

WITHDRAWAL SHEET

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Collection: Executive Secretariat, NSC
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File Folder: Japan (5/5/82 – 5/19/82)

FOIA ID: F00-037 (1539), Oberdorfer
Date: 01/12/2004

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Memo	Norman Bailey to William Clark re Sakhalin Update, 1p <i>R 7/24/06 F00-037/1 # 300</i>	5/6/81	B1
2. Memo	Roger Robinson to Bailey re Sakhalin Update, 1p <i>R " " # 301</i>	5/5/82	B1
3. Memo	Robinson to Bailey re Sakhalin Project, 3p <i>R " " # 302</i>	5/5/82	B1
4. Cable	280805Z APR 82, 1p <i>R " " # 303</i>	4/28/82	B1
5. Cable	060158Z MAY 82, 2p <i>R " " # 304</i>	5/6/82	B1
6. Memo	Richard Childress to Clark re Sakhalin Oil Project, 1p <i>R " " # 305</i>	5/6/82	B1
7. Cable	060158Z MAY 82, 3p <i>R " " # 306</i>	5/6/82	B1
8. Cable	071432Z MAY 82, 2p <i>R " " # 307</i>	5/7/82	B1
9. Cable	072100Z MAY 82, 1p <i>R " " # 308</i>	5/7/82	B1
10. Cable	080004Z MAY 82, 1p <i>R " " # 309</i>	5/8/82	B1
11. Memo	Robinson to Clark re Sakhalin Project, 3p <i>R " " # 310</i>	5/17/82	B1
12. Memo	Michael Wheeler to L. Paul Bremer re: Sakhalin Project, 1p <i>R " " # 311</i>	5/19/82	B1
13. Draft Cable	To Ambassador Mansfield re Sakhalin Project, 5p <i>PART " " # 312</i>	Nd	B1
14. Report	3p <i>PART 5/1/07 " # 313</i>	4/20/82	B1, B2, B6
15. Memo	Robinson to Clark re Sakhalin Project, 1p <i>R 7/24/06 F00-037/1 # 314</i>	5/18/82	B1

RESTRICTIONS

- B-1 National security classified information [(b)(1) of the FOIA].
- B-2 Release could 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 commercial 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-7a Release could reasonably be expected to interfere with enforcement proceedings [(b)(7)(A) of the FOIA].
- B-7b Release would deprive an individual of the right to a fair trial or impartial adjudication [(b)(7)(B) of the FOIA].
- B-7c Release could reasonably be expected to cause unwarranted invasion or privacy [(b)(7)(C) of the FOIA].
- B-7d Release could reasonably be expected to disclose the identity of a confidential source [(b)(7)(D) of the FOIA].
- B-7e Release would disclose techniques or procedures for law enforcement investigations or prosecutions or would disclose guidelines which could reasonably be expected to risk circumvention of the law [(b)(7)(E) of the FOIA].
- B-7f Release could reasonably be expected to endanger the life or physical safety of any individual [(b)(7)(F) 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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Date: 01/12/2004

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
16. Memo	Wheeler to Bremer re Sakhalin Project (annotated), 1p <i>R 7/24/06 F00-037/1 #315</i>	Nd	DL
17. Cable	190727Z MAY 82, 1p <i>R " " #316</i>	5/19/82	DL

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PENDING REVIEW IN ACCORDANCE WITH E.O. 13233

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Collection Name EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

Withdrawer

LOJ 7/20/2007

File Folder JAPAN (05/05/1982-05/19/1982)

FOIA

F00-037 (F1539)

Box Number

ID	Doc Type	Document Description	No of Pages	DOC Date	
5	CABLE	060158Z MAY 82 (F00-037/1#304)	2	5/6/1982	MVH 5/21/08
6	MEMO	CHILDRESS TO CLARK RE SAKHALIN OIL PROJECT (F00-037/1#305)	1	5/6/1982	MVH 5/21/08
7	CABLE	060158Z MAY 82 (F00-037/1#306)	3	5/6/1982	MVH 5/21/08
11	MEMO	ROBINSON TO CLARK, RE SAKHALIN PROJECT (F00-037/1#310)	3	5/17/1982	MVH 5/21/08
17	CABLE	190727Z MAY 82 (F00-037/1#316)	1	5/19/1982	MVH 5/21/08

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S)

msn 1/26/04

RECEIVED 06 MAY 82 11

TO CLARK

FROM BAILEY

DOCDATE 06 MAY 82

ROBINSON

05 MAY 82

ROBINSON

05 MAY 82

KEYWORDS: EXPORT CONTROLS

JAPAN

OIL

USSR

SUBJECT: UPDATE ON SAKHALIN PROJECT

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

COMMENTS

REF#

LOG 8202976

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ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	<i>5/15</i>	<i>Noted by Clark</i>		<i>[Signature]</i>

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MEMORANDUM

3162

NATIONAL SECURITY COUNCIL

May 6, 1982

~~CONFIDENTIAL with
SECRET ATTACHMENTS~~

INFORMATION

NOTED

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NAB*

SUBJECT: Sakhalin Update

Attached are two memos from Roger Robinson (Tab A) reporting on some recent developments concerning the Sakhalin project. These are being consolidated into the original memo for agency comment.

Attachment
Tab A Robinson Memos of May 5

~~CONFIDENTIAL with
SECRET ATTACHMENTS~~
Review May 6, 1988

~~CONFIDENTIAL~~

DECLASSIFIED
NLS 100-037/1#300
BY LOI DATE 7/24/06

~~SECRET~~

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

May 5, 1982

INFORMATION

MEMORANDUM FOR NORMAN A. BAILEY

FROM: ROGER W. ROBINSON *QR*

SUBJECT: Sakhalin Project

In my memorandum to Judge Clark of 4/27/82, one of the possible Japanese concessions discussed in exchange for approving U.S. licenses for Sakhalin was providing some \$5 billion in untied financing for the ANGST project. In addition, one element of a possible "U.S. energy offset package" involved the accelerated joint development of U.S. oil shale and other syn-fuels. In the brief intervening period since 4/27, events appear to have overtaken both the ANGST project (resulting in a proposed 2 year postponement of the project due to the financing problem discussed and new energy price projections based on global supply/demand considerations through 1990) and EXXON's Colony shale oil project. These developments indicate a need to reassess and probably discount these options from the proposed strategy.

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Review May 5, 1988

Classified by Norman A. Bailey

DECLASSIFIED

NLS FOO-037/1#301

BY LOT, NARA, DATE 7/24/06

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MEMORANDUM

NATIONAL SECURITY COUNCIL

May 5, 1982

~~SECRET~~

INFORMATION

MEMORANDUM FOR NORMAN A. BAILEY

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Sakhalin Project

On the evening of April 26 and the morning of April 27, I met with a senior private sector executive involved in coordinating the Sakhalin project. Over the past week, he was able to corroborate and/or add the following to the arguments outlined in my memo to Judge Clark of April 27.

The redundant or supplemental character of the Odoptu geological structure was confirmed. An interesting addition was the fact that the Japanese have been attempting to resist Soviet pressure to proceed with Odoptu drilling for at least the past year. The Soviets were pressing for Odoptu exploration to begin in the summer of 1981. When repeatedly asked by the consortium why Odoptu is perceived as necessary when Chaivo has more than sufficient proven reserves to fulfill the terms of the 1975 General Agreement, the Soviets could only respond that they cannot defend separating the structures to their "National Committee." The source described this Soviet rationale as "reasons we cannot understand."

No exploratory work has as yet begun on Odoptu. The Soviets have insisted on the drilling of five wells at Odoptu in 1982 and six wells in 1983. They threatened to abrogate the agreement if this schedule is not observed. The original Japanese position was reportedly to resist any drilling at Odoptu, but confronted with the abrogation threat reluctantly agreed to the drilling of five wells in 1982 but reserved the right to have a new decision taken concerning 1983.

