Collection: Executive Secretariat, NSC: Meeting File
Folder Title: NSC 00023 10/16/1981 [East-West Trade Controls, USSR, Oil] (1 of 3)

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name EXECUTIVE SECRETARIAT, NSC: MEETING FILE

File Folder NSC0023 (1) 10/16/1981

Box Number 91282

Withdrawer CAS 12/6/2010

FOIA M10-325 RAKU

2

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
101581	NSC PROFILE SHEET		1	12/28/1981	B1
		R 2/16/2001 GUIDELINES			
101582	NSC PROFILE SHEET		1	12/2/1981	B1
		R 2/16/2001 GUIDELINES			
101583	MEMO	RICHARD PERLE TO THE APNSA RE DEFENSE DEPT PROPOSALS	3	12/18/1981	B1
		R 9/22/2004 NLRRM03-1283 #1			
101584	NSC PROFILE SHEET		1	11/23/1981	B1
		R 2/16/2001 GUIDELINES			
101585	MEMO	PERLE TO APNSA RE CONTROLS ON EXPORTS	3	12/2/1981	B1
		R 9/22/2004 NLRRM03-1283 #2			
101586	NSC PROFILE SHEET		1	11/9/1981	B1
		R 2/16/2001 GUIDELINES			
101587	MEMO	A. LENZ TO RICHARD ALLEN RE NSC STAFF FOR THE PRESIDENT	2	11/9/1981	B1
		R 9/22/2004 NLRRM03-1283 #3			

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name EXECUTIVE SECRETARIAT, NSC: MEETING FILE

Withdrawer
CAS 12/6/2010

File Folder NSC0023 (1) 10/16/1981

FOIA
M10-325
RAKU
2

Box Number 91282

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
101588	MEMO	DRAFT FROM ALLEN TO THE PRESIDENT RE RESPONSE TO QUESTIONS ***R 9/22/2004 NLRRM03-1283 #4***	1	ND	B1
101589	DRAFT TABLE OF CONTENTS	***R 9/22/2004 NLRRM03-1283 #5***	1	ND	B1
101590	DRAFT PAPER	RE I ISSUE REQUIRING DECISION (P. 1) ***R 9/22/2004 NLRRM03-1283 #6***	1	ND	B1
101591	DRAFT PAPER	RE II ESSENTIAL BACKGROUND (P. 2) ***R 9/22/2004 NLRRM03-1283 #7***	1	ND	B1
101592	DRAFT PAPER	RE III BASIC COMPONENTS (PP. 3-4) ***R 9/22/2004 NLRRM03-1283 #8***	2	ND	B1
101593	DRAFT TABLE	RE STATEMENT OF OPTIONS (P. 5) ***R 9/22/2004 NLRRM03-1283 #9***	1	ND	B1
101594	DRAFT PAPER	RE CONTINUATION OF III BASIC COMPONENTS (PP. 6-7) ***R 9/22/2004 NLRRM03-1283 #10***	2	ND	B1
101595	DRAFT PAPER	RE IV KEY QUESTION (P. 8) ***PAR 9/22/2004 NLRRM03-1283 #11; R 6/11/2013 M325/1***	1	ND	B1 B3

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

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

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name EXECUTIVE SECRETARIAT, NSC: MEETING FILE

Withdrawer CAS 12/6/2010

File Folder NSC0023 (1) 10/16/1981

FOIA M10-325 RAKU

Box Number 91282

2

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions	
101596	DRAFT PAPER	RE V KEY QUESTION (PP. 9-11) ***PAR 9/22/2004 M03-1283 #12; R 8/16/2019 M325/1 #101596***	3	ND	B1	B3
101597	DRAFT PAPER	RE VI DEY QUESTION (P. 12) ***PAR 9/22/2004 M03-1283 #13; R 8/16/2019 M325/1 #101597***	1	ND	B1	B3
101598	DRAFT PAPER	RE VII THE CHOICE (PP. 13-14) ***R 9/22/2004 NLRRM03-1283 #14***	2	ND	B1	
101599	PAPER	RE COCOM ***PAR 9/22/2004 NLRRM03-1283 #15***	2	ND	B1	B3
101600	PAPER	ANNEX RE COCOM ***PAR 9/22/2004 M03-1283 #16; R 8/16/2019 M325/1 #101600***	4	ND	B1	B3
101601	PAPER	RE CONTROLS ***PAR 9/22/2004 M03-1283 #17; R 8/16/2019 M325/1 #101601***	5	ND	B1	B3
101602	TABLE	B-1 ***R 9/22/2004 NLRRM03-1283 #18***	1	ND	B1	
101603	PAPER	RE STRATEGY ***R 9/22/2004 NLRRM03-1283 #19***	5	ND	B1	

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

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

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name EXECUTIVE SECRETARIAT, NSC: MEETING FILE

File Folder NSC0023 (1) 10/16/1981

Box Number 91282

Withdrawer
CAS 12/6/2010

FOIA
M10-325
RAKU
2

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
101604	PAPER	RE POLICY OPTIONS ***R 9/22/2004 NLRRM03-1283 #20***	1	ND	B1
101605	PAPER	RE STATEMENT OF PROS AND CONS ***R 9/22/2004 NLRRM03-1283 #21***	3	ND	B1
101606	PAPER	RE ANALYSIS ***PAR 9/22/2004 NLRRM03-1283 #22***	3	ND	B1
101607	NSC PROFILE SHEET	***R 2/16/2001 GUIDELINES***	1	10/26/1981	B1
101608	MINUTES	RE NSC MEETING ***PAR 9/22/2004 NLRRM03-1283 #23***	10	10/16/1981	B1 B3

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

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

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

WITHDRAWAL SHEET
Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
~~1. NSC profile~~	~~#8190091~~ CAS WH Guidelines 2/16/01	~~12/28/81~~	~~P-1~~
~~2. NSC profile~~	~~#8190080~~	~~12/2/81~~	~~P-1~~
~~3. memo~~	~~R. Perle to the Assistant to the President for NSA, re Defense Department proposals [8190080] (3 pp)~~ R 9/22/04 M03-1283 #1	~~12/18/81~~	P-1 ~~P-5~~ P5
~~4. NSC profile~~	~~copy of #8106805 [8190080]~~ WH Guidelines 2/16/01	~~11/23/81~~	~~P-1~~
~~5. memo~~	~~R. Perle to Assistant to the President for NSA, re controls on exports [8190080] (3 pp)~~ R 9/22/04 M03-1283 #2	~~12/2/81~~	~~P-1 P-5~~ P5
~~6. NSC profile~~	~~#8190039~~ WH Guidelines 2/16/01	~~11/9/81~~	~~P-1~~
~~7. memo~~	~~A. Lenz to R.V. Allen, re NSC staff for the President [8190039] (2 pp)~~ R 9/22/04 M03-1283 #3	~~11/9/81~~	~~P-1 P-5~~ P5
~~8. memo~~	~~draft from R.V. Allen to the President, re response to questions [8190039]~~ R 9/22/04 M03-1283 #4	~~n.d.~~	~~P-1~~
~~9. table of contents~~	~~draft [8190039]~~ R 9/22/04 M03-1283 #5	~~n.d.~~	~~P-1~~
~~10. paper~~	~~draft, re I Issue Requiring Decision [8190039]~~ (pg. 1) R 9/22/04 M03-1283 #6	~~n.d.~~	~~P-1~~
~~11. paper~~	~~draft, re II Essential Background [8190039]~~ (pg. 2) R 9/22/04 M03-1283 #7	~~n.d.~~	~~P-1~~
~~12. paper~~	~~draft, re III Basic Components [8190039] (2 pp)~~ (pg. 3-4) R 9/22/04 M03-1283 #8	n.d.	~~P-1 P-5~~ P5
~~13. table~~	~~draft of Table 1 Statement of Options [8190039]~~ (p 5) R 9/22/04 M03-1283 #9	~~n.d.~~	~~P-1 P-5~~ P5
~~14. paper~~	~~draft, continuation of III Basic Components [8190039] (2 pp)~~ (pg. 6-7 R 9/22/04 M03-1283 #10	~~n.d.~~	~~P-1 P-5~~ P5
15. paper	draft, re IV Key Question [8190039] (p. 8) P 9/22/04 M03-1283 #11	n.d.	P-1, B3

COLLECTION:	
EXEC. SECRETARIAT, NSC (NSC Mtg. Files)	DSD
FILE LOCATION:	
NSC00023 (1/3) 16 Oct 81 Box 91282	4/7/94

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]
- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA.
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

Freedom of Information Act - [5 U.S.C. 552(b)]
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcemen purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-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 dee of gift.

WITHDRAWAL SHEET
Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
16. paper	draft, re V Key Question [8190039] (3 pp) (pg. 9-11) P 9/22/04 M03-1283 #12	n.d.	P-1, B3
17. paper	draft, re VI Key Question [8190039] (p.12) P 9/22/04 M03-1283 #13	n.d.	P-1, B3
~~18. paper~~	~~draft, re VII The Choice [8190039] (2 pp)~~ (pg. 13-14) R 9/22/04 M03-1283 #14	~~n.d.~~	~~P-1~~
19. paper	re COCOM [8190039] (2 pp) P 9/22/04 M03-1283 #15	n.d.	P-1, B3
20. paper	ANNEX, re COCOM [8190039] (4 pp) P 9/22/04 M03-1283 #16	n.d.	P-1, B3
21. paper	re controls [8190039] (5 pp) P 9/22/04 M03-1283 #17	n.d.	P-1, B3
~~22. table~~	~~B-1 [8190039]~~ R 9/22/04 M03-1283 #18	~~n.d.~~	~~P-1~~, B3
~~23. paper~~	~~re strategy [8190039] (5 pp)~~ R 9/22/04 M03-1283 #19	~~n.d.~~	~~P-1~~
~~24. paper~~	~~re policy options [8190039]~~ R 9/22/04 M03-1283 #20	~~n.d.~~	~~P-1~~
~~25. paper~~	~~re statement of pros and cons [8190039] (3 pp)~~ R 9/22/04 M03-1283 #21	~~n.d.~~	~~P-1~~
26. paper	re analysis [8190039] (3 pp) P 9/22/04 M03-1283 #22	n.d.	P-1 ~~LP-5~~ P5
~~27. NSC profile~~	~~#8190032~~ WH Guidelines 2/16/01	~~10/26/81~~	~~P-1~~
28. minutes	NSC meeting [8190032] (10 pp) P 9/22/04 M03-1283 #23	10/16/81	P-1 ~~LP-5~~ P5, B3

COLLECTION:	
EXEC. SECRETARIAT, NSC (NSC Mtg. Files)	DSD
FILE LOCATION:	
NSC00023 (1/3) 16 Oct 81 Box 91282	4/7/94

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]
- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

Freedom of Information Act - [5 U.S.C. 552(b)]
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforceme purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation o financial institutions [(b)(8) of the FOIA].
- F-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 dee of gift.

NSC/S PROFILE ~~SECRET~~ ID 8190091

RECEIVED 29 DEC 82 18

TO NANCE FROM LENZ DOCDATE 28 DEC 81

DECLASSIFIED
White House Guidelines, August 28, 1997
By CAJ NARA, Date 7/16/01

KEYWORDS: NSC MEETINGS

SUBJECT: STATUS OF TOPICS FOR NSC DISCUSSION

ACTION: FOR INFORMATION DUE: 31 DEC 81 STATUS C FILES IF

FOR ACTION	FOR CONCURRENCE	FOR INFO
NANCE		

COMMENTS

REF# LOG NSCIFID (J / B)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO

DISPATCH ______ W/ATTCH FILE ____ (C)

NSC/S PROFILE ~~SECRET~~ ID 8190080

RECEIVED 22 DEC 81 10

TO ALLEN FROM PERLE, R DOCDATE 02 DEC 81

PERLE, R 18 DEC 81

DECLASSIFIED
White House Guidelines, August 28, 1997
By GH NARA, Date 2/16/01

KEYWORDS: EXPORT CONTROLS USSR

OIL GAS

SUBJECT: DOD REVIEW OF STATE DEPT PAPER OPTION IV ON CONTROLS ON EXPORTS TO USSR RE OIL & GAS EQUIPMENT & TECHNOLOGY

ACTION: PREPARE MEMO FOR NANCE DUE: 31 DEC 81 STATUS C FILES IFM C

FOR ACTION FOR CONCURRENCE FOR INFO

LENZ

COMMENTS

REF# I-24873/81 I-24876/81 LOG NSCIFID NSC00023 (J / B)

ACTION OFFICER (S)		ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	C	3/12	discussed at 16 OCT NSC		

DISPATCH ______ W/ATTCH FILE ____ (C)

SECRET

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

INTERNATIONAL SECURITY POLICY

18 December 1981

81 ...
In reply refer to:
I-24876/81

MEMORANDUM FOR ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

SUBJECT: Defense Department Proposals on Export Controls on Oil and Gas Equipment for the USSR (U)

~~(S)~~ In my earlier memo we promised to specify measures that we could take to impede Soviet energy development in an effective manner.

