soviet Gas Pipeline

I would like to recall to your attention findings on the Yamal natural gas pipeline from our recent surveys in Western Europe. On the eve of the Versailles Summit, USICA opinion polls found that:

- o Most French (57%), Germans (50%), and Italians (64%) favored building the gas pipeline with the USSR.
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2

# National Security Council The White House

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Package # 5111

82 JUL 3 A 9: 40

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>[initials]</u>	<u>        </u>
Bud McFarlane	<u>2</u>	<u>[initials]</u>	<u>        </u>
Jacque Hill	<u>3</u>	<u>        </u>	<u>        </u>
Judge Clark	<u>4</u>	<u>[initials]</u>	<u>I</u>
John Poindexter	<u>        </u>	<u>        </u>	<u>        </u>
Staff Secretary	<u>        </u>	<u>        </u>	<u>        </u>
Sit Room	<u>        </u>	<u>        </u>	<u>        </u>
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I-Information A-Action R-Retain D-Dispatch N-No further Action

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cc: VP Meese Baker Deaver Other         

### COMMENTS

National Security Council  
The White House

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Package # 511

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82 JUL 22 P 4: 04

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>2</u>	<u>W</u>	_____
Bud McFarlane	<u>1</u>	<u>M</u>	_____
Jacque Hill	<u>3</u>	_____	_____
Judge Clark	<u>4</u>	<u>✓</u>	<u>I</u>
John Poindexter	_____	_____	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____

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COMMENTS



5112 7-19

THE WHITE HOUSE JUL 19 1982  
WASHINGTON JUL 19 1982

TO: *Judge Clark*

FROM: MICHAEL K. DEAVER  
Assistant to the President  
Deputy Chief of Staff

- Information
- Action

Bailey 1

## MEMORANDUM

## NATIONAL SECURITY COUNCIL

July 6, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Syndicated Column by Cord Meyer

*S W T*

Attached (Tab I) is a June 30, 1982 article by Cord Meyer that appeared in the Baltimore Evening Sun and ~~twelve~~ other newspapers nationwide. I met with Mr. Meyer for a 45 minute "backgrounder" for this article at which time we developed a genuine rapport. I was very pleased the way this piece turned out, particularly the passages below:

"Representatives of the underground Solidarity organization that still thrives in Poland report to the West that this American embargo is 'intensely' appreciated by most Poles. In its absence, they could see only a quickening accommodation of Western Europe to the fact of oppression in Poland combined with a competitive scramble for Eastern trade opportunities."

". . . . The visible proof that the West still cares can encourage moderation on both sides in Poland and add weight to the warnings against Soviet armed intervention."

We have taken a great deal of "heat" in Europe and domestically for the President's June 18 decision, but this article, better than most, puts into perspective the real issues at stake. There is no doubt that the time had come to stand up to the European allies who are sufficiently intoxicated by the lucrative commercial rewards associated with Soviet trade to totally acquiesce to the light of freedom being stamped out for 37 million Poles in their immediate neighborhood. It also points to the level of European opposition and resistance to the President's courageous position had it been deferred until the post-pipeline period.

If meaningful steps advancing reconciliation in Poland are taken in the coming weeks, such as the release of thousands of detainees on July 22 to commemorate "national day" in Poland or an August/September visit by the Pope, the President can legitimately claim to have dissuaded the Polish authorities and Soviets from permitting these developments to slip in time

and positively reciprocate with commensurate gestures. If repression continues or increases in August/September, how will the allies appear to the American people when they are in litigation against the U.S. to keep their Siberian pipeline on schedule? How would we have appeared had we tacitly condoned Europe proceeding with impunity?

Attachment

Tab I Cord Meyer Column

cc: Norman Bailey  
Robert Sims  
Bill Martin  
Richard Pipes

# The Evening Sun

## U.S. is right in blocking pipeline technology

By Cord Meyer

WASHINGTON  
PRESIDENT REAGAN'S decision to cut completely the flow of all American technology to the Siberian pipeline has been variously described as a meaningless anti-Soviet gesture to please the right-wing or as a destructive attack on the economies of our NATO allies.

In fact, it is meant to be neither. Reagan officials make a convincing case that this far-reaching decision to cancel all deliveries to Russia of U.S.-owned or licensed gas and oil technology and equipment is a carefully-calculated move to bring pressure to bear on Soviet behavior in Poland and to buy time for Europeans to review the wisdom of the pipeline deal.

In spite of wishful Soviet claims that this embargo would have little effect, it is now generally conceded that, by denying to the Russians the General Electric rotors necessary to pump the gas, the pipeline's construction will be delayed two years and its cost vastly increased. There is just no quick available substitute for these unique components.

By his Dec. 29 declaration of sanctions in connection with Poland, Reagan prohibited the sale to Russia of GE rotors produced in this country. The effect of his June 18 decision is to also prohibit the only European company licensed by GE to make these rotors, the French firm of Alsthom-Atlantique, from exporting these components to Russia. Although the French have threatened to ignore this prohibition, Reagan officials state, "We are confident we have the legal means to enforce this decision."

If the French and German governments had been willing at Versailles to accept Reagan's request for an end to subsidized credit to the Soviets, this confrontation might have been avoided. Instead, they made only vague promises and, interpreting Reagan's silence as acquiescence, they boasted afterward of their intention to expand their trade with Russia by continuing subsidized credits.

Publicly committed to taking "further steps" if his initial modest sanctions did not improve conditions in Poland, Reagan was therefore left with no alternative but to impose his oil-technology embargo as

the only effective way of bringing additional pressure to bear on the Russians to release Polish prisoners, begin a dialogue with Solidarity and end martial law.

Representatives of the underground Solidarity organization that still thrives in Poland report to the West that this American embargo is "intensely" appreciated by most Poles. In its absence, they could see only a quickening accommodation of Western Europe to the fact of oppression in Poland combined with a competitive scramble for Eastern trade opportunities. The pipeline delay will force Europeans again to focus on the plight of the Poles and will postpone the time when Russians will be able to pay for Western goods with their gas profits.