The source cautiously speculated that the inability to undertake 1982 exploratory work on Odoptu would probably not result in the abrogation of the 1975 General Agreement. One Tokyo-based firm involved in Sakhalin has reportedly already received

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Review May 5, 1988

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NLS F00-037/1 #302

BY LOT NARA, DATE 7/24/06

~~SECRET~~

guidance not to take soil borings at Odoptu because of the probability that U.S. licenses would be withheld.

To date, the consortium reportedly invested a little less than \$170 million in the project with \$15 million more earmarked for 1982 Odoptu exploratory work.

Japan is presently facing a serious oversupply of LNG. The most authoritative figure on projected LNG demand by 1990 is 38.5 million metric tons (estimate of the Energy Institute of Japan). MITI's estimate of 43.0 million metric tons of LNG is considered overly optimistic. The tables attached describe (1) LNG imported in 1981, (2) contracted LNG to be brought on stream, (3) new projects in the advanced planning stages (see Tab I).

Despite the oversupply situation illustrated by the tables, the Japanese government has reportedly given priority to Sakhalin because (1) it has a 44% ownership share of SODECO, (2) it has provided the bulk of the \$170 million venture capital which it would stand to lose if the deal were abrogated and (3) the project has been under active discussion and exploration since 1975 and abrogation due to U.S. licensing policy could create political difficulties both in the Parliament and with the Japanese business community. However, these considerations, although important, do not change the fact that Japan does not need Sakhalin LNG or take into account a potential U.S. energy offset package to assist in mitigating the adverse political and bilateral repercussions.

A representative of Gulf Oil (5.6% owner of SODECO), together with a recent cable from our Embassy in Japan of 4/28 (Tab II), confirm the rigidity of the May deadline (also indicated in my 4/27 memo) for the release of U.S. licenses if 1982 exploratory work on Odoptu is to proceed. This consideration, however, was already factored into the analysis. The focus of the decision at this time should be whether or not to permit the interruption of 1982 Odoptu exploratory work and the possible -- but, at this writing, unlikely -- abrogation of the 1975 General Agreement. The major reasons in support of continuing to withhold the licenses at least until fall are the following: (1) the reintroduction of curfews and imposition of other restrictions in response to a new round of potentially serious social unrest and violence in Poland, (2) original and perhaps continuing Japanese resistance to Odoptu exploration, (3) the redundant character of the Odoptu structure, (4) the reported probability that our not approving the licenses will not result in abrogation of the General Agreement (still being investigated by the Agency, private Japanese sources, and Gulf Oil), (5) the relatively modest venture capital

committed to date, (6) indications that the Japanese are open to discussions of various quids, (7) to preserve the integrity of our across-the-board withholding of U.S. licenses for oil and gas related equipment to the USSR for, at least, a few more valuable months to permit efforts to structure a viable U.S. energy offset package should Soviet behavior call for a decision to permit abrogation in December 1982.

Attachments

Tab I Fact Sheet
Tab II Embassy Tokyo Cable

Japan

I. LNG Imported in 1981 (million metric tons)

Alaska	0.96
Brunei	5.14
Abu Dhabi	2.06
Indonesia	<u>8.8</u>
Total	16.96

II. Contracted LNG (million metric tons)

Sarawak	6.0	beg. 1983
Indonesia	6.5	beg. 1983
Australia	<u>6.0</u>	beg. 1987
Total	18.5	

III. LNG Projects in Planning Stage

Canada	2.9
Sakhalin	3.0
Quatar	6.0
Thailand	<u>2.5</u>
Total	14.4 (all scheduled to materialize by 1990)

Grand total of LNG supplies by 1990 -- 49.86 million metric tons

INFO OCT-00 ADS-00 INR-10 EUR-12 CIAE-00 EB-08 DODE-00 MANSFIELD
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INFO AMEMBASSY MOSCOW IMMEDIATE

~~C O N F I D E N T I A L~~ TOKYO 07097

E.O. 12065: GDS 4/27/88 (ANGEVINE, CHARLES) OR-E
TAGS: EEVT, JA
SUBJECT: SAKHALIN OIL DEVELOPMENT PROJECT

REF: STATE 111149

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. ADDITIONAL INFORMATION HAS BEEN PROVIDED TO EMBOFF BY MOFA SOVIET AFFAIRS OFFICER RESPONSIBLE FOR THE SAKHALIN PETROLEUM DEVELOPMENT PROJECT. THIS INFORMATION CONCERNS THE URGENT NEED FOR A DECISION BY MAY 1, (OR MAY 15 AT THE LATEST) ON THE EXPORT LICENSE FOR U.S. SUPPLIED DRILLING EQUIPMENT.

3. THE DRILLING LOCATION IS OFFSHORE NORTHWEST SAKHALIN, AN AREA VERY REMOTE FROM BOTH MAJOR JAPANESE AND RUSSIAN PORTS. DUE TO THICK ICE PACKS IN THE AREA THE DRILLING SEASON IS LIMITED TO THE PERIOD FROM JUNE TO MID-OCTOBER. DURING THIS PERIOD FIVE WELLS MUST BE DRILLED BY TWO RIGS, THE JAPANESE "DAINIHAKURYU" AND THE RUSSIAN "OXA". THE DAINIHAKURYU IS CURRENTLY UNDER CONTRACT FOR OIL DRILLING WORK OFF AKITA PREFECTURE OFF NORTHWEST JAPAN UNTIL JUNE 10. THE WHEREABOUTS OF "OXA" ARE UNKNOWN.

3. THE DAINIHAKURYU IS SCHEDULED TO LEAVE FOR SAKHALIN ON JUNE 10 AND PLANS TO ARRIVE ON JUNE 22 SO THAT IT CAN BEGIN DRILLING JUNE 25. SOME OF THE EQUIPMENT REQUIRING LICENSES INCLUDING CRITICAL ITEMS LIKE GENERATORS, PUMPS AND KELLEYS, ARE VERY LARGE AND MUST BE TRANSPORTED BY SHIP. THE MOFA OFFICIAL GAVE THE FOLLOWING ESTIMATED TIMETABLE BASED ON A MAY 1 APPROVAL.

- MAY 1: LICENSE
- MAY 4: ARRANGE TRANSPORTATION
- JUNE 5: EQUIPMENT ARRIVES IN YOKOHAMA
- JUNE 15: EQUIPMENT ARRIVES BY SHIP AT BASE IN SAKHALIN
- JUNE 20: INSTALLATION OF EQUIPMENT COMPLETED
- JUNE 22: RIGS ARRIVE AT DRILLING SITE
- JUNE 25: DRILLING BEGINS

4. IT IS OUR VIEW THAT DUE TO THE VAST DISTANCES INVOLVED, AND THE NECESSITY OF SHIPPING THE HEAVY EQUIPMENT AS OCEAN FREIGHT, THAT THE MAY 1 DEADLINE IS VERY REAL. FAILURE TO REACH A DECISION BY THAT DATE (OR AT THE VERY LATEST BY MAY 15) WOULD HAVE THE SAME EFFECT AS A DECISION TO DENY THE LICENSE. THE SENSE OF URGENCY WHICH THE COMPANY HAS EXPRESSED IS MOST CERTAINLY SHARED BY THE GOJ.