~~(S)~~ We propose placing all oil and gas equipment and technology intended for export to the Soviet Union under national security controls as prescribed under the provisions of the Export Administration Act. The policy guidelines for implementation of those controls would be as follows:

~~(S)~~ 1. Deny licenses for equipment and technology that would have a significant impact on the ability of the Soviet Union to export oil or natural gas to Western Europe;

~~(S)~~ 2. Deny licenses for equipment and technology that would increase exports of oil and natural gas to Eastern Europe beyond present levels;

~~(S)~~ 3. Deny licenses for equipment and technology that would enable the Soviet Union to increase oil and gas consumption by the Soviet military or defense related industries.

~~(S)~~ Examples of specific types of equipment that would be denied include:

~~(S)~~ 1. Gas Turbines for Natural Gas Transmission Systems -- including core assemblies for foreign-produced turbine powered compressors.

~~(S)~~ 2. Valves for major Gas and Oil Pipelines -- including 56 inch Ball Valves.

Classified by ASD/ISP
Declassify on 12-3-1987

DECLASSIFIED / RELEASED

NLS M03-1283 #1

BY dmf, NARA, DATE 9/22/04

~~SECRET~~

(~~S~~) 3. Electronic Equipment for Gas and Oil Applications
-- microwave communicators, automatic remote controls for equipment such as valves and compressor stations.

(~~S~~) 4. Specialized Heavy Equipment
-- pipelayers for large diameter pipe, heavy duty bulldozers.

(~~S~~) 5. Automatic Welding Equipment
-- for large diameter pipe.

(~~S~~) 6. Specialized Pipe Insulation
-- polyurethane/polyethylene in large amounts.

(~~S~~) 7. Gas Chilling Equipment
-- for export oriented projects.

(~~S~~) 8. Electric Submersible Pumps
-- in the 25 to 1,000 horsepower range.

(~~S~~) 9. Blowout preventors and Wellhead Assemblies
-- very high pressure (above 10,000 psi) types
-- hydrogen sulfide resistant.

(~~S~~) 10. Enhanced Recovery Equipment
-- chemical surfactants and CO_2 injection.

(~~S~~) 11. Subsea blowout preventors, marine draw-works, mud pumps, rotary tables, and wellhead completion assemblies used in offshore operations

(~~S~~) Equipment intended solely to produce oil, gas and other forms of energy for Soviet internal civilian use would be approved, unless the equipment or technology involved were embargoed for other strategic reasons.

(~~S~~) This approach, if it were extended to the network of U.S. licensees and subsidiaries, would have a significant impact on Soviet oil and gas production. Embargoing technical information alone could cut Soviet production 6% under what it might have been by 1990. Regarding the West Siberian project, denying this equipment might stretch out the time, increase the costs, and add such financial uncertainty as to frustrate the project completely or make further expansion unthinkable.

~~(S)~~ The Department of Defense strongly urges that the President be advised to act quickly to take the measures recommended above in order to meet a rising challenge to the security of the United States and the Free World that we will face for a generation to come.

Richard Perle

Richard Perle

NSC/S PROFILE ~~SECRET~~ ID 8106805

I/90080

RECEIVED 23 NOV 81 15

TO ALLEN FROM BREMER DOCDATE 23 NOV 81

BREMER 23 NOV 81

KEYWORDS: COCOM EXPORT CONTROLS

USSR OIL

GAS TECHNOLOGY TRANSFERS

SUBJECT: CONTROLS ON EXPORTS TO USSR OF OIL & GAS EQUIPMENT & TECHNOLOGY

ACTION: PREPARE MEMO FOR ALLEN DUE: 28 NOV 81 STATUS C FILES DY

FOR ACTION	FOR CONCURRENCE		FOR INFO
LENZ	WEISS	SHOEMAKER	BERTA
	PIPES	STEARMAN	BAILEY
	FEITH	NAU	

COMMENTS OUTGROWTH OF 16 OCT NSC MTG, MAY BE TRANSFERRED TO

SYSTEM II

REF# 8133835 8133834 LOG 8106180 8190052 NSCIFID (L / D)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO

DISPATCH ______ W/ATTCH FILE ______ (C)

SECRET

SYSTEM II

90080

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

INTERNATIONAL SECURITY POLICY

2 December 1981

In reply refer to:
I-24873/81

MEMORANDUM FOR ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

SUBJECT: Controls on Exports to the USSR of Oil and Gas Equipment and Technology (U)

~~(S)~~ I have reviewed the Department of State's paper on oil and gas equipment and technology export controls and have a number of serious reservations about its recommendations. The revised Option IV does little to achieve the objectives of this Administration to impede Soviet energy development and limit the vulnerability of our Allies to Soviet energy diplomacy.

~~(S)~~ Perhaps the most troubling aspects of the State Department option is that it will assure American support through exports of equipment for the construction of both the first and second strand of the West Siberian pipeline. While we have felt it would be difficult to stop the first strand of the pipeline, there has always been a consensus that the second strand should be stopped. A second strand would significantly increase the vulnerability and dependency of our key Western European allies and send absolutely the wrong signal to the Soviets. It seems prudent that we should shape our policy to preclude the construction of the second pipeline strand by applying national security controls on exports of essential equipment and technology.

~~(S)~~ The various elements of the revised Option IV fail to affect Soviet oil and gas production in a meaningful way. They would have little, if any, impact on the West Siberian to Western European natural gas pipeline project. Adoption of this option would be tantamount to dropping our opposition to that project and would signal a lack of seriousness of intent regarding our objection to increasing Allied dependence on Soviet energy sources. Specific comments follow:

State Revised Option IV

1) embargo all technology - - All technical data requires a validated license for export to the USSR, according to Commerce Department regulations. Current practice is to deny these...

DECLASSIFIED / RELEASED

NLS M03-1283 #2

BY amf, NARA, DATE 9/22/04

Classified by IETSP
Review on 1 December 1987

~~SECRET~~

licences for national security reasons. This element does not materially alter existing regulations inherited from the previous Administration. The definition of technology is inherently vague. Much end-use equipment has technology indistinguishly embedded in it.

2) embargo equipment exports when this would hurt the Soviets more than the U.S., i.e. when it would be effective - - This element is terribly ambiguous. A simple economic analysis is insufficient to reveal the long-term, strategic damage done to U.S. interests by Soviet energy development, increased reliance of our Allies on Soviet energy sources and the Western involvement in developing the Soviet Union's energy infrastructure. There are many cases when we must be inclined to suffer some economic penalty to achieve national security objectives.

3) senior level review of equipment exports, with an immediate effort to identify equipment areas where the West has leverage - - While higher level attention to the dangers of exporting of oil and gas equipment and technology to the USSR is desirable, without greater clarification of the relation of export controls to national objectives, this sounds like a formula for increasing interagency disagreement and hence policy uncertainty.

4) seek European and Japanese support - - Without a demonstration of our seriousness of purpose, there seems little point in doing so and even less chance of success.

5) withold approval of licenses for submersible pumps and other equipment that the Soviets can acquire only from the U.S. - - This element falls short of capturing that equipment made abroad under license from U.S. companies. In order to have a serious impact on Soviet production capabilities and to reduce the Western stake in Soviet energy production we should aim for the broadest possible denial of equipment and technology derived from U.S. sources, including U.S. subsidiaries, licencees and manufacturing associates.

~~(S)~~ I believe that the State Department overstates the difficulties involved in dampening down the trade in energy technology and equipment with the Soviet Union. While there surely would be short term problems with some of our European Allies if we effectively opposed projects such as the West Siberian pipeline, we feel that these would be balanced out by the avoidance of longer term difficulties brought on by closer Soviet-West European energy ties. Many segments in the participating governments already recognize this. It is well to remember that we will have to live with the consequences of these ties for decades to come. Arguments against asserting U.S. leadership on an issue so close to the core of Alliance - - the political, military, economic and energy security base of Western co-operation - - should be treated with great caution. U.S. leadership is critical to virtually every aspect of Alliance cohesion. We doubt that the Atlantic Alliance could survive without continual U.S. initiative, not only on this energy security issue, but every issue noted in the State discussion.

~~(S)~~ In a follow-up memo I will be proposing specific actions that we might take now that will be more effective in implementing the basic objectives of this Administration in the area of Soviet energy development than those proposed in the State paper.

Richard Perle

Richard Perle

NSC/S PROFILE ~~SECRET~~ ID 8190039

RECEIVED 30 NOV 81 14

TO ALLEN FROM LENZ DOCDATE 09 NOV 81

DECLASSIFIED
White House Guidelines, August 28, 1997
By Ctz NARA, Date 2/16/01

KEYWORDS: EXPORT CONTROLS COCOM

OIL GAS

USSR NSC

SUBJECT: NSC STAFF PAPER FOR PRES ON THE OIL / GAS CONTROLS ISSUE RE 16 OCT NSC MEETING

ACTION: FOR DECISION DUE: STATUS C FILES IFM O

FOR ACTION	FOR CONCURRENCE	FOR INFO
ALLEN		

COMMENTS

REF# LOG 8190025 8190027 NSCIFID NSC00023 (J / J)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
C	11/30	OBE by II-90052		

DISPATCH W/ATTCH FILE (C)

Dick – I will hav[e]
Allen go ahead a[nd]
work along the line[s]
of this paper in anticip[ation]
of your decision.

Bud

THE WHITE HOUSE
WASHINGTON

Allen Lenz

Does your latest memo now overtake this?

Jim D

11/30/81

Jean

To Allen Lenz via System II.

JL

RECEIVED

81 NOV 10 P1:16

JANET COLSON	______		
BUD NANCE	______		
DICK ALLEN	______		
IRENE DERUS	______		
JANET COLSON	______		
BUD NANCE	______		
PETER	______		
CY TO VP	______	SHOW CC	______
CY TO MEESE	______	SHOW CC	______
CY TO BAKER	______	SHOW CC	______
CY TO DEAVER	______	SHOW CC	______
CY TO BRADY	______	SHOW CC	______

Comments:

NATIONAL SECURITY COUNCIL

10 October

Janet:

It is important that Dick focus on this as soon as practical. This is day 26 since the 16 October NSC meeting on this topic and I would think Meese may be wondering where the proferred paper is.

Additionally, it would be useful if this were read before tommorrow's EARB meeting, since there are linkages with the cases to be discussed in that meeting.

Allen

MEMORANDUM

System II 91

NATIONAL SECURITY COUNCIL

~~SECRET~~

90039

ACTION

November 9, 1981

MEMORANDUM FOR RICHARD V. ALLEN

FROM: ALLEN J. LENZ

SUBJECT: NSC Staff Paper for the President on the Oil/Gas Controls Issue

Attached is a draft paper for the President which attempts to answer the questions he implicitly and explicitly raised in the October 16 NSC meeting. This paper has been put together with the assistance of Blair, Myer, Pipes, Rentschler, and Shoemaker.

I recommend you read this draft thoroughly and consider carefully how it should be handled. The following points are relevant:

- At the close of the October 16 meeting, Meese indicated "We have to meet again soon on this." However, Bud Nance subsequently convinced him that another meeting would be useless without a paper responding to the President's questions. Meese suggested an NSC paper, to be circulated only in the White House.

- Haig returned to State after the October 16 meeting and told his people to "do something to get the decision process moving." In response, a reconvened SIG has been laboring over a new paper. I have given them the critical questions to be answered, but the draft produced as of Friday, November 6, is pretty hopeless and I do not look for much improvement before the paper's submission to us.