In the minds of Polish resistance leaders, there is another crucial advantage to the American ability to impose a sanction on Russia with real bite to it. On the improved chance that Russia will respond with real concessions, they now have an argument to restrain the rising demands for bloody confrontation from Poland's hungry and embittered youth. The visible proof that the West still cares can encourage moderation on both sides in Poland and add weight to the warnings against Soviet armed intervention.

Recognizing that the U.S. should have moved forcefully years ago to cooperate with the Europeans in developing new energy sources, Reagan officials genuinely regret having to disrupt the elaborate plans of the European allies. But they point out that a clear advantage of the delay will be to allow time for the development of the huge gas fields discovered in the Norwegian sector of the North Sea.

So long as the Siberian pipeline was proceeding on schedule, there was little incentive to develop this more expensive Norwegian gas which would have been a glut on the market. But now the Norwegians are becoming actively interested, and investment funds may be available that would otherwise have been committed to the Siberian project.

Depending on how this North Sea development is structured, there would be opportunity here for the Germans and French to recover some of the jobs and profits they would lose in reducing their commitments to the Siberian project. Certainly, cooperation between allies is a far better solution than a scheme that would give the Soviets a windfall profit of \$8 billion a year to spend on military-related high technology.

As Reagan officials anxiously survey the European scene for some sign their motives are understood, they are hoping that one of West Germany's most respected newspapers, the Frankfurter Allgemeine Zeitung, spoke for a majority when it stated, "Reagan has merely reinforced an existing embargo. So why this excitement? Reagan's step is a political affirmation of will. It is designed to show the Soviet Union that imperialist policy claims an economic price."

MEMORANDUM

NATIONAL SECURITY COUNCIL

July 6, 1982

MEMORANDUM FOR RICHARD PIPES, NORMAN BAILEY AND ROGER ROBINSON  
FROM BOB SIMS

SUBJECT: Census Bureau press conference on Soviet trade

Attached memo is self-explanatory. It is provided for your information, and for any recommendations you may wish me to make to Commerce or the White House Public Affairs office.

Attachment  
As stated

*E W T.*



July 6, 1982

MEMORANDUM FOR Michael Baroody  
White House Director of Public Affairs

FROM Mary Nimmo *MN*  
Director of Public Affairs

SUBJECT Census Bureau press conference on Soviet trade

Bruce Chapman, Director of the Census Bureau, plans to hold a press conference this Thursday, July 8, on a forthcoming Census Bureau report on Soviet foreign trade.

A preliminary draft of the press release is attached. While the report itself may be a Census Bureau product, any analysis or extrapolation relative to policy (which I think will be nearly impossible to avoid in a press conference situation) clearly would involve people outside the Census Bureau.

Please take a look at the attached draft and let me know ASAP

- 1) who should sign-off on planned press conference and final release;
- 2) who, if anyone, should be briefed on the report prior to the press conference.

At the moment, the attached draft is all the information I have. I will be in touch with the Bureau this morning, however, and will let you know if I get additional information which would appear to influence decisions.

Thanks.

CC: ✓ Bob Sims  
National Security Council

12  
June 21, 1982

## EARLIER PERCEPTIONS OF SOVIET DEPENDENCE ON FOREIGN TRADE CHALLENGED

Lack of reliable economic information on the U.S.S.R. often troubles U.S. policy decisions. A case in point is the current discussion regarding the effectiveness of economic sanctions against the U.S.S.R. as a penalty for Soviet involvement in Poland or as a deterrent for the future. The effectiveness of economic sanctions against a nation depends, of course, on the dependence of this nation on foreign trade and the degree of "openness" to international market forces. A forthcoming report by the U.S. Bureau of the Census provides significant new information on the importance of foreign trade in the Soviet economy.

For a long time Western specialists maintained that the Soviet economy is almost completely self-sufficient and that foreign trade plays only a marginal role. This position has been modified somewhat in the last ten years, particularly in the light of recurrent large Soviet purchases of grain and machinery, but most specialists have continued to believe that Soviet reliance on imports is minimal.

The key measurement in this regard is the ratio of exports and imports to national income. Since Soviet statistics do not offer these data, Western specialists have had to estimate them and until recently the consensus was that exports and imports each comprise about 3 to 5 percent of national income as the Soviets define it.

A major study of Soviet foreign trade just completed by the Census Bureau's Foreign Demographic Analysis Division has concluded that this generally held evaluation of Soviet dependence on foreign trade is in error and

by a very wide margin. The source of the error often lies in the fact that the prices at which imports are sold in the U.S.S.R. and which Soviet exporters receive for their products are very different from the external prices in which the Soviets publish the data. And, clearly, the role of foreign trade in an economy can be properly assessed only in internal prices.

These conclusions, which present the entire issue of Soviet dependence on foreign trade and potential vulnerability in a completely different light, are as follows:

- The ratio of Soviet exports to national income is higher than had been believed earlier. In the 1970's, exports (excluding gold) averaged about 6.5 percent of national income and rose to 7 percent by 1980.
- The ratio of Soviet imports to national income is several times higher than had been recognized heretofore. It rose from about 9 percent in 1970 to about 20 percent by 1980.
- Imported machinery comprises from 15 to 20 percent of all newly installed equipment in the U.S.S.R.
- Imported consumer goods and agricultural products account for about 15 percent of all consumption.

It should be stressed that these ratios, particularly the import ratio, are unusually high for a country of the size of the U.S.S.R. and suggest a somewhat unexpectedly high dependence on foreign trade.

A large share of Soviet foreign trade is with the socialist bloc and therefore is under fairly firm control from Moscow. But even in this instance, the general perception of the distribution of Soviet trade should



be corrected. It is true that in the early 1970's only slightly more than one third of Soviet imports came from outside the socialist bloc but due to a number of factors the share of Soviet imports from non-socialist countries has risen to about 50 percent of total imports in 1981. Machinery and foodstuffs dominate Soviet imports, and in this respect the share of imports from non-socialist countries is also significant--at least one-third of the machinery and about 60 percent of the foodstuffs imported.