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NLS F00-037/1#303

BY LOS NADA DATE 7/24/06

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WHITE HOUSE SITUATION ROOM

PAGE 01 OF 02 TOKYO 7380
SIT817 DATE 05/11/82

DTG: 060158Z MAY 82 PSN: 015191
TOR: 126/0251Z

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MESSAGE ANNOTATIONS:

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MESSAGE:

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SECDEF WASHDC IMMEDIATE

INFO AMEMBASSY BEIJING IMMEDIATE 7536
BT

~~C O N F I D E N T I A L~~ TOKYO 07380
EXDIS
FOR SECRETARIES HAIG, WEINBERGER AND BALDRIDGE AND NSC
ADVISOR CLARK FROM AMBASSADOR MANSFIELD
BEIJING FOR THE VICE PRESIDENT
E.O. 12065: GDS 5/6/88 (MANSFIELD, MICHAEL) OR-M
TAGS: EEWT, JA
SUBJECT: SAKHALIN OIL DEVELOPMENT PROJECT

1. ~~C O N F I D E N T I A L~~ - ENTIRE TEXT.
2. I BELIEVE YOUR PERSONAL ATTENTION IS NEEDED TO ENSURE THAT INFLEXIBILITY IN APPLYING OUR SANCTIONS POLICY DOES NOT COST US THE COOPERATION OF AN ESSENTIAL AND RELIABLE SUPPORTER OF OUR ECONOMIC MEASURES AGAINST THE SOVIET UNION. OUR MOST RECENT ACTIONS TO RESTRICT SOVIET ACCESS TO HIGHER TECHNOLOGY IN THE ENERGY AREA HAVE RESULTED IN THE WITHHOLDING OF EXPORT LICENSES FOR THE CURRENT YEAR, 'S OPERATION OF AN EIGHT YEAR OLD JOINT JAPANESE-SOVIET PETROLEUM EXPLORATION PROJECT

MESSAGE (CONTINUED)

ON SAKHALIN ISLAND. IF THE JAPANESE CANNOT COMPLETE THIS YEAR'S EXPLORATION, THEY WILL BE IN BREACH OF THE PROJECT CONTRACT AND COULD LOSE THEIR INVESTMENT OF \$170 MILLION AND THEIR RIGHTS TO ONE-HALF OF ALL OIL AND GAS EVENTUALLY PRODUCED.

3. THE JAPANESE ARE VERY CONCERNED ABOUT OUR REFUSAL TO ISSUE THE EXPORT LICENSES NEEDED TO AVOID DEFAULT ON THE PROJECT. FOREIGN MINISTER SAKURAUCHI RAISED THIS SUBJECT WITH ME IN MARCH AND PRIME MINISTER SUZUKI ASKED VICE-PRESIDENT BUSH ON APRIL 25 FOR HIS ASSISTANCE IN OBTAINING EARLY ISSUANCE OF THE LICENSES IN ORDER TO PERMIT OPERATION DURING THE 1982 SUMMER DRILLING

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WHITE HOUSE SITUATION ROOM

PAGE 02 OF 02 TOKYO 7380

DTG: 060158Z MAY 82 PSN: 015191

SEASON.

4. I NEED NOT RECALL FOR YOU THAT THE JAPANESE STRONGLY SUPPORTED US ON IRAN AND AFGHANISTAN SANCTIONS EVEN THOUGH THE FORMER COST THEM 13 PERCENT OF THEIR OIL SUPPLY AND THE LATTER COST THEM TWO PROJECTS TAKEN OVER BY THE FRENCH AND GERMANS. THEY HAVE FOLLOWED OUR LEAD ON THE FALKLANDS ISSUE, ANNOUNCING THEIR SUPPORT FOR THE UK RIGHT AFTER WE DID. YOU ARE ALSO AWARE THAT THEY ARE SYMPATHETIC TO OUR CURRENT EFFORTS TO EXTEND SANCTIONS AND INCREASE ECONOMIC PRESSURES ON THE SOVIET UNION. WE NEED THEIR COOPERATION IF OUR EFFORTS ARE TO SUCCEED. IF WE ARE UNABLE TO FIND A WAY TO PERMIT THIS EIGHT-YEAR-OLD JOINT PROJECT TO CONTINUE, WE WILL MAKE IT DIFFICULT FOR THE PRIME MINISTER TO JUSTIFY CONTINUED CLOSE COOPERATION WITH THE U. S. IN RESPECT TO ECONOMIC MEASURES DIRECTED AGAINST THE SOVIET UNION. IF WE FORCE THE JAPANESE INTO DEFAULT, IT WILL BE ALL GAIN FOR THE SOVIETS AND ALL LOSS FOR JAPAN AND THE WEST.

5. I PERSONALLY BELIEVE THAT ANY SPECIAL CONSIDERATION WE CAN SHOW THE JAPANESE IN RESPECT TO THIS PROJECT WILL BE AMPLY REPAID IN THE MONTHS AHEAD.
MANSFIELD

TOKYO 7380

DTG: 060158Z MAY 82 PSN: 015191

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UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S)

RECEIVED 06 MAY 82 11

TO CLARK

FROM CHILDRESS

*M37
11/26/04*

DOC DATE 06 MAY 82

KEYWORDS: JAPAN

OIL

MANSFIELD, MIKE

EXPORT CONTROLS

SUBJECT: SUZUKI APPEAL TO VP ON SAKHALIN PROJECT

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

GREGG

BAILEY

COMMENTS

REF#

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ACTION OFFICER (S)

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ACTION REQUIRED

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COPIES TO

C 5/7 Clark noted

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PH (C) [Signature]

~~CONFIDENTIAL~~

MEMORANDUM

WPC HAS

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

May 6, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: RICHARD CHILDRESS *RC*

SUBJECT: Sakhalin Oil Project

The attached message from Ambassador Mansfield, reporting Suzuki's appeal to the Vice President over Sakhalin and the consequences of our denying the license renewal for this eight-year old project, echoes my earlier memos. Time is running out--we must move to divorce Sakhalin from our broader concerns over Soviet access. We simply don't have the luxury now to lock it into a long drawn out interagency process over sanctions in general, nor engineering some complex quid pro quo arrangement.

Attachment

Tab I Cable - Tokyo 7380

cc: Don Gregg
Norm Bailey

DECLASSIFIED

NLS FOO-037/1 #305BY LOI DATE 7/24/06~~CONFIDENTIAL~~
Review on May 6, 1988~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 03 TOKYO 7380
SIT124

DTG: 060158Z MAY 82 PSN: 015191
TOR: 126/0251Z

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TO SECSTATE WASHDC IMMEDIATE 0606
USDOC WASHDC IMMEDIATE
SECDEF WASHDC IMMEDIATE

INFO AMEMBASSY BEIJING IMMEDIATE 7536

~~C O N F I D E N T I A L~~ TOKYO 07380

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NLS FOO-037/1 #306

~~CONFIDENTIAL~~

BY LAL DATE 7/24/06

WHITE HOUSE SITUATION ROOM

PAGE 02 OF 03 TOKYO 7380

DTG: 060158Z MAY 82 PSN: 015191

EXD
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EXD
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EXD
DIS

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

PAGE 03 OF 03 TOKYO 7380

DTG: 060158Z MAY 82 PSN: 015191

UNION. IF WE FORCE THE JAPANESE INTO DEFAULT, IT WILL BE ALL GAIN FOR THE SOVIETS AND ALL LOSS FOR JAPAN AND THE WEST.

5. I PERSONALLY BELIEVE THAT ANY SPECIAL CONSIDERATION WE CAN SHOW THE JAPANESE IN RESPECT TO THIS PROJECT WILL BE AMPLY REPAID IN THE MONTHS AHEAD.

MANSFIELD

BT

EXDIS

EXDIS

EXDIS

EXDIS

~~CONFIDENTIAL~~

163

National Security Council The White House

RECEIVED

Package # 3250

02 MAY 6 11:07

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>[initials]</u>	
Bud McFarlane	<u>2</u>	<u>[initials]</u>	
Jacque Hill	<u>3</u>	<u>[initials]</u>	
Judge Clark	<u>4</u>	<u>WPC</u>	<u>I</u>
John Poindexter			
Staff Secretary			
Sit Room			

I-Information

A-Action R-Retain D-Dispatch

DISTRIBUTION

cc: VP Meese Baker Deaver

Other _____

COMMENTS

~~SECRET~~

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 02 SECSTATE WASHDC 4489
SIT843 DATE 05/19/82

DTG: 071432Z MAY 82 PSN: 017735
TOR: 127/1504Z

DISTRIBUTION: REPT /001

WHTS ASSIGNED DISTRIBUTION:

SIT: MCF WHLR JP VP SIT EOB
EOB:
WHSR COMMENT:

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE
DE RUEHC #4489 1271489
C 071432Z MAY 82 ZFFB
FM SECSTATE WASHDC

TO AMEMBASSY TOKYO IMMEDIATE 6318

INFO WHITE HOUSE IMMEDIATE 7531
BT

~~SECRET~~ STATE 124489
NODIS
E.O. 12065: SDS 05/06/88 (HAIG, ALEXANDER M.)
TAGS: FEPR, PGOV
SUBJECT: VERSAILLES SUMMIT; PRESIDENTIAL LETTER

1. ~~S~~ - ENTIRE TEXT.