- We have twice slipped the deadline established for submission of the State paper, most recently to COB, November 12. The chances of State meeting that date are virtually zero. I don't think Haig will be happy with the paper and he will want to spend a good bit of time shaping it up.

- Whatever the faults in our paper, it is likely to be much better than State's final paper.

- As of today, Monday, 24 days have elapsed since the October 16 meeting. The President should be able to get an answer from the bureaucracy in that amount of time.

In addition to a close review of the NSC paper, the questions you need to consider carefully include the following:

- Given recent events, can you forward the President an "NSC Staff" paper on this controversial topic without making it available to the agencies for their comments or information? Soliciting comments from agencies would, of course, significantly slow delivery of the paper to the President and probably give it a "lowest common denominator" taint.

- Assuming we can forward the NSC paper without agency comment, when can we submit it? Immediately? After passage of the November 12 deadline set for submission of the State paper, whether or not it is submitted by then? Only concurrently with the State paper, whenever that is received?

- In the memo to the President transmitting the paper(s), would you like to recommend that, if he has further questions he could save time by posing them in writing or by putting them to you in a small non-NSC discussion group of his key White House advisors, or must we, inevitably, have still another NSC meeting on this topic?

RECOMMENDATION

That the NSC paper be submitted to the President on Friday, November 13, whether or not the State paper has been received.

Approve ________ Disapprove ________

That the memo to the President accompanying the paper suggest that if he requires further information, we provide answers to his questions before consideration is given to another NSC meeting on this topic.

Approve ________ Disapprove ________

DRAFT

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD V. ALLEN

SUBJECT: Response to Questions You Posed in the October 16 NSC Meeting on Exports of Oil and Gas Equipment and Technology to the USSR

Following the October 16 NSC Meeting on Controls on Exports of Oil and Gas Equipment and Technology to the USSR, I asked my staff to prepare a paper that would respond to the questions you raised during the meeting and would relate the oil/gas issue to our Siberian Pipeline and Allied security controls initiatives. I hope you will find the paper we have prepared (attached) responsive to your needs. Secretary Haig is also developing a paper through the SIG process, which will be forwarded to you on receipt. However, since completion date of the State lead effort is uncertain, it seems appropriate to make the NSC paper available to you now.

In view of the complexity of this issue, should you have further questions, you may wish to direct them to me for preparation of a response before we determine the need for another NSC meeting.

Attachment

NSC Paper on Oil/Gas Controls

Tab A	-	CIA Impact Controls (Section IV)
Tab B	-	Allied/U.S Economic Costs (Section V)
Tab C	-	Possible Allied Response to US Strategy on the Pipeline
Tab D	-	Pros and Cons (Section VII)

DRAFT

THE OIL/GAS DECISION

Table of Contents

I. <u>Issue Requiring Decision</u>

The issue requiring your decision has two components: first, setting our basic policy concerning licensing of U.S. exports of oil and gas equipment and technology to the Soviet Union; second, determining whether we will seek similar restrictive licensing actions by our Allies. This decision will shape an important part of our policy on the broader issue of the transfer of Western and U.S. technology to the Soviet Union.

An early decision is required:

- To complete our strategy concerning the Siberian Pipeline. Since the Siberian Pipeline would be the major consumer of the items that would be restricted by oil and gas controls, your decision will set our basic strategy and tactics on further dealings with our Allies on this issue.

- To complete our negotiating position for December/ January meetings with our Allies at which we will propose strengthening of controls by the 17-nation Committee for Multilateral Export Controls (COCOM).

- To deal with day-to-day licensing problems.

Your decision will have important effects, both immediate and long-term, on our trade and political relations with the Soviet Union, on relations with our Allies, and on domestic and international perceptions of your overall strategy.

II. Essential Background

Allied Security Controls: As an outgrowth of the July NSC meetings, you decided that the U.S. should press for strengthening the COCOM restrictions on exports to the USSR of strategic materials and technology by adding equipment and technology critical in several defense priority industries to existing controls. However, this decision did not directly address oil and gas equipment and technology.

The Siberian Pipeline: The July NSC discussions revealed agreement among your advisors that the Siberian Pipeline constitutes a threat to Allied unity, but sharp disagreement as to our ability to impede its construction without actions that would be more costly to the Alliance than completion of the pipeline itself.

Resolution was accomplished by preparation of talking points that you used in expressing U.S. concerns about the pipeline to our partners at Ottawa. Ottawa discussions were essentially inconclusive.

In early November, a U.S. delegation presented alternatives to the pipeline in the European capitals, but was unable to dissuade the West Europeans who have continued their negotiations to consumate the deal -- negotiations that are apparently nearing completion.

Caterpillar Pipelayers: In August, you approved a Caterpillar Company request to license 100 pipelayers for export to the Soviet Union. In September, Caterpillar applied to license an additional 200 pipelayers. No decision has been made on this request.

III. The Oil/Gas Controls Issue -- Basic Components

Those items of oil and gas equipment and technology that have significant potential for direct application to Soviet military uses are already under U.S. and COCOM export control restrictions.

The issue to be decided now is whether we should apply additional controls that would affect Soviet military capabilities only indirectly; by restricting Soviet economic growth.

There is consensus among your principal national security advisors (Haig, Weinberger, Casey, JCS, NSC Staff) that it would be to our advantage to impede Soviet oil and gas production. This view rests on the following arguments:

- Reduced oil/gas production would be a means of slowing Soviet economic development and military capabilities.
  - Western equipment and technology speeds the progress AND reduces the costs of energy development to the Soviet Union and frees resources for application in the military sector.
  - Denial of oil/gas equipment and technology would hinder development of a key component of the Soviet's military-industrial base.
- Stopping the Siberian Pipeline and reducing Soviet energy exports to the West would avoid a weakening of NATO cohesion that may result from increased European dependence on Soviet energy resources.

- Reduced oil/gas production would diminish Soviet energy exports and hard currency earnings, reduce their ability to buy Western technology and increase competition for resources between their military and civilian sectors.

- It would be inconsistent to try to redress our military disadvantages by increasing U.S. defense expenditures, while at the same time making it easier for the Soviets to devote resources to their military.

There is agreement on the objective of impeding Soviet oil and gas production. But what is crucial, -- the central issue -- is whether we can achieve that objective at political and economic costs that are less than the benefits to be gained. Your advisors differ sharply on this issue.

During NSC meetings in July and October, four basic options were presented (Table 1) and discussed, revealing sharp differences among your advisors.

Three basic alternatives are couched in the four options tabled.

- Options I and II place all oil and gas exploration and production equipment, and all oil and gas technology under national security controls. This equipment and technology would be added to the list of new controls to be negotiated with our COCOM Allies. Until negotiations are concluded, the

Table 1

STATEMENT OF OPTIONS

Controls on Export to the USSR of Oil and Gas Equipment and Technology

Option I

The U.S. will actively impede Soviet oil and gas production and export projects. The U.S. will impose national security controls on, and deny exports licenses for, all oil and gas equipment and technology. We will use our available leverage to pressure our Allies and friends to adopt similarly restrictive measures.

Supported by: Weinberger (I or II); Casey (I or II); Kirkpatrick; General Jones; NSC Staff (I or II)

Option II

The U.S. will attempt to impede Soviet oil and gas production and export projects. Recognizing that our Allies and friends may not follow suit without unacceptably high political costs, we will use less leverage than in Option I. We would consider, after consultations with our Allies, adopting a multilateral approach less restrictive than implied in Option I. Until this is worked out, the U.S. will deny export licenses for technology and equipment.

Supported by: Weinberger (I or II); Casey (I or II); NSC Staff (I or II)

Option III

The U.S. is most concerned about major Soviet projects which contribute to Soviet production capability and our Allies' vulnerability to Soviet energy leverage (e.g., West Siberian Pipeline). The U.S. will make a major effort with other countries to restrict exports of equipment and technology for such projects. Until this is worked out, the U.S. will deny all technology and end-use equipment exports for major projects while approving end-use equipment exports not for major projects.

Supported by: Under Secretary Davis, Energy (III or IV)

Option IV (Carter Administration Policy)

Rather than attempting to impede oil and gas production and exports, our goal will be to deny exports of technology that allow the Soviets to replicate advanced Western equipment; this technology would give them an independent capability to improve oil and gas output and infrastructure. The U.S. will approve exports of end-use equipment.

Supported by: Haig; Regan; Baldrige; Under Secretary Davis, Energy; Stockman; Brock

U.S. would implement a unilateral embargo. The only difference between these two options is the degree of pressure used to secure Allied cooperation. (Supported by Weinberger, Casey, Kirkpatrick, JCS, NSC Staff.)

- Option III would seek the same controls as the first two options, but would be invoked only against major Soviet development projects, such as the Siberian Pipeline. This option would require case-by-case determinations of whether an export to the USSR was for a "major project." (Supported by Under Secretary Davis, Energy.)

- The fourth option corresponds closely with current U.S. policy, initiated by Carter after the invasion of Afghanistan. Those items of oil and gas equipment not already controlled for national security reasons are placed under "foreign policy" controls, with the presumption that technology license applications will be denied, but applications for export of equipment without significant potential for military uses will be approved. An attempt would be made to have the Allies accept similar controls. (Supported by Haig, Regan, Baldrige, Stockman, Brock, and Under Secretary Davis, Energy.)

The sharp difference of views on the course to be followed results from varying viewpoints on the following key questions:

- To what extent can Allied or unilateral U.S. export controls impede Soviet oil and gas production?

- What would be the political and economic costs of Allied and U.S. oil and gas controls?

- What would be the prospects and costs of obtaining Allied cooperation in multilateral controls on oil and gas equipment and technology?

IV. Key Question: To What Extent Can Allied or Unilateral U.S. Export Controls Impede Soviet Oil and Gas Production?

A CIA assessment indicates that a total, effective, multilateral COCOM embargo on exports of oil and gas equipment and technology to the USSR and Eastern Europe -- if sustained over a number of years -- would substantially retard Soviet energy development and that the effects of these restrictions would increase over at least the next decade.

- A sustained Western embargo could cause Soviet losses of 10 to 15 percent of the 20 million barrels per day of oil equivalent production projected for the mid to late 1980s.

- The effect of the reduced oil and gas production could be to lower the average annual growth of Soviet GNP in the 1980s by about one-half percent, or about one-fourth of the two percent rate the CIA estimates will otherwise be achieved.

However, the effects of a unilateral U.S. embargo would be much smaller and only transitory.

The complete text of the CIA analysis is at Tab A.

V. Key Question: What Would Be the Political and Economic Costs of Allied and U.S. Oil and Gas Controls?

Costs to Our Allies: Our Allies will perceive the political and economic costs to be so high that they are most likely to oppose controls on oil and gas equipment and technology to the USSR. A basic West European objective is to sustain or increase the level of trade with the Soviet Union; they expect political and economic gains from this trade to include:

- Substantial short- and long-term trade benefits.
- Energy imports from the Soviet Union are self-liquidating expenditures because they generate equivalent exports to the Soviet Union, an advantage offered by few, if any, other potential energy suppliers.
- The FRG sees good political relations with the USSR as essential to a desired expansion of relations with the German Democratic Republic.
- Other perceived advantages: world energy supplies will be increased by enlarged Soviet production and hence, prices will be driven downward; Soviet energy provides Western Europe a means of diversifying its energy dependence; political relations are improved by trade with the communist countries; a well-fed Soviet bear is less adventurous than a hungry Soviet bear.

SECRET

Costs to the U.S.: The direct, immediate economic effects of the imposition of oil and gas controls on U.S. exports would be relatively minor in aggregate terms. Commerce feels that a reasonable estimate for U.S. pipeline sales is $600-$700 million, or $125-150 million annually over the next five years.

CIA analysts, however, feel that this sales level could easily be doubled if the Soviets purchase other U.S. equipments such as offshore drilling rigs, submersible pumps, etc., which they badly need to sustain increases in their oil exploration and production.

Although oil and gas equipment sales to the USSR would not be large in aggregate terms, sales by individual firms might be quite significant. For example, a sale by Caterpillar Tractor for 200 pipelayers, valued close to $90 million, is regarded as a major business deal.