It is quite clear that the old notion of self-sufficiency in the Soviet economy should be discarded in the light of these findings.

Pipes

→ Transfer to Bailey 15

NATIONAL SECURITY COUNCIL 7/7/82

Dick,

I remain very skeptical about even extending the existing agreement. The 6 m. ton floor means absolutely nothing over the next year. The SU will need anywhere from 15-25 mmt. of U.S. grain this year if its harvest is 185 mmt. or lower as currently predicted. Whether it obtains this grain directly from the US or indirectly from others to whom we sell, ~~the~~ US farmers will benefit. Hence the grain agreement is irrelevant to sales in the short run. Over the longer run it is a market-enhancing device but there is time over the course of the next year, if the situation in Poland shows some sign of improvement, to reneg. a longer term arrangement. The Europeans will see  
(over)

any extension of the present  
agreement as a "waffle" on our  
Polish sanctions, whatever the  
precedents in <sup>the</sup> fishing sector.

16

Henry

RECEIVED 06 JUL 82 2

TO CLARK

FROM BALDRIGE, M

DOCDATE 06 JUL 82

KEYWORDS: GRAINS

USSR

INTL TRADE

CM

SUBJECT: VIEWS RE US - SOVIET GRAIN TRADE

*W.T.*  
~~*W.R.*~~  
*James*  
*Stapleton*  
*Deb I cover*

ACTION: PREPARE MEMO FOR CLARK

DUE: 03 JUL 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

PIPES

DOBRIANSKY

ROBINSON

MYER

NAU

BAILEY

WHEELER

*NAU*

COMMENTS \*\*\* CABINET CORRESPONDENCE \*\*\*

REF#

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( J / )

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO

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



18  
THE SECRETARY OF COMMERCE  
Washington, D.C. 20230

JUL 6 1982

4702

82 JUL 6 P 5: 06

Honorable William P. Clark  
Assistant to the President for  
National Security Affairs  
The White House  
Washington, D.C. 20500

Dear Judge Clark:

Since we were unable to discuss the question of U.S.-U.S.S.R. grain trading arrangements at the Cabinet Council meeting and a decision on how to proceed will have to be made soon, I am taking this opportunity to convey to you my views on this matter.

The existing arrangements have been beneficial, since they have provided a considerable degree of market and price stability and assured U.S. farmers a guaranteed floor for grain sales to the U.S.S.R. Such a guarantee is particularly important in years of ample world supplies. I am therefore in favor of preserving this framework by extending the existing Agreement for another year. //

Since extension for one year would not constitute a new arrangement, it would not be inconsistent with our current position on economic relations with the U.S.S.R. (A precedent exists in the extension of the U.S.-U.S.S.R. Fisheries Agreement (GIFA) which was approved by the White House in May 1982 and became effective July 1, 1982 after Congressional passage of H.R. 3816.) This approach would give us flexibility to defer initiating official contacts with the Soviet government on this question and avoid the appearance of inconsistency with the recent toughening of the December 30 sanctions. Since Soviet officials have informally indicated interest in maintaining government to government arrangements, I don't think a delay would jeopardize an extension.

I cannot support steps at this time to initiate official discussions with Soviet representatives of a "new framework" for U.S.-Soviet grain trade or of an upgrading or multiyear extension of the existing Agreement. The President postponed negotiations on a new Grain Agreement in December as part of the sanctions against the Soviet Union in response to the repression in Poland. On June 18 he announced his judgement that the situation in Poland

has not improved, and he toughened his December 30 oil and gas sanctions. It would be inappropriate at this time to propose negotiation of a new Agreement. Such action would send the wrong signal to the Soviets as well as our allies. It would also be viewed by American non-grain exporters as inconsistent and unfair.

Sincerely,



Secretary of Commerce

NATIONAL SECURITY COUNCIL

July 8, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Polish Economy and Posture Toward Sanctions

Attached (Tab I) is an article from the Washington Post that highlights the growing desperation of the Polish authorities concerning the country's economic situation. Since the inception of the sanctions, we have been blamed for virtually all of their economic woes including the inability to service their Western debt. Despite these ridiculously exaggerated claims, we see an increasing opportunity to induce the type of meaningful political quids that would enable us to undertake measured positive actions. As indicated earlier, debt rescheduling talks and perhaps some food relief should be at the front of the line of U.S. "carrots." We could also represent any future language changes (to "gas transmission equipment") in the Commerce regulations, although directed toward our business community, as "narrowing the net" of foreign subsidiaries and licensees captured by the sanctions. The Soviets would be sure to respond favorably to such a move because it would release foreign-sourced oil equipment and technology -- hence hopefully providing an incentive to permit further reconciliation in Poland. Although some allies would publicly charge us with domestic clientitis, this may well be outweighed by some of their important transactions being legally permitted to go forward and the desire to see any modification in the sanctions.

*S-W T.*

Attachment  
Tab I Washington Post Article

cc: Norman Bailey  
Richard Pipes  
William Martin

# Poles Accuse West Of Attempting to Collapse Economy

By Victoria Pope

Special to The Washington Post

WARSAW, July 7—In a bitter attack on trade sanctions put in place following imposition of martial law here, Poland today accused Western nations of using "unprecedented economic aggression" to push the Polish economy toward collapse.

The official Polish news agency, PAP, said Western sanctions were largely to blame for an economy plagued with a 14 percent drop in industrial production since 1979, falling exports, severely curtailed imports of raw materials and a steep decline in the nation's standard of living.

The attack coincided with the opening of talks in Vienna between Polish banking officials and representatives of Western creditor banks to discuss the repayment of \$8 billion in commercial debts due this year. Poland's total indebtedness to the West is estimated at \$25.9 billion, with the annual servicing cost about \$3.5 billion.

PAP singled out the Western ban on new credits as the most crippling aspect of the sanctions—imposed to protest the Dec. 13 military crack-down—because it effectively blocked the import of machinery, raw materials and feed grains needed to earn hard currency.

