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Collection: Executive Secretariat, NSC: Meeting File
Folder Title: NSC 00039 02/04/1982 [Poland,
Libya, Export Controls, Oil, Gas] (1 of 7)

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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name EXECUTIVE SECRETARIAT, NSC: MEETING FILE

Withdrawer

CAS 1/18/2005

File Folder NSC 00039 04 FEBRUARY 1982 [POLAND, LIBYA, EXPORT CONTROLS, OIL, GAS] (1/7)

FOIA

2000-002

Box Number 91283

SKINNER

31

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
2535		CONTACT LIST FOR NSC MEETING (PARTIAL) PAR 6/6/2006	1	ND	B3
2536		CONTACT LIST RE NSC MEETING (PARTIAL) PAR 6/6/2006	1	ND	B3
2537	LIST	OF ATTENDEES (PARTIAL) PAR 6/6/2006	1	1/27/1982	B3
2538		CONTACT LIST RE NSC MEETING (PARTIAL) PAR 6/6/2006	1	ND	B3
2539		CONTACT LIST RE NSC MEETING (PARTIAL) PAR 6/6/2006	1	ND	B3
2540		CONTACT LIST RE NSC MEETING (PARTIAL) PAR 6/6/2006	1	2/4/1982	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.

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31

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
2541	MINUTES	FOR NSC MEETING R 2/22/2008 F00-002 DOCUMENT PENDING REVIEW IN ACCORDANCE WITH E.O. 13233	4	2/4/1982	B1
2542	MEMO	NORMAN BAILEY TO WILLIAM CLARK RE INTERAGENCY AGREEMENT R 2/22/2008 F00-002	2	2/3/1982	B1
2543	MEMO	BAILEY TO CLARK RE NSC MEETING OF 2/2/82 R 2/22/2008 F00-002	2	1/31/1982	B1
2544	MEMO	L. PAUL BREMER TO CLARK RE EXTRATERRITORIAL EXTENSION OF EXPORT CONTROLS R 6/6/2006	3	1/30/1982	B1
2545	MEMO	BREMER TO CLARK RE ATTACHED PAPER R 6/6/2006	1	1/29/1982	B1
2546	PAPER	RE POLITICAL IMPLICATIONS R 6/6/2006	2	ND	B1

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NATIONAL SECURITY COUNCIL MEETING:

DATE:

2/4/82

SUBJECT:

Poland & LIBYA

PARTICIPANTS:

The President
The Vice President
Admiral Daniel J. Murphy
State:
Secretary Alexander M. Haig, Jr.
Under Secretary Walter J. Stoessel, Jr.
Treasury:
Secretary Donald T. Regan
OSD:
Secretary Caspar W. Weinberger
Dep. Sec Frank C. Carlucci
Justice:
Attorney General William French Smith
Commerce:
Secretary Malcolm H. Baldrige
Under Secretary Lionel Olmer
Energy:
Dep Sec W. Kenneth Davis
CIA:
Mr. William J. Casey
OMB:
Mr. William Schneider, Jr.
USUN:
Amb Jeane J. Kirkpatrick
USTR:
Amb William E. Brock III
JCS:
General David C. Jones
Lt General Paul F. Gorman
White House:
Mr. Edwin Meese III
Judge William P. Clark
Mr. Robert C. McFarlane
Mr. Richard G. Darman
NSC:
Mr. Norman Bailey
Mr. Geoff Kemp

CONFIDENTIAL

DECLASSIFIED
White House Guidelines, August 23, 1997
By CAS NARA, Date 12/4/09

NSC 00039

NSC Meeting

Poland

Feb 4, 1982

~~3:00-4:00~~ p.m. 3³⁰ - 4³⁰

Cabinet Room

CH: The President

NATIONAL SECURITY COUNCIL

Carol,

CPT informed MOW of date/times for two NSC meetings:

Tuesday, February 2
3:00 - 4:00
(Poland -- right?)