Additionally, it may be difficult to disassociate decisions on oil and gas equipment from other large pending Soviet purchases in the U.S., which include a $274 million purchase of harvester-thresher technology from the financially troubled International Harvester Company and a $200 million purchase from the Allis Chalmers subsidiary of Fiat-Allis for strip mining and road grading equipment. While a reasonable rationale for differential treatment of oil and gas equipment may be developed, it will be difficult to convince many business and other interest groups of its logic.

SECRET

The overall domestic political reaction to oil and gas restrictions is likely to be favorable if the U.S. restrictions are part of a concerted Allied effort. However, heavy political pressure against unilaterally imposed restrictions is likely, particularly from representatives of the affected industries who will see little utility in the U.S. "going it alone."

Additional information on Allied and U.S. economic costs of oil and gas controls is at Tab B.

31

SECRET

VI. Key Question: What Are the Prospects and Costs of Obtaining Allied Cooperation in Multilateral Controls?

The most significant and immediate effect of a coordinated, multilateral imposition of controls would be to stop construction of the Sibierian Pipeline.

As to costs, the CIA found in a recent analysis:

"A policy of seeking COCOM cooperation to stop the Siberian Pipeline would probably have a low yield and a high cost. The Allies have already decided the project is in their interest and will not voluntarily halt their participation. In the immediate term, U.S. attempts to force a stop to the project are likely to jeopardize the current U.S. initiative to broaden and strengthen COCOM export controls in a number of military related industrial sectors. In addition, the West Europeans view the project as strictly their own affair and resent U.S. interference; U.S. pressure thus could pose major risks for U.S.-Allied relations."

The complete CIA analysis is at Tab C.

DRAFT

34

VII. The Choice

While your advisors agree that it would be advantageous to impede Soviet oil and gas production, the fundamental arguments center on whether the costs to coerce the Allies to obtain their cooperation would be too high. There is little doubt that the costs would be high and that the effects would be felt across a wide range of other issues.

Options one through three are based on sound objectives. These options, in effect, would initiate a political policy of partial, selective economic warfare against the Soviet Union -- through controls designed to effect Soviet energy production, but not through agricultural or other export restrictions -- and would attempt to enlist the aid of our Allies in the battle.

The fourth option foregoes economic warfare; it accepts the arguments of extreme difficulty and high costs in getting Allied cooperation and will not significantly slow Soviet energy development or construction of the Siberian Pipeline.

A listing of the options and pros and cons submitted in July by the Interagency Group is at Tab D.

However, an alternative approach would be to accept the conclusion that while it is not feasible to secure Allied cooperation, the U.S. should, nevertheless, stand on sound principles, and unilaterally impose controls on oil and gas equipment and technology. This alternative would not have a significant impact on Soviet energy production, and would incur domestic economic costs. These costs would be significant for some firms and make it more difficult to approve exports on other large non-oil/gas transactions, such as the International Harvester and Fiat-Allis deals. Any decision you make on this matter will be controversial with strong support coming from some quarters, heavy criticism from others.

Unilaterally imposed controls would, however, accomplish two important objectives: first, such a decision would convincingly demonstrate to our Allies our determination ~~to~~ And seriousness of purpose, and thereby enhance our ability to obtain their cooperation on tightenting COCOM controls on non-oil/gas items; second, it would stake out the "high ground" for U.S. leadership in rallying for tight multilateral controls on all commodities -- including oil and gas equipment and grain -- in the event of a Soviet intervention in Poland.

78190057/

The Impact of COCOM and US Embargoes of Petroleum Equipment Exports

The Committee for Multilateral Export Controls (COCOM) is a voluntary 17-nation "gentleman's agreement" organization that has existed since 1949 without official status by treaty or other formal agreement. A decision to increase the level of controls must be unanimously accepted to be effective.

As an outgrowth of the July NSC meetings, you decided that the U.S. should press for strengthening of COCOM restrictions on exports to the USSR of strategic materials and technology by adding to existing restrictions controls on (1) equipment and technology critical to production in defense priority industries; and (2) technology for production in these industries without regard to whether the USSR already has such technology data (i.e., without the criticality condition).

Our U.S. proposals will be initially advanced to the COCOM group at a high-level meeting in Paris in December or January. The practical effect of the increased restrictions, if accepted by our Allies, would be to add or strengthen controls on several product areas. These would include: computers, communications, high technology micro-electronics, aerospace, machine building, ship-building, metallurgy chemicals and heavy vehicles.

Oil and gas equipment and technology would be added to the above list if you decide we should control these items and press our Allies to do so.

The COCOM negotiations could be contentious and extended, and our proposals could be rejected or effectively blocked by lengthy negotiations, even if we do not add oil and gas items to our proposals. Even if our position is finally agreed to, it is unlikely that we would gain acceptance in less than a year or more.

E. O. 12958
As Amended
Sec. 1.4(c)

Overview [redacted]

A total, effective and sustained multilateral COCOM embargo on exports of oil and gas equipment to the USSR and Eastern Europe would substantially retard Soviet energy development, and its impact would increase over at least the next decade. The impact of a unilateral U.S. embargo would be much smaller and transitory.

The most severe effect of a COCOM embargo would be on Soviet gas production. Construction of gas pipelines, the chief constraint on Soviet ability to expand gas production, depends heavily on imports of Western pipe and compressors, and Soviet capabilities for producing such equipment are already stretched to the limit. The shortfall would continue to increase later in the decade even though Moscow would give a high priority to expansion of its own pipe and compressor industry. A unilateral U.S. embargo would have virtually no effect on Soviet gas production.

[redacted]

As time goes on, Soviet dependence on Western oil and equipment will increase, reflecting the rapidly growing complexity of oil exploration and development and the limitations of Soviet technology. Finding the smaller and more remote deposits on which Soviet oil production will increasingly depend, developing offshore fields, and expanding the use of enhanced oil recovery all will benefit greatly from -- and in some cases will require -- Western equipment. Although quantification is not possible, there is little doubt that a COCOM embargo would substantially accelerate the expected decline in Soviet oil production in the second half of the 1980s and beyond.

In turn, a more rapid decline in oil production coupled with a much smaller increase in gas production than is now expected would have an important depressing effect on the Soviet economy. Hard currency earnings would fall sharply, thus greatly curtailing Soviet imports form the West. And economic growth would be even slower than the 2 percent or less rate we now expect.

The judgments of this paper are necessarily tentative because of the absence of information on specific Soviet plans, equipment production and inventories, and oil- and gas-field conditions. Nor can we foresee the long-term adjustment possibilities available to a large command economy. [redacted]

ANNEX

Preliminary Judgements on the Impact of COCOM and U.S. Embargo of Oil and Gas Equipment to the USSR

Background

Estimates of the effects of a Western embargo on the export of various kinds of oil and gas equipment to the Soviet Union are necessarily tenuous, as they involve assumptions as to the types and quantities of equipment that the Soviets will seek from the West in the next few years. In the past, imports from the West represented only a small percentage of total Soviet equipment supply. But new problems in exploration, production, and transport of oil and gas will probably lead the USSR to rely more heavily on imports in the 1980s. Although the Soviets show no inclination to avail themselves of opportunities they have ignored in the past, arrangements such as joint ventures or service contracts with Western firms could -- under changed circumstances -- offer productivity increases in petroleum extraction.

Effect of Embargo on Major Categories of Equipment

Exploration Equipment

The Soviets already have found most of the relatively shallow, easily-located, accessible oil and gas traps. They specifically need Western seismic and well-logging technology to boost oil reserves in the 1980s. Due to the five to six year discovery-to-production time lag, Western equipment ordered today is unlikely to have much impact on oil production before the late 1980s. While a multilateral embargo could severely constrain Soviet exploration, unilateral controls by the U.S. would have little or no effect. Foreign firms can supply Soviet needs with little or no degradation in quality. But we do not believe that the Soviets can improve their own exploration technology (i.e., geophysical hardware and software) rapidly enough to affect production before the 1990s.

Drilling Equipment

The Soviets plan to nearly double the amount of drilling for oil and gas in 1981-85, with further increases planned for the late 1980s. Soviet drilling productivity is poor by international standards. Western rigs, drill pipe, tool joints, drill bits, blow-out preventors, and drilling-fluid technology already provide substantial aid to Soviet drilling efforts. The Dresser drill-bit plant, if brought on stream with U.S. or Western assistance, could have a considerable impact on Soviet oil production by the late 1980s. Although the U.S. is the world's leader in the production of drilling equipment, producers in Japan and Western Europe could supply the Soviet market. A unilateral U.S. embargo would therefore not have much bite.

Production Equipment

The Soviet oil industry faces rising fluid-lift requirements in the 1980s, as the amount of water produced along with the oil increases. According to Soviet plans, a large additional volume of fluid -- perhaps as high as 6 million b/d -- must be lifted in 1985 simply to maintain oil production at the 1980 level of about 12 million b/d. To handle the high volume of fluid, the Soviets plan to double the number of wells producing with the help of submersible pumps and gas-lift equipment.

Imported equipment is important for this effort because the capacity and quality of Soviet-made submersible pumps and gas-lift equipment is low. In the case of high capacity pumps, U.S. Western suppliers could be expected to enter the field within about two years. Each high-capacity U.S. pump produces on the average about 1,000 to 1,500 b/d of oil under Soviet pumps annually (in the 1970s they imported a total of 1,200). The water-cut problem in Soviet oilfields is getting worse, and domestic development of a good substitute pump has not yet been successful. Deniasl of the U.S. pumps consequently could cost the Soviets 200,000 to 300,000 b/d of oil before other Western suppliers could come on stream. In the case of a COCOM embargo, the impact would continue to grow, probably for several more years.

In addition to high capacity pumps, Western equipment playing a significant role in Soviet oil development includes gas-lift equipment, well-completion equipment, wellhead units, and Christmas-tree assemblies.

The USSR also has an increasing need for Western enhanced-oil-recovery technology. Enhanced recovery projects have long lead times, however, and the effect of Western assistance would be relatively small and felt only after 1985.

Offshore Equipment

The Soviets' least-explored areas for new petroleum discovery are offshore, and their oil and gas production in the late 1980s and beyond heavily depends on the development of such areas. The Soviets already have received substantial assistance from the West. Continued assistance could speed development in the Caspian area. A U.S. embargo applied unilaterally would make little difference. After 1985, COCOM restrictions would have very little effect. Firms in Finland, Singapore, Mexico, and Yugoslavia can supply most of the USSR's current offshore needs, and all of their requirements by the late 1980s. Production of the few drilling components now produced only in the U.S. could be quickly introduced abroad.

Oil Refining and Gas Processing Equipment

The Soviets intend to expand their secondary refining and gas processing industries substantially in the 1980s. They are relying almost exclusively, however, on their own production or on equipment imported from Eastern Europe.

Gas Pipeline Equipment

Although the Soviet Bloc produces most of its own oil pipeline equipment, the USSR relies extensively on the West for gas pipeline equipment -- large-diameter pipe and valves, compressors, and pipelayers. Since pipelines are the principal bottleneck in Soviet gas production, a COCOM embargo on pipe, compressors, and pipelayers would be a major setback to the Soviet gas industry. High-quality large-diameter pipes and valves are currently produced only in Western Europe and Japan.* Although the Soviets have recently built a plant to manufacture large-diameter pipe, they have yet to master production of pipe of this size. Pipelayers capable of handling this pipe are produced only in the U.S., Italy and Japan. Large turbine compressors of the type sought by the Soviets for the export pipeline project are built in the United States and the United Kingdom. Smaller units are built by firms in France, Germany, Italy, and Japan; units are built by firms in France, Germany, Italy, and Japan; none of these, however, has yet attempted to make a 20 to 25 MW unit, although a French firm has the necessary licensing.

A multilateral COCOM embargo on gas pipeline equipment could reduce gas production by as much as 10 billion cu. ft./day (1.75m b/d, oil equivalent) in 1985 and by substantially more after 1985. US unilateral restrictions on equipment in this area, however, would have minimal impact. The U.S. Does not produce the pipe or valves sought by the USSR, and pipelayers and compressors can be supplied from abroad. Foreign production of industrial compressor turbine shafts and blades, the sole area now subject to U.S. control, could begin in sufficient time to prevent a delay in completion of the pipeline.

Implications of an Embargo on Equipment for the Yamal Pipeline

A full COCOM embargo on equipment for Siberia-to-Europe gas pipeline presupposes West European agreement to abandon the project. A unilateral U.S. embargo on critical gas turbine components destined for use on the Yamal Pipeline probably would not substantially delay the project.