2. POST SHOULD DELIVER THE FOLLOWING LETTER FROM THE
PRESIDENT TO PRIME MINISTER SUZUKI AS SOON AS POSSIBLE:

3. BEGIN TEXT:

DEAR MR. PRIME MINISTER:

AS THE VERSAILLES ECONOMIC SUMMIT DRAWS NEAR, I WANT TO
SHARE WITH YOU MY OWN THINKING ABOUT THIS IMPORTANT
MEETING. THIS SUMMIT PRESENTS US WITH THE OPPORTUNITY
TO EMERGE WITH A STRENGTHENED AND MORE UNIFIED WEST.

I SUGGEST THAT, AT VERSAILLES, WE CONCENTRATE ON THREE

MESSAGE (CONTINUED):

THEMES: MORE EFFECTIVE COOPERATION ON ECONOMIC POLICIES
TO PROMOTE GREATER PROSPERITY AND MARKET STABILITY;
CONCRETE STEPS TO STRENGTHEN THE WORLD TRADING SYSTEM
IN ORDER TO COUNTER RISING PROTECTIONISM; AND PROGRESS
IN ASSURING THAT OUR ECONOMIC RELATIONS WITH THE EAST
ARE CONSISTENT WITH OUR ECONOMIC AND SECURITY

INTERESTS. I WILL ALSO WANT TO ADVANCE MUTUALLY
BENEFICIAL RELATIONS WITH THE DEVELOPING WORLD, AND TO
DISCUSS COOPERATIVE EFFORTS ON ENERGY.

AS YOU KNOW, I AM WORKING WITH THE CONGRESS TO
ESTABLISH THE CONDITIONS FOR A HEALTHY U.S. ECONOMY.
AT THE SAME TIME, I REMAIN STRONGLY COMMITTED TO
COOPERATION WITH YOU TO STRENGTHEN THE GLOBAL ECONOMY.
TOGETHER, WE CAN REDUCE INFLATION AND IMPROVE PROSPECTS

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NLS 400-037/1#307

~~SECRET~~

BY LOT 7/24/06

~~SECRET~~

WHITE HOUSE SITUATION ROOM

PAGE 02 OF 02 SECSTATE WASHDC 4489

DTG: 071432Z MAY 82 PSN: 017735

FOR INCREASING EMPLOYMENT IN OUR COUNTRIES.

STRONG AND GROWING PRESSURES FOR PROTECTIONISM ENDANGER OUR MULTILATERAL TRADING SYSTEM. I SUGGEST THAT WE AGREE UPON THE PRIORITY AREAS ON WHICH THE GATT MINISTERIAL SHOULD FOCUS THIS FALL. IN AN EFFORT TO IMPROVE THE CAPABILITY OF THE TRADING SYSTEM TO RESOLVE PROBLEMS OLD AND NEW AND TO EXTEND ITS PRINCIPLES TO NEW COUNTRIES, PARTICULARLY DEVELOPING COUNTRIES.

ON EAST-WEST RELATIONS WE NEED TO BUILD ON OUR OTTAWA DISCUSSIONS. THE FINANCIAL SITUATION OF SOME EASTERN EUROPEAN COUNTRIES IS PUTTING MAJOR PRESSURE ON THE INTERNATIONAL FINANCIAL SYSTEM. I HOPE THAT AT VERSAILLES WE CAN AGREE TO A COMMON CREDIT POLICY TOWARD THE USSR AND A MEANS TO MONITOR CREDIT FLOWS TO THE EAST. SUCCESS HERE WILL ENABLE US BETTER TO MANAGE OTHER ASPECTS OF EAST-WEST ECONOMIC RELATIONS.

ALTHOUGH ECONOMIC SUBJECTS WILL DOMINATE THE VERSAILLES AGENDA, I ALSO LOOK FORWARD TO THE OPPORTUNITY FOR INFORMAL DISCUSSIONS OF EAST-WEST RELATIONS AND OTHER IMPORTANT ISSUES. I ALSO HOPE WE CAN DISCUSS HOW TO REACH OUT MORE EFFECTIVELY TO THE YOUNGER GENERATIONS. WE HAVE PROPOSED AN INITIATIVE TO INCREASE EXCHANGES AMONG OUR YOUNGER PEOPLE, WHICH I THINK MERITS BROAD WESTERN SUPPORT AND TO WHICH I WILL REFER IN MY JUNE 8 LONDON SPEECH ON DEMOCRACY.

MESSAGE (CONTINUED):

YOU SHOULD ALSO KNOW THAT THIS SUNDAY I WILL ANNOUNCE OUR PROPOSAL TO OPEN START TALKS WITH THE SOVIET UNION. SECRETARY HAIG IS COMMUNICATING WITH YOUR FOREIGN MINISTER WITH FURTHER DETAILS ON THIS MATTER. I LOOK FORWARD TO DISCUSSING OUR START OBJECTIVES WITH YOU IN JUNE.

BY CONCENTRATING ON THESE THEMES AND WORKING TO ENHANCE THE QUALITY OF OUR CONSULTATIONS, I AM CONFIDENT OUR MEETINGS WILL SERVE TO STRENGTHEN THE PEACE AND LAY THE FOUNDATION FOR RENEWED PROSPERITY.

I LOOK FORWARD TO SEEING YOU NEXT MONTH AND DISCUSSING THESE AND OTHER ISSUES OF MUTUAL CONCERN.

.
.
END TEXT. HAIG

SINCERELY,
RONALD REAGAN

SECSTATE WASHDC 4489

DTG: 071432Z MAY 82 PSN: 017735

~~SECRET~~

~~SECRET~~

WHITE HOUSE SITUATION ROOM

PAGE 01 SECSTATE WASHDC 4892 DTG: 072100Z MAY 82 PSN: 018356
SIT882 DATE 05/19 82 TOR: 127.2200Z

DISTRIBUTION: REPT 001

WHTS ASSIGNED DISTRIBUTION:

SIT: MCF WHLP JP VP SIT EOB
EOB:
WHSR COMMENT:

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

FLASH
TO WHDC 4892 127011Z
Z 05 19 82 2184
FM SECSTATE WASHDC

TO AMEMBASSY TOKYO FLASH 6323
AMEMBASSY BONN FLASH 9928
AMEMBASSY PARIS FLASH 3775
AMEMBASSY ROME FLASH 3651
AMEMBASSY OTTAWA FLASH 7315
AMEMBASSY BRUSSELS FLASH 9589
BT

~~SECRET~~ STATE 124992
NDDIS
BRUSSELS FOR USEC
E.O. 12958: RDS-3 5 7.02 (PALMER, ROBIE M. H.)
TYGS: SOCI
SUBJECT: VERSAILLES SUMMIT: PRESIDENTIAL LETTER
REFERENCES: 124486, 124489, 124490

PARAGRAPH 3 OF REPTELS, PRESIDENT'S LETTER, SHOULD BE AMENDED AS FOLLOWS: LAST SENTENCE OF PARAGRAPH BEGINNING "ALTHOUGH ECONOMIC SUBJECTS" SHOULD READ: "WE HAVE PROPOSED AN INITIATIVE TO INCREASE EXCHANGES AMONG OUR YOUNGER PEOPLE, WHICH I THINK MERITS BROAD WESTERN SUPPORT." REST OF THAT SENTENCE, I.E. "AND TO WHICH I WILL REFER IN MY JUNE 8 LONDON SPEECH.", SHOULD BE DELETED.

