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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name BAILEY, NORMAN: FILES

Withdrawer

SMF 3/9/2010

File Folder EAST-WEST TRADE [09/01/1982-09/09/1982]

FOIA

F99-078/3

Box Number 5

ZUBER

41

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
86900	OUTLINE	EFFECTS OF SANCTIONS ON AFFECTED COMPANIES	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]
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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]

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

WEDNESDAY, SEPTEMBER 1, 1982

Letters

Forced to Work on the Siberian Pipeline

To the Editor:

I welcome the United States Government's outspoken opposition to the Siberian natural gas pipeline. The reasons, as I understand them, are politics, finance and defense.

But there are other, for me far more important reasons to denounce the project: construction of the pipeline means the destruction of all standards of morality and humanitarianism.

I spent 15 years of my life in a Soviet gulag. During that time, I saw many, many people in locations all over the Soviet Union who were being forced to work as virtual slaves in hard-labor camps. For almost the entire term of my imprisonment, I was one of them. I can testify to the horrible violations of human rights that are occurring daily in order to construct the pipeline.

And I have received reports from various points in the Soviet Union that more and more prisoners sentenced to hard labor are being used to construct the pipeline. Their number is now estimated at 100,000, many of them sentenced for political or religious activities.

During the past two years, a great number of new hard-labor camps have been set up along the route of the pipeline. In Usty-Ischim alone, there are eight. Others are in Urengoi, Surgut, Tavda and Tyumen, Irbit and Lysva. Prisoners are housed in

wagons that offer no real protection from the elements. Winter temperatures can be as low as minus 40 degrees Fahrenheit.

The engineers who have been brought in from West Germany have no contact with the workers. In Borovskii, for example, the skilled German personnel are housed in a hotel and are under constant K.G.B. watch. Western journalists are allowed to observe construction only after the initial hard labor (such as excavation work) is completed.

Following is an excerpt from a letter I received from the parents of a Russian woman imprisoned for illegally printing Bibles:

"Our daughter has seven remaining months until the completion of her sentence. You can well imagine how terrible the conditions in prison are for her, and her health has been greatly affected.

"She spent many months in a penitentiary and now is in a prison camp which is the worst of the camps for women in the Soviet Union. It is not possible to describe it in writing. One must see it with one's own eyes.

"The camp is located in the Taiga, far from any human settlements, and it is in a state of total disrepair. Built to hold 600 prisoners, it now holds 250,000.

"Indescribable filth reigns over the

camp. There are millions of lice and other bugs. The camp does not have its own water supply, and there is always a serious shortage. The prisoners receive only a bucket of water a week.

"The food rations are so small as to barely keep the women from dying of hunger. The daily workload is immense. There are three shifts, and the women must also work at night. The climate is very cruel: terrible storms and other horrible weather. This is only a short summary of the conditions under which our daughter now live. . ."

By supporting the pipeline, European governments also support a total disregard of all standards of human rights and, in effect, abet the virtual enslavement of many innocent people for political and economic reasons.

It is my hope that these massive violations of human rights are widely exposed. This is a matter of greatest moral concern, a matter that must be acted upon now. The Soviet Union's greatest fear is that its action will be known in the West.

YURI BELOV
Frankfurt, July 23, 1982

The writer heads a working committee for civil rights activists and political prisoners in the Soviet Union that is part of the Internationale Gesellschaft für Menschenrechte (International Society for Human Rights).

Bailey

330

National Security Council
The White House

Package # 6206

82 SEP 3 8 71:57

S-W T.

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	<u>1</u>	<u>M</u>	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	_____	_____	_____
Staff Secretary	<u>3</u>	_____	_____
Sit Room	<u>1A</u>	_____	<u>A</u> <u>Dacom to</u> <u>J.P. and</u>
<u>Florence</u>	<u>2</u>	_____	_____

I-Information **A-Action** R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

Bremer at
State
Do not send
cover memo to
State

ACTION 3.
6206 Judge L
J

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

September 3, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON *RWR*
DENNIS DELAIR
NORMAN BAILEY *MB*
CARNES LORD

SUBJECT: Follow-up Procedures Concerning Poland-related Sanctions

In the past two weeks, the method of decision-making on measures to enforce our sanctions has been dominated by ad hoc coalitions, leaks and uncoordinated public statements by some Administration officials. The results of these actions have been to damage the President's credibility and fuel a general perception of U.S. retreat on the sanctions.