(a) The Soviets have designed the export pipeline compressor stations to use either General Electric (GE) or Rolls-Royce (United Kingdom) engines, and a U.S. embargo on GE could prompt Moscow immediately to switch to Rolls-Royce, which probably can produce the needed turbines roughly within the time sought by the Soviets.

---

* Although the Soviets produce pipe up to 1,420 mm. (56 inches) in diameter, little is for natural gas pipeline service. Most Soviet pipe is spiral welded and lacks the (HSLA) high-strength, low alloy metallurgy of Western steel for Arctic pipeline service. Most of the large pipe imported by the USSR is fabricated with a single longitudinal weld made by the submerged arc process.

(b) Even if the Soviets stay with the GE design and thus receive complete delivery from West European firms of turbine-compressor units two years later than without the embargo on GE the pipeline probably would not be seriously delayed beyond the full-capacity completion date we now expect -- late 1986 to early 1987. The Soviets would take at least five years to build the pipeline and complete all of the compressor stations even without an embargo on GE exports. Thus many turbine compressor units, even if delivered by late 1983 as Moscow wants, would hve to wait several years before installment in compressor stations. West European delivery of the GE-design turbines were not completed until late 1985, the Soviets could still bring the pipeline to full capacity within another year by placing those late-arriving units into the last compressor stations to be completed.

(c) Because of likely slippage of construction schedules on the Soviet side, even a substantial delay in delivery of Rolls-Royce turbines (beyond the late 1983 to early 1984 deadline now seen as feasible if Moscow switches soon to that firm) probably would not delay the completion of the pipeline project.

Economic Impact of Export Controls

A sustained multilateral embargo on exports of energy-related equipment to the USSR could lead not only to substantial effects on oil and gas production, but also to a significant worsening of already poor economic prospects. The losses in gas and oil production would probably amount to 2-3 million b/d (oil equivalent) in the mid and late 1980s, of which the longer part would be gas.

Part of this short-fall in energy production -- perhaps of the order of 1 million b/d -- would be absorbed through cuts in exports of oil and gas to the West and Eastern Europe. Exports of oil and gas account for about one half of present Soviet hard currency earnings.

Even after major trade adjustments, domestic energy supplies would probably be reduced by 1-2 million b/d, or some 5% by the mid to late 1980s.

The average annual growth of GNP in the 1980s (now projected at around 2 percent) probably would be lowered by half a percentage point or so. As time went on, the USSR would adjust to an embargo through cutbacks in imports from the West, stepped-up domestic production of oil and gas equipment, and forced conservation, as well as through slower economic growth.

Political and Economic Costs of Allied and U.S. Oil and Gas Controls

Costs to Our Allies

Our European Allies are likely to oppose the imposition of controls on oil and gas equipment and technology on several grounds including: world energy supplies will be increased by enlarged Soviet production; Soviet energy provides them a means of diversifying their energy dependence; political relations are improved by trade with the communist countries; a well-fed Soviet bear is less adventurous than a hungry Soviet bear.

In addition to these arguments, however, they see very tangible short- and long-term trade benefits in sustaining or increasing Soviet oil and gas production capabilities. To begin, the Siberian Pipeline and other major Soviet energy development projects offer the near-term prospect of significant exports to the USSR (approximately $12-15 billion from the Siberian Pipeline alone).

But more than short-run trade considerations pertain. Our Allies realize that the pipeline and other major Soviet energy projects are necessary to sustain Soviet energy exports during the 1980s. They also recognize that lack of hard currency is the most fundamental constraint on Soviet/East European imports from the West and that energy purchases from the Soviets provide the Soviets means to purchase from the West. Thus, our Allies see energy imports from the Soviet Union as self-liquidating expenditures because they generate equivalent exports to the Soviet Union, an advantage offered the energy dependent West Europeans by few, if any, other potential energy suppliers.

There is, therefore, a fundamental difference between U.S. and West European objectives concerning the Siberian Pipeline and other Soviet energy development projects. An important U.S. objective is to cap or reduce the level of Western -- or, at least, West European -- trade with the Soviets. But a basic West European objective -- to sustain or increase the level of that trade -- is directly contradictory.

Because it would strike at the heart of Soviet-East European trade capabilities, the West Europeans are likely to see the addition of oil and gas equipment to the list of COCOM controlled items as a means of waging long-term economic warfare against the Soviets, rather than being merited by the direct national security risks involved.

Our Allies have always been less disposed to economic warfare than the U.S., probably because they are more trade dependent -- and hence themselves more vulnerable to trade restrictions -- and because economic warfare against the Soviet Union could be more costly to them.

In 1979 Pre-Afghanistan trade, U.S. exports to the Soviet Union were $3.6 billion, 20 percent of a 15 Western nation total of $18.1 billion, and second only to FRG exports of over $3.6 billion. However, U.S. exports to the Soviet Union have always been dominated by agricultural commodities, which would not be directly affected by oil/gas controls. For example, 1979 U.S. agricultural exports to the USSR were $2.9 billion, but manufactured goods totalled only $655 million, the second largest ever achieved by U.S. exporters, but less than five percent of Western manufactured good exports of $13.6 billion. In the same year, FRG manufactured good exports to the USSR were $3.5 billion; Japan, $2.4 billion; France, $1.8 billion.

Our Allies may thus find inconsistent U.S. proposals that would have a substantial effect on their manufactured good exports, but would have a relatively minor effect on similar U.S. exports and no direct effect on our multi-billion dollar grain exports.

Additionally, compared to the size of the economies involved, trade with the Soviet Union and Eastern Europe is much less important to the U.S. than to several West European countries. For example, comparative 1979 exports to the Soviet Union and Eastern Europe expressed as a percentage of gross national product were:

Country	Exports to USSR/EE Percent of GNP
FRG	1.48
Italy	.81
France	.70
U.K.	.52
U.S.	.24

On a micro-economic basis, some European industries would be even more strongly affected by a stop on exports for the Siberian Pipeline and other oil and gas projects. Major portions of exports of various West European industrial output have gone to Soviet/East European markets: 20.4 percent of the FRG's iron and steel, which includes steel pipe; ten percent of its non-electric machinery and chemicals exports; more than eight percent of French iron and steel and non-electric machinery; almost 18 percent of Italian iron and steel exports.

Some individual firms would also be severely affected by a stop on the pipeline. West German manufacturing companies would be the primary recipients of Soviet orders for the project, which could help alleviate current unemployment problems in particular regions of the country. Most of the jobs stemming from exports for the pipeline would be concentrated in the steel and manufacturing sectors, which have been hard hit by slack domestic and foreign demand.

A.E.G. (German General Electric) recently announced that the pipeline contracts would assure 20,000 to 25,000 jobs over the next two years.

Soviet orders for steel pipe will account for more than one-half the outlays for the pipeline. This project could substantially benefit Mannesmann AG, which has seen a seventy percent drop in its production of large diameter steel pipe. A.E.G. Telefunken, the electrical giant, hopes to supply compressor stations, pumps, and other equipment.

Japan could also benefit heavily, possibly obtaining large segments of the orders for pipelayers and steel pipe, amounting to perhaps $3 billion.

Most U.S. policymakers see East-West trade as benefiting the Warsaw Pact countries more than the West. We thus see restriction trade as a long-term means of reducing Soviet economic growth and forcing a reduction in their defense expenditures that would, in turn, allow us to make similar reductions. We assume that we should be able to obtain European and Japanese cooperation in using trade sanctions as a foreign policy tool.

However, given their much larger benefits from and dependencies on East-West trade, some U.S. Allies may be unwilling to accept our view that the East benefits more from the trade than does the West. They see East-West trade as "mutually beneficial" and tend to focus on its short-term economic benefits to them -- benefits that are more immediate and more tangible than those that might accrue from "economic warfare" restrictions on trade. The use of such restrictions has never been clearly defined or employed by the U.S. in the context of a consistent, long-range strategy for dealing with the Soviet Union and Eastern Europe.

Economic and Domestic Political Costs to the U.S. of Oil and Gas Controls

A sustained, successful multilateral embargo of oil and gas equipment and technology would, in the long term, have a significant impact on Soviet energy production and exports and would ultimately impair Soviet ability to import all commodities, including U.S. grain, with resultant potentially significant effects on U.S. agricultural exports.

The direct, immediate effects of the imposition of oil and gas controls on U.S. exports would, however, be relatively minor in aggregate terms. U.S. exports of oil and gas equipment to the USSR ranged from abut $20 million in 1972 to a peak of $150 million in 1979. In 1980, by reason of Post-Afghanistan restrictions, exports of such equipment fell to about $50 million. Most U.S. exports of oil and gas equipment to the USSR are oil field equipment (well testing, drilling and completion equipment), pipelayers, and pressure sensitive tape for wrapping pipe. Gas compressor units and parts were important exports in the mid-1970s, but sales fell to zero in recent years.

Firm projections for U.S. oil and gas equipment sales to the Soviet Union are impossible, but Commerce Department experts believe that under ideal circumstances, U.S. oil and gas equipment exports to the USSR for construction of the Siberian Pipeline could reach $200 million annually over the five-year construction period through 1987. However, they see exports of $125-150 million annually as more likely.

This estimate assumes G.E. will supply the turbine cores for the gas compressors (about $225 million), that Caterpillar would supply at least half of the pipelayers (perhaps as many as 500 at about $225 million), and that other suppliers would provide equipment ($150-200 million) for the pipeline or associated development projects.

CIA analysts feel that sales of oil and gas equipment for other projects could easily double the total to $300-400 million annually if the Soviets purchase other U.S. equipments such as offshore drilling rigs, submersible pumps, etc., which they badly need to sustain increases in their oil exploration and production.

Although oil and gas equipment sales to the USSR would not be large in aggregate terms and would represent relatively minor portions of oil and gas equipment industry exports, for individual firms sales to the Soviets might be quite significant. For example, a sale by Caterpillar Tractor for 200 pipelayers, valued close to $90 billion is regarded as a major business deal.

Most oil and gas equipment suppliers are located in Texas and Oklahoma. Suppliers of gas compressor units and turbine drive units for the compressors are located in New York, New Jersey, and South Carolina. Other states affected would include Illinois and, to a lesser extent, California. Major U.S. firms involved in oil/gas equipment exports to the USSR are listed in Table ~~X~~. B-1

It is estimated that about 2400 job man years would result from each $100 million in oil and gas equipment exports.

Your decision on a U.S. licensing policy on oil and gas equipment is further complicated by three pending license applications that involve large dollar values of exports. In addition to the $90 million Caterpillar pipelayer deal, applications have been received for a $274 million International Harvester Company export and a $200 million Fiat-Allis export.

The International Harvester Company license would permit the sale of agricultural grain harvester-thresher technology to the USSR valued at $274 million, with delivery over the next five years.

The Fiat-Allis application would permit the Illinois Allis - Chalmers subsidiary of the Italian company to export $170 million of parts' kits that would allow Soviet assembly in the USSR of road building/strip mining equipment. The U.S. company would also receive a $30 million license fee and the prospect of another $200 million of exports over the next five years. The value of the transaction to the Fiat-Allis parent company is $2 billion.

Neither the International Harvester nor Fiat-Allies deal would technically fall under the oil and gas controls policy guidelines. However, unless uniform treatment (reject all or approve all) is applied to these applications, public perceptions of U.S. policy will likely be confused and those denied licenses will complain of inequitable treatment.