IF LETTER ALREADY DELIVERED, YOU SHOULD NOT RAISE THIS MATTER. IN RESPONSE TO ANY QUESTIONS, YOU SHOULD STATE THAT WE CONTINUE TO WANT YOUTH INITIATIVE TO BE LAUNCHED AT VERSAILLES. EAGLEBURGER

END OF MESSAGE FOOTER

DECLASSIFIED

NLS FOO-037/1#308

BY LOT, NARA, DATE 7/24/06

~~SECRET~~

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

PAGE 01 SECSTATE WASHDC 5126
SIT831 DATE 05/19/82

DTG: 080004Z MAY 82 PSN: 018697
TOR: 128/0137Z

DISTRIBUTION: REPT /001

WHTS ASSIGNED DISTRIBUTION:

SIT: MCF WHLR JP VP SIT EOB
EOB:
WHSR COMMENT:

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE
DE RUEHC #5126 1280034
O 080004Z MAY 82 ZFF4
FM SECSTATE WASHDC

TO AMEMBASSY TOKYO IMMEDIATE 6328

~~C O N F I D E N T I A L~~ STATE 125126
NODIS
FOR AMBASSADOR
E. O. 12065: GDS 5/7/88 (BREMER, L. P.)
TAGS: ETRD, OTRA, JA
SUBJECT: PRIVATE VISIT OF GEORGE SHULTZ

1. JAPANESE EMBASSY WASHINGTON HAS INFORMED THE DEPARTMENT THAT A DINNER HAS BEEN ARRANGED FOR SHULTZ WITH THE PRIME MINISTER FOR 7:00 P. M. MAY 12. AS CURRENTLY PLANNED THE MEETING IS BEING TREATED AS CONFIDENTIAL. THE PM'S PUBLIC SCHEDULE WILL SHOW ONLY A PRIVATE DINNER WITH YOU. THE GUESTS FOR THE DINNER ARE TO BE SHULTZ, YOU, THE PRIME MINISTER AND MIYAZAWA.

2. THE EMBASSY ACKNOWLEDGED THAT, DEPENDING ON THE WAY THE SHULTZ TRIP PLAYS IN EUROPE, THE GOJ MAY CHANGE THE WAY THE ANNOUNCEMENT IS TREATED. WE HAVE TOLD THEM THAT WE HAVE NO PROBLEM IF THEY ANNOUNCE A MEETING BUT ANY PUBLIC STATEMENT SHOULD EMPHASIZE THAT IT IS A PRIVATE MEETING.

EAGLEBURGER

END OF MESSAGE FOOTER

DECLASSIFIED

NLS FOO-037/1#309

BY LSJ NARA, DATE 7/24/06

~~CONFIDENTIAL~~

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S)

RECEIVED 17 MAY 82 14

TO CLARK

FROM ROBINSON

*M 27
11/26/04*

DOC DATE 17 MAY 82

BAILEY

KEYWORDS: EXPORT CONTROLS
JAPAN

SANCTIONS

SUBJECT: JAPANESE REQUEST FOR EXCEPTION TO DEC 30 SANCTIONS FOR SAKHALIN PROJECT

ACTION: FOR INFORMATION DUE: STATUS C FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

COMMENTS

REF# LOG 8202436 8202976 NSCIFID (C / H)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	<i>C 5/18</i>	<i>Noted by Clark</i>		<i>Robinson, NIB</i>

DISPATCH

W/ATTCH FILE

PA

(C) *4.*

TO:
NSC/S
Clark Hussain (5117).
For your files

~~SECRET~~

MEMORANDUM

3400

NATIONAL SECURITY COUNCIL

~~SECRET~~

INFORMATION

May 17, 1982

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: NORMAN A. BAILEY ^{NB}

FROM: ROGER W. ROBINSON ^{RWR}

SUBJECT: Japanese Request for Exception to December 30, 1981 Sanctions for the Sakhalin Project (S)

Although we have not yet received all of the agencies comments on our May 10 memorandum concerning Sakhalin, we have achieved an interagency concensus on the central issue -- that the Japanese request for exceptional treatment under the December 30, 1981 sanctions be denied. However, the remaining political and logistic considerations of how and in what framework this decision should be formally made, and the manner in which it is communicated to the Japanese, if at all, need to be resolved. (S)

There are four basic options available to resolve these outstanding issues. These are (1) to let the decision be governed by the December 30 sanctions without any formal response to the Japanese ("No Action"); (2) to have Norm Bailey, as Chairman of the Sanctions Monitoring Group (SMG), issue a preliminary determination denying the request "pending review" (SMG Preliminary Determination); (3) to adopt the State Department's recommendation that a "high-level" interagency meeting or NSC meeting be held on the broader issue of the December 30 sanctions with no separate consideration of Sakhalin and with the outcome determining our response to Japan ("High-Level Meeting on December 30 Sanctions"); and (4) on the basis of interagency consensus, issue an NSDD for Sakhalin this week and inform the Japanese Government that we expect to reach a determination on the December 30 sanction in the near future and wish to send a small delegation (NSC and State) to Japan to explain the considerations surrounding this decision ("NSDD for Sakhalin"). (S)

1) No Action

Pro

No response would tacitly communicate to the Japanese that they will not receive preferential treatment under the December 30 sanctions and would not place the Administration

~~SECRET~~
Review on
May 17, 1988

~~SECRET~~

DEC 30 1981
NLS F00-037/14-310
BY WJ DATE 7/24/06

~~SECRET~~

~~SECRET~~

2

in the politically awkward position of saying no with the entire sanction package lifted shortly thereafter. (S)

Con

The President of SODECO, SODECO's Washington attorney, and finally the Minister of Finance have all requested an urgent decision on this matter. As this is a direct request by an ally it should be dignified with a decision as close to the specified time-table as possible. (S)

2) SMG-Preliminary Determination

Pro

General bureaucratic delay that permits us to inform the Japanese that the initial reaction is negative but the matter is under active review. (S)

Con

At best this is a delaying tactic and would be unlikely to pacify the Japanese. (S)

3) High-Level Meeting on December 30 Sanctions

Pro

At this writing State, JCS, and DOD wish to address Sakhalin in the context of a broader decision on the December 30 sanctions. This avoids the possibility of unnecessarily estranging the Japanese with a denial that may be overturned within weeks. (S)

Con

The enormously complex web of linkages and considerations related to this broader decision requires elaborate preparation for an NSC meeting and the final recommendation of the Buckley group. Sakhalin would tend to be lost in the agenda with the risk of an oversimplified decision on the entire issue as well as the Pacific-equivalent of the West Siberian pipeline. We have been informed that this week is the absolute extended deadline on a Sakhalin decision as at least one of the two drill rigs contracted for the 1982 exploratory work must be released if not to be used by SODECO. An NSC meeting on the December 30 sanctions is not possible within the next few days and delaying the decision would have the effect of the tacit decision outlined under "No Action." (S)

~~SECRET~~

~~SECRET~~

~~SECRET~~

3

~~SECRET~~

4) NSDD on Sakhalin

Pro

The fact that this request is made by the Government of Japan as controlling shareholder of SODECO and involves a rigid deadline for 1982 exploratory work indicates a need for the Administration to officially communicate a denial even though it may prove politically awkward if the sanctions are overturned very soon thereafter. This concern is partially mitigated by our recommendation that the Japanese be informed of this possibility together with a small delegation sent to Japan to explain our thinking on this decision and on potential U.S. energy offsets to Sakhalin, particularly Alaskan crude. (S)

Con

There may be some interagency protest concerning this approach as, for example, State seems intent on avoiding the situation outlined above. The issue may also be raised of whether or not the Sakhalin project warrants a separate NSDD when it is technically covered by the December 30 sanctions. (S)

The decision boxes we should discuss this afternoon at our 2:00 meeting appear below:

- 1) No Action
- 2) SMG-Preliminary Determination
- 3) High-Level Meeting on December 30 Sanctions
- 4) NSDD on Sakhalin