It is strongly urged that you bring an abrupt halt to this approach to decision-making, discussions with the allies, and our public affairs program. There is absolutely no need for the U.S. to be stampeded into negotiations with European governments on an equivalent package of Poland-related sanctions prior to all relevant agencies of the U.S. Government having a fair opportunity to review our negotiating postures. For instance after several requests beginning on Monday, the NSC Staff did not receive papers until today that were to be the basis of US positions in high-level discussions in Europe early next week. The Department of Defense is yet to receive a complete set of the papers. Moreover, any U.S. delegation traveling to Europe within the next two or three weeks, much less the next several days, would inevitably be viewed as "suing for peace" given the present media and perceptual backdrop. Despite the British origin of the idea for a meeting the appearance of a US group flying to Europe would in itself, undermine the President's directive that the US not be perceived in the role of demandeur.

Now is the time to restore the appropriate interagency framework in order to carefully assess our objectives and develop the strategy to achieve those objectives. Given the high visibility of this issue and the President's personal commitment to this policy, it is also essential that he have the opportunity to review and approve interagency recommendations and establish

the parameters and participants in any negotiations with allied governments. Only when this process is complete and any European proposals are weighed and assessed should the U.S. accept a European initiative to meet on this issue. Any meeting should preferably be held here.

We, therefore, recommend that the SIG-IEP be reconvened to coordinate all position papers and options concerning our sanctions which should then be presented to the President in an NSC meeting. After such a meeting, the established parameters for discussions with the allies should be explicitly laid out in an NSDD. A return to this comprehensive institutionalized approach would protect the President's credibility from any further damage, and ensure the maximum level of effectiveness in achieving vital U.S. objectives in the East-West economic policy arena during this period of sharply increased repression in Poland.

RECOMMENDATION

That you approve restoring the mandate of the SIG-IEP and the NSC process to govern further developments concerning our Poland-related sanctions.

Approve _____ Disapprove _____

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~~CONFIDENTIAL~~



U.S. DEPARTMENT OF COMMERCE
International Trade Administration

SEP 3 1982

To: Roger Robinson
National Security Council

From: William T. Archey *WTA*
Deputy Assistant Secretary
for Trade Administration

Subject: Drafts of Further Issues on
Pipeline Sanctions

Attached you will find a draft Press Release that will probably be issued against Nuovo Pignone on Saturday (they are expected to ship Saturday). As John Brown is not expected to be shipping until Tuesday or Wednesday, no action will be taken over the weekend against John Brown. In the package is (1) draft Press Release, (2) draft Denial Orders against John Brown and Nuovo Pignone and changed orders on only oil and gas against Dresser France and Creusot-Loire. A third section is the economic impact of the oil and gas TDO on all four companies, and finally some questions and answers regarding not just tomorrow's probable Press Release on Nuovo Pignone but also Q's and A's re John Brown, Dresser France and Creusot-Loire.

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Attachments

This Document is Automatically
Declassified when classified
enclosures are removed

~~CONFIDENTIAL~~

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLCSURE(S)

inf 3/9/10

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DRAFT

9/3/82
5:45pm

COMMERCE PRESS RELEASE

CONTACT B. Jay Cooper (202) 377-2067

Bonnie Whyte (202) 377-3808

FOR IMMEDIATE RELEASE

COMMERCE ISSUES TEMPORARY
DENIAL ORDER

The Department of Commerce today issued a temporary denial order prohibiting export of all U.S. oil and gas equipment, services and technology related to such products to the Italian firm of Nuovo Pignone and its Italian subsidiary, INSO. The firm is under contract with the USSR to produce gas turbines containing U.S. parts and technology for the trans-Siberian pipeline.

The Department will request that the Hearing Commissioner modify the two earlier denial orders which were issued August 26, to Dresser France, a subsidiary of Dresser Industries, Dallas, Texas, and to Creusot-Loire, a French company. The proposed modification would prohibit the export of all U.S. oil and gas equipment, services, and technology to Dresser France and to Creusot-Loire as opposed to a prohibition on all U.S. products. Creusot-Loire and Nuovo Pignone are prime contractors for the trans-Siberian natural gas pipeline and Dresser France is a sub-contractor.

On June 22, 1982, President Reagan, under authority granted by the Export Administration Act of 1979, extended the sanctions on oil and gas equipment to the Soviet Union imposed the previous December, and through the adoption of new regulations, prohibited all oil and gas equipment (including turbines and compressors), services, and technology from being exported or reexported by U.S. companies, their subsidiaries or foreign licensees to the Soviet Union. The President said on that date: "The objective of the United States in imposing the sanctions has been and continues to be to advance reconciliation in Poland. Since December 30, 1981, little has changed concerning the situation in Poland."

Nuovo Pignone is under investigation by the U.S. Department of Commerce because of the export of two gas turbines to the USSR in violation of this act. Dresser France and Creusot-Loire are under investigation because of the export of three gas compressors to the USSR in violation of the act.