Table ~~X~~ B-1

United States Companies Marketing
Oil and Gas Equipment to the USSR

Company	Location	Export
Baker World Trade	Houston, TX	Drilling, Production & Testing
Cameron Iron Works	Houston, TX	Drilling & Completion
Dresser Industries	Houston, TX	Well Logging Units
Ferrostall Corp.	Houston, TX	Offshore Jacking & Aligning
Geospace	Houston, TX	Geophones
GeoResources, Inc.	Houston, TX	Geophones
Intertorg	Houston, TX	Well Logging Units
Lynes, Inc.	Houston, TX	Testing
McDermott Corp.	Houston, TX	Launching Barges
NL Industries, Inc.	Houston, TX	Drilling & Completion
Totco Div. of Baker Co.	Houston, TX	Well Logging Units
Otis Engineering Corp.	Dallas, TX	Testing & Completion
Texas Instruments	Dallas, TX	Gravity Meters
Raytheon	Concord, MA	Seismic Profiling Equipment
Armco Internat'l, Inc.	New York, NY	Drilling
General Electric Co.	Schenectady, NY	Turbine Drive Units
Dresser Clark	Olean, NY	Compressor Units
Ingersoll Rand	Philipsburg, NJ	Compressor Units
Geometrics Div. of EG&G	Sunnyvale, CA	Magnetometers
Varco Disc.	Orange, CA	Drilling
Cooper Manuf. Corp.	Tulsa, OK	Workover Rig
Mertz, Inc.	Tulsa, OK	Geophysical Vibrators
Caterpillar Overseas	Peoria, IL	Pipelayers
EDO Western	Salt Lake City, UT	Geophones, Seismic Equipment,

Possible Allied Responses to US Strategy ~~on the Yamal Pipeline~~

A policy of seeking COCOM cooperation to stop the Siberian pipeline would probably have a low yield and a high cost. The Allies have already decided that the project is in their interest and will not voluntarily halt their participation. In the immediate term, US attempts to force a stop to the project are likely to jeopardize the current US initiative to broaden and strengthen COCOM export controls in a number of military-related industrial sectors. In addition, the West Europeans view the project as strictly their own affair and resent US interference; US pressure thus could pose major risks for US-Allied relations. ~~(S)~~

COCOM may not in any case be the best vehicle for applying US pressure. The US is no longer able to exert a significant amount of influence or control within COCOM because Western Europe and Japan, as well as several non-COCOM members such as Austria, Switzerland, and Sweden, either possess equivalent technology or are ahead in a number of the latest technologies that COCOM attempts to deny the Communist countries. Although reasonably successful, the recent US experience in attempting to strengthen COCOM controls in the aftermath of the Soviet invasion of Afghanistan illustrates how difficult it has become for one country to force its way in the COCOM forum. Oil and gas equipment technology is not currently subject to COCOM embargo, and our Allies would resist strongly placing such items on the COCOM list on strategic grounds. However, because some advanced technology components involved in the pipeline may be subject to COCOM exception notes, the US could at least raise the issue as one of concern within present COCOM procedures. ~~(S)~~

Even outside COCOM, persuasion has failed with the West Europeans and Japanese because -- despite US arguments -- they see aiding the Soviets in energy production as a positive contribution to the global economy. They also are convinced they will derive a formidable list of economic and political benefits from the pipeline project, including:

- Near-term export earnings for industries supplying materials for the pipeline and a stream of future exports financed by Soviet gas sales.

- The chance to use another country's energy resources, thus saving domestic resources for later consumption.

- The project's contribution to improved East-West relations generally. ~~(S)~~

Convincing the Allies to halt pipeline-related equipment and technology sales would require several carrots or sticks, or some combination of the two. These incentives could be used directly or indirectly. In other words, the potential benefits to the major Allies outlined above must be attacked or offset directly, or an indirect cost must be imposed that is perceived to be greater than the potential benefits. ~~(S)~~

It is very late in the game to attack West European and Japanese perceptions directly.

- o The West Europeans have not found credible US suggestions concerning other energy sources such as US coal, help in nuclear construction, or assistance in developing alternative sources of gas such as Algeria, Nigeria, or the North Sea.

- o No substitute project appears on the immediate horizon that could provide the employment and earnings offered by the Soviet deal.

- o Most West Europeans are convinced they will need the gas, and they view with suspicion any US forecasts indicating otherwise.

- o The West Europeans and Japanese would perceive a restrictive US pipeline policy as a potential threat to <u>all</u> East-West trade, rather than a threat "only" to energy-related trade. Moreover, backing out of the pipeline deal after preliminary agreements have been reached would be viewed by the Allies as a breach of faith on their part that would threaten other commercial relations. ~~(S)~~

It would at least theoretically be possible to make benefits available to the Allies that offset many of those they think would derive from the pipeline. But alternatives would be extremely costly, e.g., providing them with commensurate export earnings, or giving them guarantees in regard to energy supply that would be credible enough to offset their perception of Soviet reliability. Moreover, some of the motives for their commitment -- desire to encourage Soviet energy production and to broaden East-West relations, for example -- are almost impossible to counter. ~~(S)~~

Washington could warn that US <u>trade</u> relations with both Japan and Western Europe would be harmed seriously if the pipeline sales are concluded. For example, a tighter trigger price mechanism on steel or a tougher stance toward EC agricultural commodities such as sugar could be adopted. Other pressures could include non-tariff measures such as stricter labeling standards or increases in excise taxes on alcoholic beverages. The US might also limit sales of particular goods to the Allies, although such measures would have only a minor impact since alternatives to most US goods exist. More important, trade actions along these lines would be interpreted as first salvos in a full-fledged economic war and would almost certainly result in retaliation. As the US currently runs a sizable trade surplus with Western Europe -- to the tune of around $25 billion last year -- the US probably would be the ultimate loser in economic terms. ~~(S)~~

In the area of finance, the US could offer to reduce its interest rates -- a major irritant in current economic relations with the Allies. The West Europeans and Japanese would probably view the promise as either impossible to keep or something the US should do regardless of Allied decisions on the Soviet gas deal. The US also might threaten to tighten controls on US banking subsidiaries overseas or on foreign investment in the US. This would upset West European and Japanese capital markets but would be unlikely to force the Allies to renege on the pipeline deal. In addition, the Allies would view such a move as self-defeating as it could punish US banks and the dollar more than it would hurt the Allies. ~~(S)~~

Another potential area for US action is in the military/strategic field. The US could refuse to pay for stationing US troops in Western Europe, particularly in West Germany, and threaten to withdraw these troops if funds were not forthcoming from the West Europeans. Such a move would of course greatly aggravate the West Europeans' current concerns over whether they could count on the US if war broke out in Europe, and it would make NATO cooperation even more difficult. A significant positive incentive would be a US offer to make the "two-way street" in government military contracts wider and allow more traffic on it. A negative incentive would be US cutbacks in military technology sharing or co-production agreements such as jet engines for Sweden or tactical systems for the UK and Japan. ~~(S)~~

From an individual country point of view, the United Kingdom would stand to lose the least if exports of pipeline-related equipment were blocked. The British enjoy net energy self-sufficiency, and they will be buying none of the Soviet gas. On the other hand, British agreement to US strategic export definitions would have little impact on the other major West Europeans, all of whom are more involved in the pipeline project and whose stake in East-West trade generally is much greater. Moreover, Rolls Royce is the only major producer of pipeline compressors that does not rely on US technology. If the US refuses to license pipeline-related exports and is able to prevent foreign licensees from selling the equipment, London and Rolls Royce have indicated their willingness to fill the vacuum -- and action consistent with Britain's present economic problems. ~~(S)~~

West Germany's commitment to the pipeline project -- and to "Ostpolitik" generally -- is firm and Bonn views the two as closely linked. Although West Germany's future gas needs are not as pressing as those of France or Italy, the project for Bonn has become an important symbol of the benefits of East-West economic cooperation. Cancellation of the pipeline deal thus would be seen as a severe blow to Ostpolitik and would undermine Bonn's fundamental national policy -- reconciliation with East Germany. Because the US is perceived to endorse this reconciliation, US action against the pipeline would be seen as a betrayal of German interests. Given the current political climate in West Germany, no government in Bonn could survive if it gave in to US pressure. Even if the more conservative opposition came to power, it would defend West German interests in similar terms. ~~(S)~~

French President Mitterrand is more cautious toward the Soviet relationship than was his predecessor, and Paris currently appears more willing to consider the strategic implications of the gas deal than is Bonn, Rome, or perhaps even London. Paris argues, however, that France needs the gas and that allowances have already been made to reduce the potential for Soviet leverage. The amount of gas to be purchased has been reduced, increased storage capacity is planned, interruptable contracts for industry will be used, and residential consumption will not be encouraged. The French also point out that their only immediate alternative supplier is Algeria, and it's cut-off of gas exports last year, plus current price disputes, indicate that the USSR is a better -- and safer -- bet. In addition, although Mitterrand's East-West views appear close to Washington's, the French president cannot appear to be giving in to US pressure. ~~(S)~~

The Italians, although apparently further along in the pipeline negotiations than the other West Europeans, might be more vulnerable to US pressure. A US commitment to grant the Italians more nearly equal status in "Western power" deliberations would go a long way toward persuading Rome -- provided that the Italians saw no chance of other West Europeans snapping up any deal turned down by Rome. Italy's decision would have little impact, however, on the decisions of France or West Germany. ~~(S)~~

Japan, in response to a perception that the US has begun to ease up on Afghanistan-related sanctions, has been edging recently toward a new dialogue with Moscow. The Japanese believe that increased interdependence contributes to the stability of Tokyo's relations with Moscow; they would not voluntarily abandon a cooperative approach except as part of a unified Western response to a crisis in East-West relations. Even in a crisis, Tokyo would be likely to follow suit only if the leading West European allies, particularly West Germany, agreed to tight new sanctions. The cost of buying Japanese cooperation if West Germany did not go along would be extremely high. To placate the business community, Tokyo would surely argue for future access to Alaskan oil if it were forced to deal itself out of the pipeline or to cut back on other joint energy development projects in the USSR. The US has a growing trade deficit with Japan and could use Japanese reliance on the US market as a lever. Any move to tie the trade issue to East-West relations, however, would run a very high risk of undoing what progress Washington has made in opening Japan's market to US goods and encouraging the Japanese to increase their defense efforts. ~~(S)~~

It is therefore our judgment that persuading the Allies to halt the pipeline project could be accomplished only at great cost. In fact, the political and strategic impact of applying the sticks to achieve US goals could be profound. COCOM almost certainly would be undermined and might collapse. The very informality of COCOM makes it both a flexible and a fragile organization. The unanimity rule allows each member to protect its own interests but also can prevent action. The other COCOM members already view the US as too restrictive and will resist further US moves to tighten the COCOM embargo at the upcoming high-level COCOM Ministers Conference tentatively scheduled for November 1981. A perception of US heavy-handedness in COCOM could shatter the consensus that holds COCOM together. Beyond COCOM, there is a good chance that NATO and Western cooperation generally would be seriously threatened. ~~(S)~~

Any pressures applied by the US would have a much greater chance of success if the West Europeans saw total, unwavering commitment on Washington's part. For example, in West European eyes, US opposition to the pipeline deal currently appears self-serving and inconsistent. US decisions to lift the grain embargo and to approve the Caterpillar pipe-laying equipment contract have contributed to this view. We believe a successful campaign would necessarily involve at least the appearance of shared sacrifice. For the West Europeans, the clearest example of US sacrifice would be a firm US embargo on grain exports to the USSR as well as sales of energy equipment and technology. We would emphasize, however, that such measures might not succeed and that the West Europeans would be sorely tempted in any event to fill the void created by a US embargo on exports to the Soviet Union. ~~(S)~~

POLICY OPTIONS PAPER

Controls on Export to the USSR of Oil and Gas Equipment and Technology

Issue: What policy should the United States adopt on controlling oil and gas equipment and technology exports to the Soviet Union? Should the United States treat Soviet oil and gas development and exports to Western Europe as a national security concern?

Approach: The Administration's decision on this issue should take into account:

-- the extent to which we wish to impede Soviet energy development exports;

-- the political costs vis-a-vis our Allies we are willing to pay in pursuit of this policy; and,

-- the extent to which we wish to control export of technology.

In order to make those options that restrict energy exchange with the Soviet Union both effective and equitable, the U.S. should present a substantial incentives package, which will contribute to Allied energy security. Such a package should aim at increasing Alliance access to additional sources of energy and at furthering sustained Alliance cooperation on energy security concerns.

Attachment

Statement of Pros and Cons

Statement of Pros and Cons

Option I

The U.S. will actively impede Soviet oil and gas production and export projects. The U.S. will impose national security controls on, and deny export licenses for, all oil and gas equipment and technology. We will use our available leverage to pressure our Allies and friends to adopt similarly restrictive measures.

Pro:

(a) Hinders development of a strategically significant industry which is a key component of the Soviet's military-industrial base. Insofar as oil and gas production is an instrument of Soviet domestic and foreign policy, we should actively impede the Soviets' economic strength, political influence and military potential.