~~SECRET~~

~~SECRET~~

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S) *msm 1/26/04*

RECEIVED 18 MAY 82 19

TO CLARK

FROM ROBINSON

DOC DATE 18 MAY 82

KEYWORDS: JAPAN

EXPORT CONTROLS

MANSFIELD, MIKE

SANCTIONS

OIL

SUBJECT: PROPOSED CABLE TO MANSFIELD RE SAKHALIN PROJECT

ACTION: FOR DECISION

DUE: 19 MAY 82 STATUS X FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

COMMENTS

REF# LOG NSCIFID (M /)

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

	<i>x 5/19</i>	<i>Clark approved</i>		
<i>Wheeler</i>	<i>5/19</i>	<i>for signature</i>		
	<i>C-5/19</i>	<i>Wheeler signed message to Bremer</i>		
			<i>Robinson, NB</i>	
			<i>DG, PC</i>	
DISPATCH	<i>done via DX 5/19 500 hrs</i>		<i>(W/ATTCH)</i>	FILE <i>PA</i> (C) <i>dsb</i>

W-1
330am 5/19
dem

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

3532

~~SECRET~~

May 19, 1982

MEMORANDUM FOR L. PAUL BREMER, III
Executive Secretary
Department of State

SUBJECT: Instructions to Ambassador Mansfield to
Deny the Japanese Request for an Exception
to the December 29, 1981 Sanctions for the
Sakhalin Project

Please find attached for transmission by the Department of State a draft cable to Mike Mansfield (Tab A) briefing him on the information on Sakhalin we have gathered in the limited time available before a decision on the Japanese request had to be made. We are presently not in a position to offer preferential treatment to the Japanese or soften our broader position on the December 29 sanctions. Fortunately, all the evidence suggests that the results of this denial on the project are not determinant and should therefore not have an inordinately negative impact on your bilateral relations.

Michael O. Wheeler
Michael O. Wheeler
Staff Secretary

Attachment
Tab A - Cable to Mansfield

~~SECRET~~
Review May 18, 1988

DECLASSIFIED
NLS F00-037/14311
BY LOT 7/24/06

~~SECRET~~

VIA CABLE

TO: AMBASSADOR MANSFIELD
AMEMBASSY TOKYO

SUBJECT: Japanese Request for an Exception to the December
29, 1981 Sanctions on Oil and Gas Equipment Exports
to the Soviet Union

As you are aware, the Japanese consortium (SODECO) urgently requested in a correspondence to Don Gregg on 3/30/82 that we approve critical U.S. export licenses for equipment and spare parts valued at approximately \$2 million by latest mid-May in order to facilitate 1982 exploratory work for Sakhalin. In the correspondence of 3/30 signed by SODECO's President S. Koybayashi, SODECO claims that failure to obtain the licenses would mean the inability to commence 1982 exploratory efforts on the "Odoptu" geological structure and result in Soviet abrogation of the 1975 General Agreement governing the project. Denial would also reportedly result in the loss of up to \$500 million in venture capital investment by the consortium and permit the Soviets to proceed alone with the development of the proven reserves of the primary structure (Chaivo) for which exploratory work was completed in October 1981. Moreover, SODECO claims that the Soviets will be able to sell the Chaivo gas and oil to third countries at "full market prices" and that failure to grant an exception to our December 29 sanctions for Sakhalin would represent an entirely positive development for the Soviets and an entirely negative development for Japan.

~~SECRET~~

Review May 18, 1988

DECLASSIFIED IN PART
NLS F00-037/1 # 312
By LOJ, NARA, Date 7/24/06

These SODECO claims were examined as closely as the time constraint for a decision permitted through the use of high level Japanese sources involved in the consortium and the CIA. The information obtained disputes several of the representations made by SODECO.

1. Although the mid-May deadline for the release of U.S. licenses is valid if 1982 exploratory work on Odoptu is to proceed, Odoptu is a redundant structure the development of which has been resisted by the Japanese as it is not required to meet the delivery schedule of LNG and crude oil envisioned in the 1975 General Agreement.

2. The CIA's analysis of the 1975 General Agreement concludes that no deadlines exist regarding the beginning or completion of any exploratory work. (This, however, is not intended to rule out the possibility of a subsequent understanding on this matter.)

3. Sources concur that deferring or even cancelling Odoptu exploration will probably not result in the abrogation of the 1975 General Agreement even if it is confirmed that the Soviets have such a technical right under the terms of the agreement or a side protocol.

4. It is regarded as unlikely that the Soviets would seek to undertake the development and production phase of the Chaivo structure alone beginning in 1983 by forcing abrogation because of the extreme difficulty of mobilizing the \$2-3 billion.

in financing required to cover development costs and the equipment and technology to proceed with development without inordinate delays.

5. Japan is presently facing an oversupply of LNG and does not require the scheduled annual deliveries of 3 million tons of LNG from Sakhalin. This point is important because reportedly no other Far Eastern markets exist for Sakhalin gas other than Japan and the Japanese would not necessarily buy Soviet gas if the Agreement were abrogated. The Soviets have no ready use for Sakhalin gas domestically (only the more modest amount of crude oil produced) and would stand to lose substantial amounts of hard currency were the Japanese to refuse to buy.

6. Sources indicate that the Soviets, with the possible cooperation of SODECO, are very likely "testing" the December 29 sanctions with the hope of stampeding the U.S. into granting an exemption for this project well in advance of the more genuine requirement to obtain the licenses in the fall to permit a December 1982 signing of the development and production phase of the Chaivo structure.

7. The Soviets have had a full work crew on at one of the two rigs at the Odoptu site for the past six months and due to the short drilling season (June-October), this skilled labor force would be idle for at least one year if U.S. licenses are not granted now. This has caused the Soviets to apply considerable pressure on SODECO.

8. As you correctly note in your cable of May 6, the Japanese capital invested in the project to date is \$170 million not \$500 million as mentioned in the SODECO correspondence. The remaining sum represents foregone profits over the life of the project in the event of abrogation resulting from Soviet discounts offered on oil and gas.

9. SODECO's claim that they were exempted from export controls in 1980 and 1981 is inaccurate. No embargo existed for oil and gas related equipment in 1980 or 1981. The licenses for Sakhalin during that period were processed according to standard procedures. Therefore, no precedent exists. **FOIA(b) (1)**

We are forwarding an [REDACTED] document to you which records an incident [REDACTED] which is also relevant to the present circumstance. [REDACTED]

[REDACTED]

[REDACTED] However, independent of the information obtained, there is interagency concurrence that the Sakhalin issue must be addressed within the context of our overall objectives vis a vis the Soviet Union. In the next few weeks, events in Europe and Japan will affect our oil and gas controls and the possibility of achieving restrictions on official credit flows to the USSR. Whether we can effectively link issues such as credits, energy security, the integrity of the sanctions (including oil and gas controls), remains an open question at this time. In addition, granting an exception would reportedly leave the Administration vulnerable to lawsuits from American companies alleging "preferential treatment" for

U.S. oil and gas exports to the Pacific equivalent of the West Siberian pipeline. The reintroduction of curfews and other restrictions by the Polish military must also be considered. In the next few days, the results of the Buckley mission to Europe will be factored into our posture on East-West trade policy for the Versailles and Bonn summits. Granting an exception to the December 29 sanctions for Japan at this time would regrettably compromise and undercut our decisions on a number of these closely-tied issues.