Secretary of Commerce Malcolm Baldrige reiterated that "the Department will take action against other companies if violations of the Department's export regulations are suspected to have occurred." In announcing this latest Administration action to enforce export sanctions against the USSR, the Secretary explained that "the changing of the denial orders to

oil and gas equipment, technology and any services associated with such equipment and technology was fully consistent with the President's decisions of December 29, 1981, and June 18, 1982, in implementing sanctions on such equipment". The Secretary further stated, "this action will further the U.S. objective of preventing exports of any U.S. oil and gas equipment and technology which could assist the Soviet Union in oil and gas exploration, production, refining and transmission."

The Secretary stressed that these actions taken by the Department are not of a punitive nature. They were taken with the purpose of facilitating enforcement of the Act and of the investigations into suspected violations by the firms. No decision regarding any imposition of penalties has been made.

D 1

Question

What is the President's decision regarding John-Brown and Nuovo Pignone?

Answer

The President has directed the Secretary of Commerce to seek temporary denial orders against John Brown and Nuovo Pignone prohibiting export of all U.S. origin equipment and technology related to oil and gas exploration, production, transmission and refining.

Question

What is the objective of a temporary denial order?

Answer

A temporary denial order prohibits the person or company on whom it is served from participating in any transaction involving any exports from the United States.

Its general objective is to prevent additional possible violations of U.S. export regulations until we conclude our investigation and have proceeded with adjudication.

Question

Why were the temporary denial orders against Dresser France and Creusot-Loire modified?

Answer

A temporary denial order is a frequently used vehicle to protect our national interests during the course of an investigation. When alleged violations of our export regulations exist, the issuance of temporary denial orders will prevent U.S. parts and technology, still physically within U.S. borders, from being shipped to violating parties. It is not a punitive action. They are intended as preventive measures to avoid additional possible violations.

Our initial decision to prohibit export of all U.S. products, services and technology to Dresser France, and Creusot-Loire was based on information we had available to us at that time, in effort to prevent additional possible violation of our regulations toward the USSR. As you know, these regulations are limited to oil and gas technology and equipment..

However, with additional information, we believe that limiting our denial order to oil and gas equipment and technology will be consistent with our objectives of preventing, to the extent possible, additional violations.

Our objectives remain the same. We still intend to prevent violations of our oil and gas regulations. By modifying the denial order. We are simply refining the implementation and not the basic objectives.

Question

Have you changed temporary denial orders before?

Answer

Let me remind you that a temporary denial order is a flexible mechanism routinely used in administrative actions. If in the course of our investigations evidence dictates a change, the denial order is and has been modified.

For example, during our recent investigations of a Spanish company, we sought a modification of the temporary denial order to more carefully tailor the embargo of U.S. origin equipment and technology. This case is still under active investigation and I am unable to comment on it at this time.

Question

How are the investigations against Dresser, France and Creusot-Loire proceeding?

Answer

The investigations are proceeding expeditiously. I cannot make any further comments on an active investigation.

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Question

What effect will the temporary denial order have on John Brown Engineering?

Answer

I understand that John Brown's business is both power generation and oil and gas related turbines. While the impact on John Brown's oil and gas related areas will be substantial, since they will not be able to complete their contracts to the Soviet Union, they can still acquire power generating equipment which is their predominant line of business.

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Question

What effect will the temporary denial order have on Nuovo Pignone?

Answer

Nuovo Pignone is a diversified energy company which relies more heavily on Italian rather than U.S. technology except for turbine production. It is believed that a third of their revenue is derived from pipeline turbines, most of which are oil and gas related. The temporary denial order will have a significant impact on Nuovo Pignone as over \$500 plus million in business over the next 3 years is in oil and gas turbines, using G.E. rotors which cannot be shipped under this order.

==

QUESTION:

Who are the main contractors on the pipeline and the Western suppliers.

ANSWER:

The prime contractors for the pipeline are a consortium of the German firm Mannesman and the French firm Creusot-Loire for the Northern segment and the Italian firm Nuovo Pignone for the Southern portion.

The pipeline requires a total of 41 compressor stations (22 for the Northern portion and 19 for the Southern). The line calls for 125 compressors (3 compressors each for 40 stations and 5 compressors for one head station). The same number of gas turbine engines are required to drive the compressors. Western manufacturers of the compressors and gas turbines are:

COMPRESSORS

Creusot-Loire	42
Dresser (France)	21
Nuovo Pignone	57
Demag	= 5

GAS TURBINES*¹

AEG Kanis	47
John Brown Ltd.	21
Nuovo Pignone	57

*General Electric to provide 125 rotor sets for the gas turbine engines.