(b) Diminishes Soviet ability to earn hard currency through energy exports to the West. Frustrates the Soviets' professed aim to acquire Western technology. Promotes increased competition between the military and civilian sectors.

(c) Discourages European dependence on Soviet natural gas, thereby avoiding a potential weakening of NATO Alliance cohesion.

Con:

(a) Experts disagree on whether, without Allied cooperation, an embargo would have a significant effect on Soviet energy production, and on Soviet ability to pursue major export projects including the Siberian Pipeline.

(b) Would strain U.S. and Allied relations. Europeans would view U.S. action as insensitive to their economic and energy needs. This would contribute to a long-term Soviet objective of driving a wedge between the U.S. and our NATO Allies and Japan.

(c) Hindering Soviet energy development could prompt further Soviet adventurism or efforts to increase their influence in the Middle East.

Option II

The U.S. will attempt to impede Soviet oil and gas production and export projects. Recognizing that our Allies and friends may not follow suit without unacceptably high political costs, we will use less leverage than in Option I. We would consider, after consultations with our Allies, adopting a multilateral approach less restrictive than implied in Option I. Until this

Pro:

Retains the basic benefits of Option I, but is more flexible and thereby avoids straining relations with Allies.

Con:

Contains same drawbacks as Option I, but additionally may indicate less U.S. resolve to limit Soviet energy developments.

Option III

The U.S. is most concerned about major Soviet projects which contribute to Soviet production capability and our Allies' vulnerability to Soviet energy leverage (e.g., West Siberian Pipeline). The U.S. will make a major effort with other countries to restrict exports of equipment and technology for such projects. Until this is worked out the U.S. will deny all technology and end-use equipment exports for major projects while approving end use equipment exports not for major projects.

Pro:

(a) Would focus U.S. leverage on major projects.

(b) More likely to be accepted by Allies because it is more closely related to Western security concerns.

(c) Offers commercial benefits to U.S. and Allied exporters in areas not of major security concerns.

Con:

(a) Difficult to identify discrete major projects or to prevent diversion of mobile oil/gas equipment. Opportunities for leverage may therefore be limited to those items which are essentially stationary, such as pipe, wellhead assemblies, down hole equipment, and compressors.

(b) Effectiveness would be limited unless Allies agree to restrict comparable sales of technology and equipment to the Soviets. To the extent Allies fail to cooperate, compromises Western security.

(c) Denies possibility to U.S. companies of participating in major Soviet oil and gas related trade opportunities.

Option IV

Rather than attempting to impede oil and gas production and exports, our goal will be to deny exports of technology that allow the Soviets to replicate advanced Western equipment; this technology would give them an independent capability to improve oil and gas output and infrastructure. The U.S. will approve exports of end use equipment.

Pro:

(a) Hinders Soviet energy independence by impeding their efforts to develop technological capabilities. Denying certain critical equipment and expertise in conjunction with our Allies could also retard Soviet oil/gas production, distribution and exports.

(b) Reduces possibility of confrontation with Allies. Would permit continued European purchases of Soviet energy which acts as a hedge against dependence on Middle Eastern oil and gas from less reliable suppliers.

(c) Encourages some Soviet dependence on imports of U.S. equipment and contributes positively to the U.S. balance of payments.

Con:

(a) Increases European reliance on Soviet energy, which, regardless of any safety net, could to some extent make our Allies more vulnerable to Soviet pressure.

(b) To some extent, supports inefficient Soviet civilian sector by giving USSR access to equipment it chooses not to develop, thereby perhaps facilitating resource allocation to the military.

(c) Prevents U.S. companies from competing for some Soviet oil and gas related trade opportunities, and creates incentives for the Soviets to seek U.S. imports.

Analysis of Handling of the
Soviet Trade Controls Issue

A look at the handling of the U.S.-Soviet trade controls issue in the NSC process provides interesting insights that may be useful in improving the process in subsequent cases.

- The written analysis given the President on this complex and controversial issue was never adequate. On a topic of this complexity, where views are divergent, it is hopeless to expect a twelve-person discussion to serve to illuminate the issue without adequate background and preparation provided by a sharply focused paper. Without such priorities, discussion serves largely to cloud the issue rather than to provide useful information. In this case:

  -- Most of the 240 minutes the President has spent in NSC meetings on this topic has been wasted.

  -- The third meeting was particularly non-productive, except that at the meeting's end, the President posed questions still troubling him. We may, in the future, want to encourage a post-meeting process whereby he can pose his questions.

  -- The President demonstrated his fundamental good sense by refusing to make a decision until he has adequate information.

- Failure of the State-led SIG process to produce an adequate paper provides a classic example of the inability of an agency-chaired group to produce a useful document when views of the agencies differ sharply. (You will recall that after four months of arguing, State and DOD were so sharply divided on the Oil/Gas and Siberian Pipeline issues that, unable to agree on the wording of an analytical paper on both issues, they simply submitted options and lists of pros and cons, with no amplifying information. We sketched a brief cover paper for each topic, but in the time available, we could not really place the issues in their proper context.)

- State seems too worried about producing "consensus" papers. State seems to resist, beyond the point of usefulness, stating divergent views in submitted papers, seeming to feel that, if it does so, it will "put the NSC staff in the driver's seat;" i.e., in the position of being able to weigh and comment on the divergent views.

E. O. 12958
As Amended
Sec. 1.4(c)

o [redacted]

o The decision process suffered from internal White House machinations.

-- The President appears to have made the Caterpillar license decision on the basis of information provided him informally, outside the NSC process, [redacted]

E. O. 12958
As Amended
Sec. 1.4(d)

-- Because this Japanese position has never been documented, and because they have alleged in various fora that they did not say they would not cooperate, the handling of the decision process has created distrust and ill-will in the bureaucracy.

-- The Caterpillar decision and the distrust it generated took a certain amount of "steam" out of work by the bureaucracy on the Pipeline-Oil/Gas issues.

o The Oil/Gas decision process drifted into limbo after the first two meetings and after the Caterpillar decision. In retrospect, this was probably largely because the President felt ill-equipped to make a decision. However, throughout the July-August-September period, lacking any feedback, we were under the impression that a decision was imminent and thus took no further action to prepare further analysis. The decision to hold meeting number three was taken quickly, allowing no time for reformulation of the issues or setting any specific goals for the meeting.

o Conduct of the meeting. Meese destroyed the rhythm of the third meeting by posing his formulation of the issue before you and the President and Haig had arrived. His formulation was OK and probably mirrored the President's concerns, but if he wished to set the meeting pattern it would have been preferable to have that specified as the agenda for the meeting and to attack the discussion with you in the lead. [redacted] Again, a sharply focused paper and agenda minimize the risks

E. O. 12958
As Amended
Sec. 1.4(c)

- <u>Post-meeting SIG activities</u>. Haig returned to State after the third meeting without a clear idea of what to do next, apparently issuing instructions to "do something to get the decision process moving," an instruction that befuddled subordinates and left them with a need to try to guess what the President wanted. The result will likely be additional host time because now that the bureaucracy has been cranked up again, the President will have to acknowledge the State submission and we may have to wait on their product before making a decision.

NSC/S PROFILE ~~SECRET~~ ID 8190032

RECEIVED 26 OCT 81 18

TO NANCE FROM LENZ DOCDATE 26 OCT 81

DECLASSIFIED
White House Guidelines, August 28, 1997
By CAS NARA, Date 2/16/01

KEYWORDS: EAST WEST TRADE USSR

MINUTES NSC

SUBJECT: MINUTES OF NSC MEETING 16 OCT 1981 ON EAST WEST TRADE CONTROLS

ACTION: FOR DECISION DUE: STATUS C FILES IFM O

FOR ACTION FOR CONCURRENCE FOR INFO

NANCE

COMMENTS RECD WW 10/26 1720 HRS

REF# LOG 8190025 8190027 NSCIFID NSC00023 (J / B)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
	C 12/15	Original not returned		
	C 12/15	Noted by NANCE		

DISPATCH ______ W/ATTCH FILE ______ (C)

System II

NATIONAL SECURITY COUNCIL 90032

NOTED

SECRET ATTACHMENT

October 26, 1981

MEMORANDUM FOR BUD NANCE

FROM: ALLEN LENZ

SUBJECT: NSC Meeting of October 16, 1981

Attached are the minutes of subject meeting.

SECRET ATTACHMENT

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL MEETING

Date, Time and Place: Friday, October 16, 1981; 2:00 - 3:00 p.m.; The Cabinet Room

Subject; East-West Trade Controls

Participants:

State
Secretary Alexander M. Haig, Jr.
Deputy Secretary William P. Clark

Treasury
Secretary Donald T. Regan

OSD
Deputy Secretary Frank C. Carlucci

Commerce
Under Secretary Lionel H. Olmer
Assistant Secretary Lawrence Brady

OMB
Mr. Ed Harper

CIA
Mr. William J. Casey

USUN
Ambassador Jeane J. Kirkpatrick

USTR
Mr. Donald Dekeiffer

JCS
Admiral Thomas B. Hayward
Lt General Paul F. Gorman

White House
Mr. Edwin Meese III
Mr. James A. Baker III
Mr. Michael K. Deaver
Mr. Richard V. Allen
Adm James W. Nance
Ms. Janet Colson

NSC
Dr. Allen J. Lenz, Notetaker
Dr. Richard Pipes

MINUTES

Meese: Even though everyone is not here, I believe we can accomplish some work before the President arrives: It seems to me the issues we have to discuss today can be divided into three questions. First, Do we want to impede the construction of the Siberian Pipeline? We haven't really examined this.

Carlucci: I believe we have decided to impede it.

Clark: Yes.

~~SECRET~~
Review October 16, 1987

~~SECRET~~

Meese: A second question is to what extent can we obtain the coopera-tion of other countries, or impede their participation in the project, and what would the effects be of our actions? Third, what is the balance of the effects of our action on our domestic employment versus our national security?

______:

Meese: Foreign policy and national security are the same only in State (laughter).

Enter the President and Mr. Allen

Meese: Mr. President, we had got started on this matter by posing three questions:

- o The first is whether we want to impede the construction of the Siberian Pipeline. The consensus answer to that question seems to be yes.
- o The second question is to what extent can we get others -- our Allies -- to agree?
- o To what extent do domestic considerations weigh in determin-ing our decision?

Casey: I wonder if we could go back a bit? We have a new comprehensive analysis of what the Soviets buy from the West in technology and the effects of these purchases. It is staggering -- the things they could not do without Western assistance (technology).

Mr. Allen: Is this a new study?

Casey: Yes. The Soviets go about the acquisition of Western technology in a very organized manner. They lay out what they need and identify where to go to get it. As a result of an increased understanding of the effects of Soviet acquisitions, I see a trend to substantial broad-ening of COCOM rules and revised methods of control to reduce their technology acquisitions. I believe these new findings will isolate and highlight the technology transfer question as never before.

Carlucci: We want to force the Soviets into a diversified investment strategy -- to force hard choices on them. However, selling technology to them saves them investment funds and makes their choices easier.

Casey: This new information shows the value of what they are getting is greater than we had ever conceived.

The President: It seems to me this gets down to showing that if the free world had not helped them and had let their system deteriorate, we wouldn't have the problems we have today. But we (the U.S.) can't do it alone. The question is have we worked in good faith with our Allies to get their cooperation? And, if we don't get their cooperation, at what point do we (by unilateral embargo actions) simply cut off our nose to spite our face and add to our own (economic) problems by not selling -- by depriving ourselves without depriving them (the Soviets) as was the case with grain. Can we make alone a decision to hold them back?

Casey: On some things we can -- on some we can't. Non-agricultural exports are a small portion of our trade with the Soviets. I believe this new study will promote a new Allied attitude. It has not been previously recognized how important this issue is. It has never before been looked at in its totality.

Mr. Allen: Bill is also talking about the acquisition of technology by means other than purchases, such as theft.

The President: I know that. Also, what they get by buying one -- tearing it apart -- and learning how to do it.

Mr. Allen. It's called reverse engineering. Bill, what are your going to do with this new information? Are you going to make it available?

Casey: Yes.

Mr. Allen: We have some important decisions to make. Would this new information have an impact on the issue of oil and gas technology?