Through this policy, PAP said, "creditors consciously created a situation in which it becomes impossible to repay our debts on time." Western economic analysts in Warsaw said Poland was likely to ask bankers in Vienna to reschedule the interest on this year's debts, but that the bankers—while sympathetic—probably would do no more than defer payment on the principal.

Poland has been linking its economic problems with the Western sanctions almost as long as they have been imposed, but today's attack reflected the growing desperation over the condition of the economy.

Supply of processed feed for livestock was down by 55.3 percent. Polish officials say the sanctions have made it impossible for Poland to get the grain needed to keep livestock and poultry at normal production levels. This has led to distress slaughtering that could mean meat shortages next year.

Although the PAP dispatch makes clear that mismanagement in the 1970s brought on the severe economic problems of today, the news agency blamed the West for "conscious actions aimed to render [Poland's] economy strongly dependent on economic bonds with the West."

The decline in the economy presents a particular dilemma for Poland's martial-law authorities, who in part defended the crackdown as necessary to stop the disintegration of the economy. Whereas strikes by the now suspended Solidarity independent trade union were once blamed for the country's sluggish production, the reasons given today are the lack of hard-currency credits and the NATO decision Jan. 12 to halt import credits.

The Vienna talks are the first between Poland and its Western creditors since April, when an



*Bailey*

44/22

4737

MEMORANDUM

NATIONAL SECURITY COUNCIL

July 8, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

WPC HAS SEEN

FROM: ROGER W. ROBINSON *RWR*

*S.W.T.*

SUBJECT: Polish Economy and Posture Toward Sanctions

Attached (Tab I) is an article from the Washington Post that highlights the growing desperation of the Polish authorities concerning the country's economic situation. Since the inception of the sanctions, we have been blamed for virtually all of their economic woes including the inability to service their Western debt. Despite these ridiculously exaggerated claims, we see an increasing opportunity to induce the type of meaningful political quids that would enable us to undertake measured positive actions. As indicated earlier, debt rescheduling talks and perhaps some food relief should be at the front of the line of U.S. "carrots." We could also represent any future language changes (to "gas transmission equipment") in the Commerce regulations, although directed toward our business community, as "narrowing the net" of foreign subsidiaries and licensees captured by the sanctions. The Soviets would be sure to respond favorably to such a move because it would release foreign-sourced oil equipment and technology -- hence hopefully providing an incentive to permit further reconciliation in Poland. Although some allies would publicly charge us with domestic clientitis, this may well be outweighed by some of their important transactions being legally permitted to go forward and the desire to see any modification in the sanctions.

*Roger: how can we justify such before some amount by Polish Govt?*

Attachment  
 Tab I Washington Post Article

cc: Norman Bailey  
 Richard Pipes  
 William Martin

# Poles Accuse West Of Attempting to Collapse Economy

By Victoria Pope  
Special to The Washington Post

WARSAW, July 7—In a bitter attack on trade sanctions put in place following imposition of martial law here, Poland today accused Western nations of using "unprecedented economic aggression" to push the Polish economy toward collapse.

The official Polish news agency, PAP, said Western sanctions were largely to blame for an economy plagued with a 14 percent drop in industrial production since 1979; falling exports, severely curtailed imports of raw materials and a steep decline in the nation's standard of living.

The attack coincided with the opening of talks in Vienna between Polish banking officials and representatives of Western creditor banks to discuss the repayment of \$8 billion in commercial debts due this year. Poland's total indebtedness to the West is estimated at \$25.9 billion, with the annual servicing cost about \$3.5 billion.

PAP singled out the Western ban on new credits as the most crippling aspect of the sanctions—imposed to protest the Dec. 13 military crackdown—because it effectively blocked the import of machinery, raw materials and feed grains needed to earn hard currency.

Through this policy, PAP said, "creditors consciously created a situation in which it becomes impossible to repay our debts on time." Western economic analysts in Warsaw said Poland was likely to ask bankers in Vienna to reschedule the interest on this year's debts, but that the banks—while sympathetic—probably would do no more than defer payment on the principal.

Poland has been linking its economic problems with the Western sanctions almost as long as they have been imposed, but today's attack reflected the growing desperation over the condition of the economy.

Supply of processed feed for livestock was down by 55.3 percent, Polish officials say the sanctions have made it impossible for Poland to get the grain needed to keep livestock and poultry at normal production levels. This has led to distress slaughtering that could mean meat shortages next year.

Although the PAP dispatch makes clear that mismanagement in the 1970s brought on the severe economic problems of today, the news agency blamed the West for "conscious actions aimed to render [Poland's] economy strongly dependent on economic bonds with the West."

The decline in the economy presents a particular dilemma for Poland's martial-law authorities, who in part defended the crackdown as necessary to stop the disintegration of the economy. When an strike by the now-suspended Solidarity independent trade union were once blamed for the country's sluggish production, the reasons given today are the lack of hard-currency credits and the NATO decision Jan. 12 to halt import credits.

The Vienna talks are the first between Poland and its Western creditors since April, when the

## NATIONAL SECURITY COUNCIL

July 8, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Economic Committee of NATO

*E-WT*

Attached (Tab I) are the concluding two pages of an article I co-authored with an associate at Chase entitled "Soviet Gas: Risk or Reward?" which was the "special report" in the Autumn 1981 edition of the Washington Quarterly. The alternative institutionalized frameworks for advancing a unified allied approach to East-West economic relations were briefly outlined and the Economic Committee of NATO identified as the most appropriate. You may take an interest in the proposed functional mandate of this upgraded, restructured entity.