You are, therefore, instructed to communicate as soon as possible with appropriate officials of the GOJ and explain why an exception to the December 29 sanctions for Sakhalin cannot be made at this time. You can cite the broader concerns of the Administration mentioned and indicate that the Administration expects to decide on whether to maintain, expand or rescind the December 29 sanctions on oil and gas equipment to the USSR about mid-June 1982. However, it is not appropriate to cite any of the [REDACTED] data refuting elements of SODECO's claims

FOIA(b) (1)

[REDACTED]

Attachment



~~SECRET NOFORN~~

INTELLIGENCE INFORMATION REPORT

Individual Items Of This Report Are
UNCLASSIFIED Unless Otherwise Indicated

This Is An Information Report. Not Finally Evaluated Intelligence

Fallon
BCH

COUNTRY: USSR (UR)/NORWAY (NO)/JAPAN (JA)

REPORT NO: 2 722 0088 82

TITLE: Soviets Violate SODECO Contract (U)

RECEIVED
APR 20 1982
DIA R15-2B

DATE OF INFO: 820316

REPORT DATE: 820331

(YY MM DD)

(YY MM DD)

ORIGINATOR: [REDACTED]

REQ REFERENCES: C-JT9-40271X

81

SOURCE: (S/NOFORN)

SUMMARY: (S/NOFORN) Report provides information on SODECO contract violation by UR. The UR side of SODECO acquired five vessels instead of two as was agreed by both JA and UR sides of SODECO for the 1981-1982 operation on the Sakhalin Continental Shelf.

DETAILS: (U)

1. (S/NOFORN) In Addendum No. 5 to the basic contract on "Cooperation in Carrying Out Petroleum and/or Natural Gas Exploration, Development, and Production on the Sakhalin Continental Shelf and Supplying the Resultant Products to JA," both parties (UR/JA) to the basic contract considered seven items of the Memorandum dated 24 Jan 81. Both parties signed the memorandum and agreed to the following points:

a. To assure the operation of the Jack-up Rig "OKHA" on the Sakhalin Continental Shelf during the 1981-1982 season, the UR will be provided with two supply boats, which UR will assume responsibility for the acquisition thereof. The purpose of the two supply boats is to meet the operational requirements (including tugging) of the "OKHA."

b. In order to carry out the aforementioned responsibility, the UR will purchase two supply boats at its own expense, instead of renting them through SODECO-1. The SODECO will furnish 4.08 million US dollars in credit to partially compensate the UR for the cost of purchasing the supply boats. The aforementioned funds from SODECO-1 will be remitted directly to the UR within ten days after the UR completes procedures prescribed by SODECO-1 (Credit Contract).

DECLASSIFIED IN PART

CLASSIFIED BY PARA E-1

DECLASSIFICATION DATA

INSCOM PAM 380-6 (80)

NLRR F1539 #313

Review on 31 Dec 2001

BY CW NARA DATE 5/1/07

880

82-0197

~~SECRET NOFORN~~

~~SECRET NOFORN~~

Page 2 of 6 pages
2 722 0088 82

c. The supply boats are to be owned by the UR. Insurance on the supply boats will be at the discretion of the UR and will be based on usual UR vessel insurance practices.

d. All items not covered in this Addendum will conform to the various articles in the basic SODECO contract dated 28 Jan 75.

e. Both sides agreed that an Addendum to the Credit Contract (SODECO-1) dated 21 Oct 75 will be drawn up by SODECO and the UR Foreign Trade Bank within ten days of the signing of this Addendum No. 5.

f. This addendum becomes an integral part of the Basic Contract and becomes effective from the day of its signing. The aforementioned Addendum is a true and correct text extracted from the original which was written in Russian and Japanese in Tokyo and signed on 27 Jun 81 by the following individuals:

Representing SODECO:  Bb

Representing the UR Ministry of Trade: 

2. ~~(S/NOFORN)~~ The Application for Approval of Contract (see page 4) was submitted and item 4 describes the amount of 81,000,000 Norwegian Krone as the total cost of the contract (approximately US \$15,667,311 at 5.17 - US \$1.00 as of Mar 80). Item number 6 reflects the amount applied for financing was US \$4,080,000 in accordance of the Addendum of 14 Jul 81 to Loan Agreement SODECO-1.

3. ~~(S/NOFORN)~~ The initial talks and agreements called for the acquisition of two (2) supply/tug boats; however, unknown to the JA side of SODECO at the time and later surfaced, was the fact, the V/O SUDIOIMPORT had placed an order for five (5) vessels with ULSTEIN HATLO A/S of NORWAY, instead of two (2) which had been agreed. Also, since the vessels were to be equipped with the latest communication equipment, automatic directional finders and depth sonars it came under suspicion of the JA management side of SODECO. Also the staggering amount of US \$15,667,311 drew attention of major stock-holders.

4. ~~(S/NOFORN)~~ The JA management side of SODECO demanded an invoice for the above mentioned equipment, but the UR side refused to submit an invoice for record. The JA side then contacted the UR Embassy but the Embassy said that it does not get involved in such affairs. As a last report, the JA side tasked an unidentified person in NORWAY to look into the matter, and there it became known that the UR had taken advantage of the situation to acquire three (3) additional vessels, which were reportedly delivered to the UR directly and not intended for SODECO use. Also surfaced at that time was that the V/O Sudioimport had used the initial US \$4,080,000 as a down payment for five vessels, and is presently making payments by installments

~~SECRET NOFORN~~

~~SECRET NOFORN~~

Page 3 of 6 pages
2 722 0088 82

5. ~~(S/NOFORN)~~ This Soviet doing has upset the JA side of SODECO, and there is a fear that MITI will learn of the violation and the misuse of SODECO contract. There is also the fear that Prime Minister Suzuki would take a dim view of the matter and consent to US President Reagan's request for technology sanctions against the UR. If this matter leaks outside of SODECO, future trade activities between JA and UR could be jeopardized.

6. ~~(S/NOFORN)~~ The management of SODECO had decided to close its activity for the year and mentioned in its annual report, which is submitted to MITI (Japanese Ministry of International Trade and Industries), that only two vessels were purchased for the SODECO Project, even though there is no invoice to verify the purchase. At this point, the JA side of SODECO is excluding the true facts from its annual report. The JA side of SODECO is anticipating that the UR side would make complete payments on the vessels as soon as possible and without any problems that may threaten the SODECO Project.

~~SECRET NOFORN~~

MEMORANDUM

3532

NATIONAL SECURITY COUNCIL

May 18, 1982

~~SECRET~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: NORMAN A. BAILEY *NB*

FROM: ROGER W. ROBINSON *RWR*

SUBJECT: Cable to Ambassador Mansfield

Attached for your approval is a draft cable (Tab A) which I recommend the Department of State transmit to Ambassador Mansfield briefing him on the information on Sakhalin that we have gathered and instructing him to convey to the appropriate Japanese officials that their request for an exception to the December 29 sanctions for the Sakhalin project has been denied.

RECOMMENDATION:

That you ^{*approve*} approve the attached draft cable (Tab A) and authorize ~~me~~ to sign the memorandum to Bremer at Tab I forwarding the draft for transmission.

Approve *[Signature]* Disapprove _____

[Handwritten signatures and initials]

Don Gregg concurs.

Attachments

- Tab I Memo to Bremer
- Tab A Draft Cable to Mansfield

~~SECRET~~

Review May 18, 1988

DECLASSIFIED

NLS F00-037/L#314

BY LOT 7/24/08

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

3532

~~SECRET~~

MEMORANDUM FOR L. PAUL BREMER, III
Executive Secretary
Department of State

SUBJECT: Instructions to Ambassador Mansfield to
Deny the Japanese Request for an Exception
to the December 29, 1981 Sanctions for the
Sakhalin Project

Please find attached for transmission by the Department of State a draft cable to Mike Mansfield (Tab A) briefing him on the information on Sakhalin we have gathered in the limited time available before a decision on the Japanese request had to be made. ~~I am confident that we are presently not in a position to send a signal to the Soviets or the allies that we are prepared to offer preferential treatment to the Japanese or soften our broader position on the December 29 sanctions. Fortunately, all the evidence suggests that the results of this denial on the project are not determinant and should therefore not have an inordinately negative impact on your bilateral relations.~~

Michael O. Wheeler
Staff Secretary

Attachment
Tab A Cable to Mansfield

~~SECRET~~
Review May 18, 1988

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NLS FOO-037/1#315
BY LOJ 7/24/06