Casey: This is a broad decision. The Soviet economy is in trouble. The question is do we want to make it harder for them?

Haig: (who had arrived after the discussion began) I am confused. Are we talking about today's agenda?

Mr. Allen: Bill has indicated that he has a new study examining the totality of technology transfer to the Soviet Union. [redacted]

Haig: Mr. President, I believe we need to remember that we had a decision to broaden COCOM from purely military applications, to cover military-industrial items. We hope for a high-level COCOM meeting in November to raise this issue. I hope we understand that we do have an agenda for dealing with this technology transfer matter.

Meese: ?????

Haig: Why don't we put this new information into the bureaucracy and see what happens?

Mr. Allen: Yes, that's what we should do. Now, we have to deal with the oil/gas policy issue. It is urgent because we have a backlog of licenses to deal with and because our policy on this matter will affect our position on the Siberian Pipeline. We need a decision on our U.S. exports that would contribute to the construction of the pipeline.

Meese: We have arrived at four options. Would the Department of Commerce state its position on this matter?

Olmer: Secretary Baldrige, with whom I have discussed this matter today, says we continue to support Option IV. This option would allow us to sell oil and gas equipment items on which there are not national security controls. This policy is desirable because the majority of oil and gas equipment not covered by national security controls is available from other sources and unilateral U.S. controls would achieve little.

Mr. Allen: What about turbine components? We have new information from the CIA that restricting some few items would cause a pipeline delay of 18-28 months. Is this correct?

Casey: Yes. GE says if a license is not granted for shipment of U.S. components, it would take about two years for European competitors to get started producing them. How much this would delay the pipeline itself is not quite so clear, but it would delay it.

Mr. Allen: Under Secretary Olmer, how would that coincide with your position on Option III?

Olmer: There is disagreement on how long it would take the Soviets to make up the technology shortages that would result from U.S. controls. In an analysis prepared for recent testimony, we found that with very few exceptions, we do not have a U.S. monopoly. For example, GE compressors could be gotten elsewhere. Our Allies are generally unwilling to go along with restrictions. Thus, we are caught in a position of telling our companies they cannot get licenses, because our policy is to impede Soviet production, but not licensing won't impede them (the Soviets) because of availability from other sources. [redacted]

12958 As Amended Sec. 1.4(c)

Casey: I agree we don't have a unique capability. It's a matter of time needed to catch up. But the compressors the Soviets would get from other sources would be less efficient than those built by GE.

Haig: Aren't we getting wrapped around the axle on one facet of the problem? We have had an options paper since August. We have no decision as yet. Now, we have a basic oil/gas decision to make -- not a pipeline decision to make.

Mr. President, your earlier remarks were, I thought, on the mark. The question is whether we have the luxury of denying the Soviet Union essential equipment. Then we can get to the question of the pipeline.

______: ??????

Meese: I think we should hear the agency positions.

Mr. Allen: It seems to me that the agencies have spoken and that their positions have not changed.

Haig: No, let's discuss the four options and keep the pipeline out of it.

Meese: No. We need specifics to make it concrete. It's silly to discuss the issue without it (reference to the pipeline). Under Secretary Olmer has indicated Commerce's position. We should discuss what position others take. The key question is "what can we get our Allies to do?"

Haig: We should discuss our basic policy on oil/gas controls.

Olmer: I think it should be emphasized that some parts of exports for the pipeline are already covered by national security controls. Much is not, but some items are controlled for national security reasons.

Mr. Allen: The rest is under foreign policy controls. Mr. President, the options have not changed. They are stated in succinct form in the materials provided. Those recommending Option I include: Weinberger, Casey, Kirkpatrick and General Jones.

Essentially the same group also recommends Option II. Energy recommends Option III, while Option IV is recommended by Secretaries Haig, Regan and Baldrige, Under Secretary Davis (Energy), Mr. Stockman and Ambassador Brock. Simply stated, Option IV is:

> Rather than attempting to impede oil and gas production and exports, our goal will be to deny exports of technology that allow the Soviets to replicate advanced Western equipment; this technology would give them an independent capability to improve oil and gas output and infrastructure. The U.S. will approve exports of end use equipment.

Mr. Allen (cont'd): Some of the end use equipment would be directly affected by your decision -- Caterpillar pipelayers, rotors, shafts, etc. All of this has implications for East-West relations and East-West trade, but requires a decision as to what our basic position should be.

Haig: Mr. President, Option IV is restricting the transfer of technology, while dealing with equipment on a case-by-case basis to see if it does violence to our position.

Option IV is preferable because, if we unilaterally deny oil and gas equipment, we will not restrict availability to the Soviets. It will be impossible to convince our Allies to join us in such restrictions. Cap has talked with the Brits. They suggested in no way would they go along with us.

Mr. Allen: This proposal involves giving our Allies some running room. It is the same policy followed by Carter.

?????

Haig: We are talking about holding technology back, while selling them equipment on a case-by-case basis.

Mr. Allen: It would allow shipments of equipment and continued leakage.

Carlucci: Are we discussing the subject in the context of foreign policy or that of national security? No one prefers a unilateral embargo. Options I and II would place security controls on oil and gas equipment and technology. Options III and IV would be foreign policy controls. The question is what degree of diplomacy and example we use with our Allies. We don't know what they will do until we set an example. We must send our Allies a steady signal. They are confused by our actions, such as our ending of the grain embargo. We seem to make decisions on commercial grounds.

Haig: Yes.

Carlucci: But if we don't try, we open up the floodgates.

Haig: No! We say tighten up on technology transfer! We are proposing important modifications -- new controls -- to our Allies.

Mr. Allen: No! Option IV is precisely what Carter did.

Haig: Look! There is a profound difference between what Carter did as a knee-jerk reaction and what we do in encouraging our Allies to tighten COCOM controls.

To deal with our Allies in a credible way, we have to have a credible position. Options I and II are unilateral control actions, while trying to get Allied support. We won't get it!

Haig (cont'd): The President must be concerned about our credibility. Option IV says increased controls on technology transfer. Let's sit down and do it. On end items we decide case by case. The President and the bureaucracy are capable of doing it.

Casey: There are risks in the process.

Haig: Option I is not credible.

Carlucci: Under Options I or II, the U.S. will actively impede and use pressure. The actions would not be unilateral.

Haig: Would we permit the sale of oil and gas items during the period we are pressuring our Allies?

Carlucci: No, we would not. After a fair period of trial, we may need to regroup and change our position (if Allies do not follow us).

Meese: The President does not decide export controls on a case-by-case basis. We need clear guidelines for the bureaucracy.

?? : Allowing items opens a pretty wide track. Items for the pipeline would not go on I or II. They would go on under III or IV.

Carlucci: Under Option I or II we control on the basis of national security concerns.

Meese: Would not it be useful to go around the room for an expression of views, and then to ask questions?

Mr. Allen: I believe everyone has already spoken.

Regan: I am confused between Option III and IV. I thought I understood it, but I am not sure now that I do. We need clear guidance for our customs people.

Mr. Allen: Under a strict interpretation of IV, the U.S. will approve exports of equipment. The pipelayers would go. (To Under Secretary Olmer) Without a license?

Olmer: No, they would be licensed.

Meese: If we sent 200 in July, it's hard to say they can't have them in September.

Olmer: No matter which options, I through IV, at least four areas of oil/gas equipment will be controlled -- regardless of what decision today. For example, computer controls, rig design, crew training and ??

Mr. Allen: So these items would be controlled?

Olmer: Several thousand high technology items would be controlled under any option.

Casey: In 1979, the Soviets got 1000 items that aided in their research and development.

Mr. Allen: There are several locksteps involved in this decision. The oil/gas decision relates to East-West trade. East-West trade in turn relates to East-West relations, which relates to our long-range Soviet policy. Walking up the steps, making these decisions, gets more difficult as you get higher up on the steps.

Carlucci: Unless we select I or II, we make the pipeline decision already made more difficult to sell to our Allies. We would be willing to go from I to II, but let's not capitulate too soon.

Kirkpatrick: We don't want to help the Soviets develop their oil and gas production. There are long waiting lists for oil and gas equipment. The waits are years long. Putting them off won't cost us sales.

The President: Do you mean if Caterpillar does not sell to the Soviets, then they can sell elsewhere?

Kirkpatrick: Yes, in South America and elsewhere.

Haig: Why is International Harvester going broke then?

The President: Do you mean that Caterpillar can sell 200 pipelayers in South America? Then why is Caterpillar pressing so hard on this transaction?

Kirkpatrick: The fact that Chrysler is going broke does not mean there is no market for them in the U.S.

?? : Would the Japanese cooperate in not selling pipelayers to the Soviets?

The President: At Ottawa, Suzuki said he would look into it.

Haig: The Japanese Foreign Minister later said no (they would not withhold sales). They were very clear on it.

Harper: On oil rigs, there is a long waiting line, but on the high technology we want to protect, we need a definition of the technology issues vis-a-vis policy.

Mr. Allen: Mr. President, we need a statement of options satisfactory to you. I gather that you feel reluctant to sign off on this issue from this options paper -- that it is not yet crisp enough.

Possibly there is a problem in that we don't have an overall Soviet policy. But that wouldn't address the problem of licenses and the problem of COCOM negotiations, and the fact that licensing pipelayers before the COCOM meeting would complicate negotiations.

Olmer: It is important to have a clear statement of policy before the COCOM meeting. Even though our oil/gas decision is not a matter to be treated directly there. The Caterpillar pipelayers will be seen as a sign of our intentions.

Haig: There is an important point to be made. We are seeking a broadening of the controls in COCOM to include not just military use technology, but military-industrial equipment. If we now adopt a brittle attitude on oil and gas, it will not be consistent with our COCOM instructions. Option IV would be consistent with our COCOM negotiating position.

I hope that, in the future, no summary of the options will be prepared to go to the President.

We are smoking opium if we think we can get Allied agreement on Option I. We will begin with Option II.

Option III has terrible practical applications. Secretary Regan could not administer it. His customs people would not be able to do it.

We should look at the four options on an interdepartmental basis. The whole matter should go back to the drawing board.

Mr. Allen: This (options paper) is the same paper that went through the process earlier. It has not been changed.

The President: I'm the most confused person of anyone. Is it possible to have an options paper that says "here's what we'll stop selling -- here's where they will get it then -- here's what they can't get elsewhere?"

I'd like to know the effect on our economy and the effect on them. I'd like to know the effect on our businesses -- those that wouldn't be able to make it (because of our restrictions) -- not down to those who make shoelaces, of course.

But I would like to look and see what it would do to the Soviet Union. Is it worth it to make an economic sacrifice? It is difficult to make a decision without knowing this.

Haig: We all want to tighten up -- to give them the minimum we can. But the doctrinaires here want to cut it off (totally) and to tell our Allies to do the same. But they will tell us to go to hell.

The ___??___ Option is IV. Under that we tighten our technology -- go case by case on equipment. Perhaps we can tighten up on the individual cases. But let's not stick our head in the pencil sharpener. Let's have a realistic policy!

Mr. Allen: We are trying to reconstruct COCOM. To construct a realistic policy for the 80's. But what is realism for the 80's. Your concern is to get along with our Allies.

Haig: That's your interpretation of my policy. I want a policy that is credible and effective.

Meese: We must finish. We are keeping a number of people waiting to use this room. Mr. President, your suggestion was to flesh out the options with some examples.

The President: Let me give two more examples concerning the confusion on this issue. First, my understanding is that the technology that slipped through Commerce on ball bearings allowed them (the Soviets) to MIRV their missiles earlier than they otherwise would have been able to do so. We should have been able to prevent that.

Second, the grain embargo. We saw a breakdwon (in the embargo) elsewhere. They (the Soviets) were getting it without our help, while our agriculture here was in a tailspin.

We have to look at those two considerations. Even though it helps them, does it help us as much or more than it helps them? If it is spelled out that way, it will help to make the decision. What is it we can cut off from them that they can't get elsewhere?

Meese: We need to talk about this again as soon as possible -- at the next NSC meeting.

The President: Can we repossess the KAMA River truck plant from them?

Mr. Allen: Mr. President, Larry Brady here is the person who is responsible for that.

End of formal meeting, followed by post-meeting exchange between Secretary Haig and Mr. Allen on the insertion of "staff bias" into options papers.