## Attachment

Tab I Excerpt from Washington Quarterly

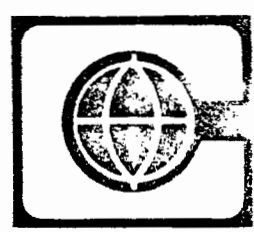
cc: ~~Norman Bailey~~  
Richard Pipes  
William Martin

25

\$5.00

# THE WASHINGTON QUARTERLY

A REVIEW OF STRATEGIC  
AND INTERNATIONAL ISSUES



AUTUMN 1981

### ABM REVISITED

Schlesinger, Kerr & Barasch, Ruina,  
Hyland, Garthoff, Kupperman & Smith,  
Van Cleave, Yarmolinsky, Kent

Bay of Pigs +20/Blechman & Durch

### SPECIAL REPORT

Soviet Gas: Risk or Reward?  
Karr & Robinson

REPORTS: Rabat, Belgrade, Warsaw

VOLUME 4      NUMBER 4

Published by the Center for Strategic and International Studies, Georgetown University

rangements would have on the U.S. balance of payments and domestic employment. These and other alternatives should be developed and implemented on a parallel basis to ensure a meaningful offset to Europe's energy shortfalls, whether or not the Urengoi-Yamburg project goes forward.

How can the Western allies meaningfully respond to the political vulnerabilities inherent in such long-term East-West economic and commercial undertakings?

First, a clear distinction must be made between ordinary commercial relationships and strategic trade arrangements laced with political and security implications. Traditionally there has been substantial confusion in making such distinctions, particularly in the area of high technology transfer and grain sales. Once a decision is made to view an economic or commercial issue as either a lever in furthering foreign policy objectives or a potential political vulnerability, it is imperative to send consistent signals to both allies and adversaries. To do so requires an advance willingness and preparedness to bear the substantial opportunity costs often attendant to such a decision.

As pointed out earlier, the United States appears still undecided as to which category—domestic or foreign policy—the grain issue belongs, with the most recent tendency to view it as a domestic economic issue. Similarly the importation of Soviet energy into Europe was consistently viewed as a domestic issue prior to the Urengoi-Yamburg debate. The U.S.S.R. clearly wishes to reinforce these tendencies by pursuing such negotiating tactics as proposing an "embargo-proof" provision in the next long-term grain agreement with the United States. It is conceivable that a similar proposal could be put forward concerning the construction phase of Urengoi-Yamburg that would be designed to safeguard against any possible Western interruption for political reasons.

Regrettably, these undertakings cannot be

considered ordinary commercial relationships. A strong argument can be made in favor of the United States keeping its options open concerning grain sales in the interest of tempering Soviet geopolitical behavior. The Europeans, for their part, increasingly have to face the political realities linked to greater dependency on Soviet energy and the U.S.S.R. as an export market for industrial goods.

The flaws of past ad hoc bilateral approaches and the infrequency of summit consultations to address these critical economic and security issues highlight the need for establishing a viable institutional framework through which to handle these issues comprehensively and consistently. Institutions do in fact exist that could be helpful for this purpose.

One possibility is the Directorates for Trade and Commerce and Science and Technology of the Organization for Economic Cooperation and Development (OECD). However, the broad membership of OECD would make it difficult to achieve a solid consensus on such sensitive issues. Another alternative would be CoCom (the Coordinating Committee comprising NATO members and Japan), but the technical nature of this body is not particularly suited to this kind of policy-making.

**P**erhaps the most appropriate framework would be the underutilized Economic Secretariat within NATO. If granted the same status as the organization's military and political secretariats, the principal mandate of this restructured entity would be to candidly review and assess the risks inherent in projects such as Urengoi-Yamburg. Irrespective of the framework selected, the functions that such an organization should perform would include:

- Achieving a consensus view on the broader question, namely under what conditions and at what level should the West actively continue to participate in the extraction, processing, and

transmission of Soviet energy resources.

- Assessing and gauging the disadvantageous economic and political consequences of a specific project for each of the participating countries.
- Evaluating and developing various contingency plans and alternatives that would serve to reduce the vulnerabilities associated with any undue dependencies that could result from a project, i.e. the safety net approach.
- Establishing and defining parameters of Soviet behavior that could trigger a decision by the West to delay or terminate the project.
- Conducting an ongoing assessment of the extent of the West's political leverage through its control of the flow of technology, equipment, and credits as well as Soviet access to major hard currency markets.
- Arriving at a meaningful consensus, based on the aforementioned considerations, as to whether or not the inherent risks involved can be sufficiently mitigated to permit the project going forward.

Beyond the benefits of developing a specific institutionalized framework would be the parallel advantages to Western suppliers stemming from the enhanced stability of East-West commercial relations. This is particularly applicable to U.S. companies which in the past have often been hampered by erratic go-no go government decisionmaking.

The Urengoi-Yamburg debate currently revolves around three basic points of view. Most proponents of the project believe that Urengoi-Yamburg should be treated as a routine commercial undertaking on the assumption that East-West dependencies are evenly balanced. This view tends to gloss over the character of the U.S.S.R.'s command economy that is better equipped to im-

plement major shifts in the allocation of resources when deemed politically necessary. The bulk of the resulting hardships have traditionally been absorbed by Soviet consumers who have a far higher tolerance threshold than their Western counterparts.

A concerned group in the administration and in Congress express the view that the project should be interdicted or at least scaled down because of the political and security considerations. In fact, it is now likely that the Europeans will propose a reduction in gas deliveries following newly revised projections of natural gas consumption requirements in the 1980s. Such a proposal would help diffuse opposition to the project, particularly in the United States. However, as projections for gas requirements in the 1990s remain unchanged, any proposed reductions will probably be temporary, with the project reverting to its original scale in the next decade.

Finally, the view expressed herein entails recognition that the project, in some form, will go forward, but urges that a final commitment be contingent on the Western allies proceeding with a safety net of alternatives and the kind of unified policy framework mentioned above. This position can be summed up in terms of putting the horse of a collective Western economic policy towards the U.S.S.R. before the cart of long-term commercial commitments with security dimensions.

After a lull in negotiations, the Soviets are now pressing for a firm commitment to Urengoi-Yamburg prior to President Brezhnev's announced visit to Bonn, currently scheduled for November. If the United States and its NATO partners fail to reach a coordinated policy approach in the near term, they may face the bleak prospect that the project, in turn, will shape the policy.