180

National Security Council
The White House

RECEIVED

Package # 3532

22 MAY 1968 P 7: 20

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>8/19</u>	_____
Bud McFarlane	<u>2</u>	<u>m</u>	_____
Jacque Hill	<u>3</u>	<input checked="" type="checkbox"/>	_____
Judge Clark	<u>4</u>	<input checked="" type="checkbox"/>	<u>A</u>
John Poindexter	<u>5</u>	_____	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____

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

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

Other _____

COMMENTS

Should be released today, Wed

*Brian
TAB I retyped*

WASHFAX RECORD
THE WHITE HOUSE

2:15 PM 11:55

C

MESSAGE NO. 525

CLASSIFICATION ~~SECRET~~

Michael Wheeler
(NAME)

(EXTENSION)

MESSAGE DESCRIPTION

UNCLASSIFIED UPON REMOVAL OF
CLASSIFIED ENCLOSURES

12/26/04

(AGENCY)

DELIVER TO

B

L. Paul Bremer III

S/S
S/S-S

~~SECRET~~

WHITE HOUSE SITUATION ROOM

PAGE 01 TOKYO 8304
SIT055 DATE 05/24/82

DTG: 190727Z MAY 82 PSN: 034769
TOR: 139/1118Z

DISTRIBUTION: REPT /001

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MESSAGE ANNOTATIONS:

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MESSAGE:

IMMEDIATE
DE RUEHKO #8304 1390727
O 190727Z MAY 82
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 1090

~~SECRET~~ TOKYO 08304

EXDIS

FOR SECRETARY HAIG FROM AMBASSADOR MANSFIELD
NSC FOR JUDGE CLARK
OSTP FOR DR. KEYWORTH
DOE FOR SECRETARY EDWARDS

STATE FOR UNDERSECRETARY KENNEDY

E.O. 12065: GDS, 5/19/88, (MANSFIELD, MICHAEL J.), OR-M

TAGS: TNUC, SCSA, JA

SUBJECT: NUCLEAR COOPERATION WITH JAPAN

1. (- ENTIRE TEXT)

2. AL, I AM DEEPLY CONCERNED BY THE LONG DELAY IN MOVING TOWARD A LONG TERM AGREEMENT WITH RESPECT TO U.S. APPROVAL OF NUCLEAR FUEL REPROCESSING IN JAPAN (INCLUDING THE TOKAI MURA PLANT). A NUMBER OF USG OFFICIALS INCLUDING MYSELF HAVE ASSURED THE JAPANESE THAT WE INTEND TO MOVE EXPEDITIOUSLY TO RESOLVE THIS ISSUE. THE SUBJECT WAS ALSO RAISED AT THE MEETING LAST MAY BETWEEN THE PRESIDENT AND THE PRIME MINISTER. THE TONE AND CONTENT OF THESE DISCUSSIONS LED THE JAPANESE, AND I THINK RIGHTFULLY SO, TO EXPECT EARLY ACTION. TO DATE, HOWEVER, THERE HAS BEEN NO PERCEPTIBLE PROGRESS FROM THE JAPANESE VANTAGE POINT, EXCEPT PERHAPS THE NEGATIVE STEPS REPRESENTED BY THE INTRODUCTION OF SEVERAL BILLS IN THE CONGRESS WHICH, IF ENACTED, WOULD MAKE EVEN MORE

MESSAGE (CONTINUED):

DIFFICULT THE RESOLUTION OF THIS ISSUE. WHILE THESE BILLS APPEAR UNLIKELY TO PASS, THEY NEVERTHELESS RAISE CONCERNS FOR THE JAPANESE, ESPECIALLY WHEN CDUPLD WITH THEIR PERCEIVED LACK OF ACTION ON THE PART OF THE ADMINISTRATION. I RECOGNIZE THAT THE PLUTONIUM USE PAPER, WHICH IS A NECESSARY PRECURSOR TO RESOLVING THE JAPANESE REPROCESSING ISSUE, IS ABOUT READY TO GO TO THE PRESIDENT, HOWEVER, THE LONG DELAY IN GETTING TO THIS POINT IS BEGINNING TO REFLECT ON OUR CREDIBILITY.

3. THIS DELAY IS ESPECIALLY TROUBLING SINCE, IN MY VIEW, WE ARE AT A CRITICAL TURNING POINT IN OUR NUCLEAR COOPERATION WITH JAPAN. THE OPERATIONAL PROBLEMS AT THE TOKAI REPROCESSING PLANT, THE GROWING AWARENESS OF THE INCREASINGLY HIGH COSTS OF DEVELOPING THE BREEDER REACTOR AND CONCERN ABOUT THE ECONOMIC PERFORMANCE

OF JAPANESE CENTRIFUGES FOR URANIUM ENRICHMENT VERSUS U.S. CENTRIFUGES IS CAUSING MANY JAPANESE NUCLEAR LEADERS TO QUESTION THE WIDSOM OF THEIR PRESENT POLICY OF RELYING HEAVILY ON THE FRENCH IN THE REPROCESSING AREA AND PURSUING AN INDEPENDENT APPROACH IN THE BREEDER AND ENRICHMENT AREAS. A U.S. FIRM IS CURRENTLY BEING CONSIDERED FOR A MAJOR ROLE IN THE DESIGN AND CONSTRUCTION OF THE SECOND JAPANESE REPROCESSING PLANT, AND THERE IS INCREASING INTEREST IN A COOPERATIVE EFFORT WITH THE U.S. TO DEVELOP JOINTLY A DEMONSTRATION BREEDER REACTOR. THERE IS EVEN TALK OF COOPERATION IN THE ENRICHMENT AREA ALTHOUGH THIS IS COMPLICATED BY THE CLASSIFICATION PROBLEMS AND MAY HAVE MORE IMMEDIATE IMPLICATIONS FOR JAPANESE SUPPORT OF OUR EFFORTS WITH AUSTRALIA ON URANIUM ENRICHMENT.

4. IN MY VIEW EXPANDED COOPERATION IN ANY OR ALL OF THESE AREAS WOULD BE EXTREMELY BENEFICIAL TO THE U.S. NUCLEAR PROGRAM AT THIS CRITICAL POINT IN ITS DEVELOPMENT. IT WOULD ALSO GIVE US THE ABILITY TO INFLUENCE THE DEVELOPMENT OF JAPAN'S NUCLEAR PROGRAM AND COULD PROVIDE ANOTHER IMPORTANT LINK BETWEEN OUR TWO COUNTRIES.

5. IF THE JAPANESE ARE TO CONSIDER THE U.S. AS A POSSIBLE PARTNER IN THEIR FUTURE DEVELOPMENT OF NUCLEAR ENERGY, HOWEVER, WE MUST ACT QUICKLY TO PUT OUR OWN POLICY IN ORDER AND RESOLVE THE BILATERAL NUCLEAR FUEL

MESSAGE (CONTINUED):

REPROCESSING ISSUE. I HOPE THAT YOU WILL GIVE YOUR PERSONAL SUPPORT TO THE EARLY RESOLUTION OF THE PLUTONIUM USE POLICY QUESTION FOLLOWED BY EXPEDITIOUS ACTION ON NEGOTIATING AN ACCEPTABLE AGREEMENT WITH JAPAN.
MANSFIELD

TOKYO 8304

DTG: 190727Z MAY 82 PSN: 034769

MESSAGE (CONTINUED):

DIFFICULT THE RESOLUTION OF THIS ISSUE. WHILE THESE BILLS APPEAR UNLIKELY TO PASS, THEY NEVERTHELESS RAISE CONCERNS FOR THE JAPANESE, ESPECIALLY WHEN CDUPLD WITH THEIR PERCEIVED LACK OF ACTION ON THE PART OF THE ADMINISTRATION. I RECOGNIZE THAT THE PLUTONIUM USE PAPER, WHICH IS A NECESSARY PRECURSOR TO RESOLVING THE JAPANESE REPROCESSING ISSUE, IS ABOUT READY TO GO TO THE PRESIDENT, HOWEVER, THE LONG DELAY IN GETTING TO THIS POINT IS BEGINNING TO REFLECT ON OUR CREDIBILITY.

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BY LOJ

7/24/06

~~SECRET~~