Thursday, February 4
3:30-4:30
(Libya -- right?)

klm, 1/28

P.S. Papers taken to Tanter for NSC Mtg on Libya. Jennie informed me that more papers are due from State not later than COB Friday, 1/29. MW informed.

NSC Meeting
Poland
3:00-4:00 p.m.
February 2, 1982
Cabinet Room
Chaired by the President
Principal only

Area Man: Bailey

VP - 4213 (Terrie)
State - 632-5804 (Harry/Sheila)
OSD - 695-5210 (Kay)

FOIA(b) (3)

[REDACTED]
JCS - 695-4824 (Patsy)
USUN - 632-8647 (Jackie)
Commerce - *Aileen Robbins*
Treasury - 566-2394 (Joanna)
USTR - *MacDonalds office (5116)*
Bailey

Meese - Flo
Baker -
Deaver -

JCS:

Gen David C. Jones
At Gen Paul F. Gorman

OSD:

Wemberger
Carlucci

State:

CIA:

USTR:

RELEASED/DECLASSIFIED IN PART
NLS FOO-002 #2535

By LOT, NARA, Date 6/6/06

NATIONAL SECURITY COUNCIL

VP - Nancy Bearg Dyke (in by 10:00.a.
Just ask operator for her) *Teru*

State - Jerry Bremer *Jerie*
5205 *Henry*
Al Adan 5205

OSD - Gen Carl Smith *Kay*
2236

CIA - Mr. Thomas B. Cormack
[REDACTED] (leaving in 15 minutes)

JCS - Col Charles Stebbins *JCS 2278*
[REDACTED]

USUN - Jackie Tillman *L. bga*
5286

Commerce -

FOIA(b) (3)

Call over an open line

RELEASED/DECLASSIFIED IN PART

NLS FOO-002 #2536

By WET, NARA, Date 6/6/06

NATIONAL SECURITY COUNCIL

An NSC meeting has been
in the Cabinet Room

Scheduled for 3 p.m.,

Tuesday, 2 February 1982,

to discuss and resolve the

issues relating to the ~~scope~~

of oil and gas ~~export~~ ~~agreement~~

~~subject sanctions.~~

above subject. Papers

will be circulated for

comment ^{on appropriate} as soon as

possible.

NATIONAL SECURITY COUNCIL

2 Feb / Poland 3:00 pm 1 hr

Key Reiss / Cabinet Room
CIT R

4 Feb / Libya 3:30 pm 1 hr

Cabinet Room

21 11

#477

W

~~Brian Merchant~~

TO: PARTICIPANTS IN January 27 Meeting on Poland

SUBJECT: Presidential Decisions on ^{the Scope of Oil and Gas Equipment} Sanctions ^{Export}

^{the Scope of Oil and Gas Equipment Export}
As a result of yesterday's meeting on ^{the Scope of Oil and Gas Equipment Export} sanctions, Judge Clark has decided that there should be an NSC meeting held to discuss ^{and resolve the issue.} ~~an NSC paper which will incorporate each interested agency's view toward the applicability of the sanctions toward Poland.~~

We are attempting to schedule an NSC Meeting on Tuesday, February 3, 1982, at which decisions will be made on the ^{scope of the} sanctions. We will inform you as soon as a date and time has been confirmed for that meeting.

Michael O. Wheeler

Staff Secretary

Attendees at 4:30 pm, Wenesday, January 27, 1982
MEETING ON POLAND (Sit Rm)

State

Walter Stoessel 632-2471

William Milam 632-1114

Defense

Frank Carlucci 695-6352

CIA

Bobby Inman [REDACTED]

FOIA(b)(3)

USUN

Jeane Kirkpatrick 632-8647

VP

Dan Murphy 6606

WH

Bud McFarlane

NSC

Norman Bailey

Commerce

Lionel Olmer 377-2867

RELEASED/ DECLASSIFIED IN PART
NLS F00-002 #2537
By LOI, NARA, Date 6/6/06

THE WHITE HOUSE
WASHINGTON

Wil

1/28 to review to call
Please remind me to call the attendees at
today's meeting on Poland (Stoessel, Carlucci
Inman, Adm Murphy, Jeanne Kirkpatrick, Lionle
Olmer and Norman Bailey).