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86698	MEMO  ROBINSON TO CLARK RE STATE APPROACH TO SANCTIONS	2	7/8/1982	B1

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86699	MEMO  ROBINSON TO CLARK RE FOREIGN REPORT	1	7/8/1982	B1

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# Foreign Report

Published by The Economist Newspaper Limited  
25 St James's Street, London SW1A 1HG  
1733 July 1, 1982

## Contents

*Mitterrand and Russia*

*DIA under fire*

*Salvadorean killers' new target*

*New offensive in Guatemala*

*Chad's north-south dialogue*

*Buthlezi's crisis*

*The flight-lieutenant's failure*

*How to make an ancient "icon"*

*Pointers*

## Mitterrand and Russia

There are signs that France may be ready to rebuild political bridges with the Soviet Union. President Mitterrand once held that this could never happen until Russia withdrew its forces from Afghanistan. But the French leader now feels he has been deceived by President Reagan, whom he has made great efforts to please over the past year—not least by constantly affirming the need for the installation of new American nuclear missiles in western Europe.

Disappointed by what some French officials describe as America's "scorn" for Europe, the Mitterrand government has quietly laid the ground for a strengthening of contacts with Russia. When Claude Cheysson, the French foreign minister, met Andrei Gromyko, his Soviet counterpart, in New York this month at the UN disarmament conference, FOREIGN REPORT has been told that they agreed that senior officials from their two countries should get together to discuss policy in four areas: the Middle East, Africa, disarmament and the United Nations. The unannounced agreement may not foreshadow an immediate resumption of the regular inter-government meetings called for under the Franco-Soviet treaty launched by General de Gaulle during the 1960s, and faithfully pursued by Georges Pompidou and Valéry Giscard d'Estaing. But it represents a surprising move by France in view of Russia's refusal to budge in Afghanistan.

Mitterrand's anger with the Reagan administration is all the greater because he now has to admit that the recent western summit at Versailles was a flop. He wanted to be able to claim it as a success because it was the first major international meeting he had hosted, and he saw it as proof of Socialist France's credibility. But a frustrated outburst by the president during a cabinet session last week, when he fiercely laid into the Reagan administration for "plunging Europe ever deeper into crisis", showed that he has abandoned his wishful thinking about Versailles.

m2

Mitterrand, who came to power with a pro-American reputation which he has on the whole confirmed, feels personally betrayed ("cocu" is the expressive term French officials use) by Reagan. In the wake of understandings supposedly reached at Versailles, he appears genuinely surprised by America's failure to take measures that would halt the rise of the dollar and ease the pressure on the twice-devalued Mitterrand franc. He is astonished by Reagan's post-Versailles strategy of redoubling the pressure against west European participation in Russia's gas pipeline project. Anti-Americanism has yet to take root in Paris, but a rapprochement with Russia—perhaps being mooted as part of a war of nerves with Washington—is described by senior officials as being in the offing.

## DIA under fire

The American Defence Intelligence Agency (DIA) has come under fire from a senior Reagan administration official, **Frank Carlucci**, for providing inadequate information to decision-makers. Carlucci, deputy defence secretary, has quietly taken steps to reform the DIA: he is increasing its budget and has told it to give priority to improving the quality of intelligence analysis and the speed of its delivery.

The DIA is regarded as being highly efficient in its technical work, through spy-in-the-sky satellites, monitoring of Soviet submarines and assessments of Soviet armaments. But administration officials like Carlucci have been grumbling about poor intelligence over the Falklands crisis (the United States had no advance indications that Argentina was going to invade) and the Israeli invasion of Lebanon. They are also worried that slow DIA information about Soviet military alerts might weaken any American responses.

The officials say they want to know more about the way in which the newest lethal weapons systems are being put to use (like the Exocet in the Falklands conflict and Israeli electronic counter-measures protecting their aircraft in Lebanon). Defence department planners are also worried about the possible spread of terrorism in western countries where the United States has military installations—especially in Turkey. They also want more information on potential conflicts in third-world nations which might involve the United States.

Carlucci is an intelligence expert: he was previously deputy director of the Central Intelligence Agency (CIA).

## Salvadorean killers' new target

Murders of Christian Democratic party officials in El Salvador are increasing pressure among some of the party's members to abandon conventional politics and join the guerrillas. Sixteen officials, including four mayors, have been killed since the general election in March, in which the Christian Democrats emerged as the biggest party but were outvoted in the national assembly by a four-party rightist coalition. Three Christian Democratic deputies have been shot at while leaving the assembly building after a night session.

The party believes that right-wing extremists were responsible, and that they will continue their campaign in the belief that the Reagan administration will nevertheless

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86700	MEMO  ROBINSON TO CLARK RE SOVIET USE OF OIL SHIPMENTS	1	7/8/1982	B1 B3

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86712	CABLE  RE SOVIET TRADE	3	7/2/1982	B1  B3

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Bailey

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The White House

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Bud McFarlane	2	<i>[initials]</i>	
Jacque Hill	3		
Judge Clark	4		I
John Poindexter			
Staff Secretary			
Sit Room			

I-Information

A-Action R-Retain D-Dispatch N-No further Action

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cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

For 11:00 Monday meeting.  
I will get some more input  
from Dan.

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86701	MEMO  BAILEY TO CLARK RE MEETING WITH SECRETARY BLOCK	1	7/9/1982	B1

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Secretary Block's Agenda For Meeting  
With the President on Monday

Update On U.S. Agricultural Economy

Conditions remain poor. Currently, Federal price support outlays (entitlement programs) are up 2-1/2 times from last fiscal year. Even so, many farmers are in difficult straits. Net farm incomes are down for the third year in a row, agricultural exports are dropping for the first time in 13 years, and farmland prices have fallen for the first time in nearly 3 decades. These problems stem from depressed world economies, high interest rates, large global crops and international trade policies.