¹The French firm Alsthom-Atlantique contracted in November 1981 to supply 40 rotor sets.

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QUESTION:

How will the temporary denial order affect John Brown Engineering, Ltd?

ANSWER:

The temporary denial order will prohibit John Brown Engineering Ltd from participating, directly or indirectly, in any transaction involving U.S.-origin oil and gas equipment or technical data. This prohibition includes both validated and general license commodities or technical data, and prohibits the firm from such activities as negotiating for, ordering, buying, selling, delivering or otherwise dealing in U.S.-origin commodities or technical data.

DSchlechty/0107h

25

QUESTION:

What is John Brown Engineering's relationship to Creusot-Loire S.A. of France and how is it connected to the pipeline?

ANSWER:

Creusot-Loire along with Mannesman of West Germany is the general contractor for 22 pipeline compressor stations in the northern segment of the pipeline. Creusot-Loire has ordered 21 Model MS5002 gas-turbine engines from John Brown Engineering, six of which are completed and being delivered. The gas turbines were ordered from John Brown in Creusot-Loire's capacity as general contractor.

DSchlechty/0107h

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WASHFAX RECEIPT

THE WHITE HOUSE

DEPARTMENT OF STATE

82 SEP 4 AM 10 29

C

UPON REMOVAL
D ENCLOSURE(S)
Amf 3/9/72

[Signature]
Urgent

MESSAGE NO. 224 CLASSIFICATION ~~TOP SECRET~~ PAGES 2

FROM Robert McFarlane
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION _____

TO (AGENCY)	DELIVER TO:	DEPT/ROOM NO.	EXTENSION
<u>B</u>	<u>Jerry Bremer</u>	_____	_____
_____	_____	_____	_____
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REMARKS: _____

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UNCLASSIFIED

CLASSIFICATION

CIRCLE ONE BELOW

MODE

PAGES

1

IMMEDIATE

DACOM #

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RELEASER

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PRIORITY

DEX #

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DTG

040105Z SEP 62

ROUTINE

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FROM/LOCATION/

1. THE SITUATION ROOM

TO/LOCATION/TIME OF RECEIPT

1. RADM POINDEXTER FOR JUDGE CLARK/SANTA BARBARA

TOR 040103Z

INFORMATION ADDRESSES/LOCATION/TIME OF RECEIPT

1.

2.

SPECIAL INSTRUCTIONS/REMARKS:

ATTACHED:

ACTION

Judge ✓
J.

UNCLASSIFIED

CLASSIFICATION

MEMORANDUM

FORM HAS BEEN

NATIONAL SECURITY COUNCIL

September 3, 1982

MEMORANDUM FOR ADMIRAL POINDEXTER

FROM: DENNIS BLAIR

SUBJECT: Bill Wilson's Invitation to visit Taiwan

Earlier this week you requested that I staff a subject Bill Wilson raised with the President during one of their horseback rides - an invitation that Bill had received to visit Taiwan.

I called Bill for details, then conferred with Gaston Sigur, who checked with State: our policy is that no officials of ambassador or higher rank visit Taiwan. Wilson had given me no rationale which would justify an exception to this policy; he simply would like to accept an invitation for an interesting visit.

I recommend that the Judge tell Wilson what the policy is, and request him politely to turn down the invitation on the grounds of schedule, or some other excuse.

*Denise: pls prepare
letter from you to Wilson*

*9/7/82
Original?
Passed telephonically
to Blair*

MEMORANDUM

NATIONAL SECURITY COUNCIL

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY NAU *HN*

SUBJECT: Santos, Ltd.

S-W T.

Jeffrey Price, the DCM at the Australian Embassy in Washington, called Gaston Sigur about a problem an Australian firm is encountering as a result of U.S. sanctions. Gaston asked that he call me.

Briefly, Santos, Ltd., an Australian firm, has a contract with G.E. to purchase turbines and residue gas compressors for developing a gas field in the Cooper Basin in South Australia. G.E. subcontracted with Dresser France to supply the residue gas compressors. Dresser France, under the recent denial order, no longer has access to the G.E. technology to produce these residue gas compressors. Santos will incur delays and extra costs as it tries to find an alternative supplier. This case involves a second set of companies that will be affected by U.S. sanctions, not because they are dealing with the Soviet Union (as is Dresser France), but because they are dealing with companies (such as Dresser France) that are dealing with the Soviet Union.

I took the information, told him that companies in other allied countries and in the U.S. were similarly affected, that exceptions in this case were unlikely, that he should provide this information to State and Commerce, and that I would inform you of the conversation.

Sigur concurs.

cc: Norman Bailey
Roger Robinson
Dennis Blair