International Trade

There is little that can be done to ease our problems in the short-run except in the international trade area. Here there are two issues that would be viewed in a positive way without increasing Federal outlays:

- (1) Farmers want a new long term grain agreement (LTA) with the Soviet Union. Rightly or wrongly, farmers view our posture on an-LTA with the Soviets as how this Administration stands on agriculture.
- (2) The rising tide of protectionism in the agricultural policies of the European Community and Japan is seriously undercutting our market-oriented trade efforts. Time has come for us to take action.

Impact on 1982 Elections

The gravity of the agricultural situation on the upcoming election is great. Political experts predict serious problems for a number of Republican candidates in rural areas. Thus, it is important for the Secretary of Agriculture to do everything feasible to help alleviate the farm and rural economies' problems so that the President's economic program will have a chance to work. Otherwise, we will continue to face Congressional initiatives that run counter to this Administration's economic philosophy and budget objectives.

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86702	MEMO  BLOCK TO THE PRESIDENT RE US-USSR GRAIN TRADE	1	ND	B1

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MEMORANDUM

NATIONAL SECURITY COUNCIL

July 12, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROBERT B. SIMS *Bob*

SUBJECT: Wall Street Journal Pipeline Story

*SWT*


The attached story will no doubt irritate some people at State.

We learned last week that the Journal had conducted interviews at Defense on the pipeline decision, and arranged for Gerry Seib to talk to Roger Robinson on a background basis.

Roger made no derogatory comments about State. He did contribute the thoughts that are marked, which are supportive, to insure a balanced input reflecting the President's views.

Attachment  
WSJ Article, July 12, 82

cc: Roger Robinson  
Norman Bailey



## Reagan Move Widening Soviet Sanctions Is Generating New Friction Among Aides

By GERALD F. SEIB

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—President Reagan's decision to broaden trade sanctions against the Soviet Union has generated new friction among his aides, with some accusing others of undermining the new policy by failing to defend it vigorously.

Western European allies have bitterly criticized the president for his decision last month to broaden a U.S. ban on sales of oil and gas equipment to the Soviets by extending the ban to foreign licensees of American companies. Some presidential aides contend that U.S. officials who disagree with the president's move, particularly those in the State Department, aren't doing enough to counter the opposition.

"They're quite happy to see the opposition express itself and mount," said a senior administration official. He charged that the attitude of some officials is "bordering on sabotage."

The State Department opposed the president's move, which he said he made to protest continued repression in Poland. Special Trade Representative William Brock also has bitterly protested the move in private.

### Delay Is Only Seen

Critics of the decision contend that it won't stop the Soviets from building a natural gas pipeline to Western Europe, a project the U.S. has long opposed. Instead, the critics contend, the president's move will only delay the project while driving a wedge between the U.S. and its European allies, who want the pipeline and covet the jobs its construction will create.

Some administration aides have suggested privately in recent days that the U.S., worried about the harsh European reaction, is looking for an excuse to scale back the sanctions.

But presidential spokesman Larry Speakes insists that the administration won't contemplate any change in its position until the Soviet Union and Polish authorities ease martial law in Poland. "The absence of any movement in that situation gave the president no choice" but to impose the sanctions, Mr. Speakes said, and the U.S. hasn't seen any change to warrant a softening.

In private, another White House official was more emphatic: "We aren't reassessing the wisdom of the president's decision. Period."

### Conditions for Change

Still, administration aides acknowledge that the president may reconsider his stand if the Polish government makes "significant" progress towards one of three conditions the U.S. has laid out. Those call for the government to lift martial law, release political prisoners and resume talks with church and labor leaders.

Similarly, some administration officials suggest that the administration might be able to relax the pipeline sanctions if European allies offer to impose further limits on credits to the Soviet Union. The purpose of the pipeline sanctions is to put economic pressure on the Soviets, these officials explain, and that goal would also be achieved if Europe further tightens credits.

White House officials insist, though, that only progress in Poland, not moves by the allies, could prompt a change in the pipeline sanctions.

At any rate, some officials who back the president's stand charge that it isn't being adequately defended in the face of the stiff criticism abroad.

### Loophole in Policy

These officials contend that when the president first imposed sanctions late last year, he intended to prevent all sales, including those from foreign licensees of U.S. companies. Only a loophole created by the wording of the regulations issued then cast any doubt on whether foreign licensees would be affected, they contend.

Now, these officials charge, the State Department hasn't ordered embassies abroad to counteract the opposition vigorously enough. They think the U.S. should be pushing harder the president's view that the pipeline will make Europe dependent on Soviet energy and give the Soviets the hard currency they desperately need to revive their economy. The U.S. Defense Department, in particular, has emphasized these arguments.

Proponents of the president's stand further argue that Mr. Reagan's resolve and credibility will be seriously questioned in the future if he backs off his pipeline sanctions without large improvements in the Polish situation.

State Department officials vigorously deny that they are doing anything to undercut the President's stand. An official noted, for example, that the department sent guidance explaining the decision to press officers in 40 to 50 embassies immediately after the announcement last month.

"I don't know how you sabotage this kind of thing," a State Department aide said. "It's done. It's a policy."

Meanwhile, the Soviet Union has declared that it will try to circumvent the U.S. embargo by making the equipment it was hoping to import. The Soviet news agency Tass reported Friday that the Soviet Union will make all turbines for its pipeline to Europe. That would require the Soviets to make highly sophisticated rotor blades for the turbines, which U.S. companies had intended to supply. But U.S. analysts say the Soviets will need time to master the art of producing such equipment.

## NATIONAL SECURITY COUNCIL

July 12, 1982

SECRET ATTACHMENTINFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON *RWR*SUBJECT: Briefing Paper on East-West Economic  
Relations for Secretary Shultz

Attached (Tab I) is a one page summary of my interpretation of the President's views on the above subject. As we have not as yet had an opportunity to fully discuss this broader policy issue, I would find any comments you might have of considerable value (even if in the margins to indicate being on or off target).

Attachment

Tab I July 9 Memo re East-West Economic Relations

cc: Norman Bailey  
Richard Pipes  
William MartinSECRET ATTACHMENT

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86703	MEMO  ROBINSON TO MCFARLANE RE PRESIDENT'S VIEWS ON EAST-WEST ECONOMIC RELATIONS	1	7/9/1982	B1

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## Norway's Gas Reserves and the Soviet Pipeline

An innocuous sentence in President Reagan's press conference June 30 didn't make it into most American papers, but it did create a stir in Norway. Answering a question about possible additional steps to force America's European allies to go along with the embargo to block export of pipeline equipment to the Soviet Union, the president said:

"We offered to help them (the allies) with a source of energy closer to home, Norway and the Netherlands, and gas

### Europe By Per Egil Hegge

fields that apparently have a potential that could meet their needs. We weren't able to get that agreement."

It so happened that a fair number of prominent Norwegian parliamentarians were in the U.S. at the time, attending the U.N. session on disarmament, and watched Mr. Reagan on television. While not exactly screaming bloody murder, they were terse and rather sharp in their comments. The former prime minister, Mrs. Gro Harlem Brundtland, now leader of the opposition, criticized Mr. Reagan for implying something in the nature of jurisdiction by the United States over the energy reserves of two sovereign nations—Norway and the Netherlands.

Public criticism in Norway was even stronger in some quarters, with the left wing complaining that the president had openly attacked or reprimanded the Norwegians for lack of solidarity and will to cooperate. The American Embassy in Oslo pointed out that nothing of the kind could or should be read into the statement, and said that the president was referring to exchanges of views that had been going on among the allies since the industrialized countries summit meeting in Ottawa last July.

But even the political leaders in the Norwegian department of oil and energy

said they were somewhat surprised at the president's words. They pointed out that during the exchanges, which they describe as swaps of information rather than of views, they have emphasized that the gas reserves under the North Sea and the Norwegian Sea off Arctic Norway cannot be developed before the start of the 1990s at the earliest.

This, according to the Norwegians, is due to several factors: First, exploration has hardly begun; second, building transportation facilities, whether in the form of LNG terminals or pipelines, possibly from Northern Norway through Sweden and on to the continent, is time-consuming, and third, there are the very important political considerations with regard to Norway's national economy.

When Norway found itself obliged to develop an oil policy just over a decade ago, the overriding aim was to go slow so that only a measured amount of money would be pumped into the economy of a nation of four million people. Also, it was decided that Norway's geographic population pattern should be preserved.

To Americans, used to economic expansion on the fast track and to geographic mobility, this may seem to be going against nature. But Norway's three northernmost counties cover an area the size of Belgium, the Netherlands and Denmark combined, and they have less than 400,000 people. (The three European countries have more than 20 million.) And the northernmost county, Finnmark, with 80,000 people, has a 122-mile common border with the Soviet Union.

Keeping the population in these areas is extremely important in terms of national security, as Norway's defenses are based on calling up local reserves in an emergency. And as for going against nature: A winter in Arctic Norway is an unforgettable experience—and a very long one, too.

Americans tend to blame the Norwegians for an unduly virginal attitude to the oil bonanza. At the time of the energy crisis in 1974, one American in Oslo re-

marked: "You are the funniest people I know. The world is screaming for oil, and you have it. And you walk around wringing your hands, complaining about the problems it will bring you, and wishing that it would somehow go away."

The basis for President Reagan's words at his press conference seems to be a study by a consulting firm in Geneva, commissioned by the U.S. Department of Defense and presented on March 24. The study, titled "Alternative Strategies to Gas in Western Europe," deals in great detail with known and probable gas reserves under the North Sea and the Norwegian Sea. Its policy recommendations, from which the U.S. government has publicly dissociated itself, include attempts at exerting pressure on Norway and the Netherlands to get them to accelerate the development of their gas fields, to make this gas a viable and attractive alternative to imported gas from the Soviet Union via the Siberian-Western European pipeline currently in the works.

In the study, Norway's energy policy is described as "intensely nationalistic," even compared to other Scandinavian countries. For the reasons mentioned above, it is hard to fault that description, and for the same reasons, Mr. Reagan's use of the words "we offered to help" was perceived by many Norwegians as especially grating.

The latest exchange of views on this subject between the U.S. and Norway took place in Oslo June 21 and 22, when Richard Perle, assistant secretary of defense for international security policy, met with the minister for oil and energy, Vidkun Hveding, and the minister's deputy, Hans-Henrik Ramm.

In several interviews in Norway, Mr. Perle pointed out that for the Norwegians to proceed at their leisurely pace might expose them to two risks:

There may be no market for their gas when it does come on line in the 1990s because of the downward projections for gas demand, and the Soviets might manipulate

their price so as to squeeze the Norwegians out of the market even if there is one. His answer to the objection that the Soviets will be able to market their gas in Western Europe long before the Norwegians anyway, even if the Norwegians were to give up their policy of deliberately slow development, runs as follows: The Soviet pipeline, originally planned to start deliveries in late 1984, will be considerably delayed because of the American embargo and because of endemic Soviet administrative problems. And then we are talking about the late 1980s, maybe even the early 1990s.

While both Norwegian and American officials deny that any kind of pressure has been brought to bear, the difference of opinion goes to the core of the present dispute between the U.S. and Western Europe: What strategy should the countries of the Western Alliance follow in their dealings with the Soviet Union?

Here, the Norwegian conservative government, while less critical of the U.S. than its Labor predecessor, is sticking to a policy very close to that of the West German Social Democratic leader, Helmut Schmidt. It's a more realistic version of the original Nixon-Kissinger detente concept: Economic cooperation with the Soviets is mutually beneficial and contributes to stability—and may even bring some political spinoffs. But it is not a case of Great Expectations so much as the thin hope that something might turn up, and, despite the differences, of sticking with Our Mutual Friend. Who happens to be Mr. Reagan—even when he chooses his words with less than immaculate care.

Mr. Hegge is assistant foreign editor of *Aftenposten*, Oslo, Norway, and the paper's former Moscow and Washington correspondent.

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86710	MEMO  RE CRISIS IN US-WEST EUROPEAN ECONOMIC RELATIONS	7	ND	B1

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