Bud

Mike Wheeler *←*

1/28

Subject: Follow-Up on Yesterday's Meeting
on Poland (Sanctions)

Yesterday, Judge Clark called an informal meeting of interested Departmental/Agency reps to consider the scope of the President's decisions of Dec 30 on Sanctions. Attendees are listed on the attached. Norman Bailey staffed it. Judge Clark was called to a meeting upstairs. Consequently I chaired the meeting. The outcome was that Norman would prepare a paper reflecting each interested agency's view toward the applicability of the sanctions. I committed to get a decision as to whether that paper could be forwarded to the President for decision (with no need for a meeting) or whether a meeting would be scheduled (NSC). Judge Clark has decided that the matter should be considered by the NSC and would like to seek time for a meeting next Tuesday. Could I ask you to please inform the participants of yesterday's meeting of this decision. Alternatively, you may wish to have Norm Bailey do this.

Bud McF *Bud*

NSC Meeting

Libya

Feb 5, 1982

~~3:30 - 4:30~~ p.m.

1036 - 11 7

~~H30 - 1230~~

Cabinet Room

CH: The President

NSC Meeting
February 4, 1982
3:30-4:30 p.m.
Cabinet Room
CH: President

Area Man: Tanter

Agenda: Libya

VP: Terrie (4213)
State: Sheila (632-5804)
OSD: Kay (695-5126)
Justice: Kelly (633-4197)
Commerce: Helen (377-5283)
Energy: Terry (252-6210)
CIA: [REDACTED]
USUN: Jackie (632-8647)
JCS: Patsy (697-9121)

FOIA(b) (3)

Meese
Baker
Deaver
Clark

NSC - Tanter (Jennie)

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NLS FOO-007 #2538

By HBT, NARA, Date 6/6/06

NSC 00039

NSC MEETING

Friday, February 5, 1982
10:30 - 11:30 a.m.
The Cabinet Room

(Was scheduled for Thursday,
February 4, 3:30; informed
Helen Donaldson)

Chair: The President

Subject: Libya

Invitees

VP - Mary Ann 4213
State - Sheila 632-5804
OSD - Margot 695-4325
Justice - Kelly (433-4197)
Commerce - Helen (377-5283)
Energy (252-6210) Maggie
CIA - [REDACTED]

FOIA(b) (3)

USUN - Winnie 632-8647
JCS - Sgt On 695-4824
Meese - Will be out of town
Baker
Deaver
NSC - Tanter Jennie 5697

Hold up
on other calls

2/2
Tanter: also
2/5TR

RELEASED/DECLASSIFIED IN PART

NLS F00-002# 2539

By LOT, NARA, Date 6/6/06

Per Poindexter to Wheeler, 2/4/82 p.m.

(NOTE: Wheeler informed Newell 2/4 p.m.; Wheeler informed Tyson 2/5 a.m.; McGraw informed Donaldson, x7560, 2/5 a.m.)

NSC MEETING

Wednesday, February 10, 1982
9:30 - 10:30 a.m.
The Cabinet Room

SUBJECT: Libya
CHAIR: The President

Invitees

VP - Mary Ann x4213 ✓

VP of Murphy

State - Sheila 632-5804 ✓

Treasury - Joanna Sheldon 566-2394 ✓ Island

OSD - Margaret 695-4325 ✓ Carlucci

Attorney General - Kelly 633-4195 Kelly

Commerce - Allen Robbins 377-5283 ✓ Sec. Baldrige / O'Connell

CIA - [REDACTED] Casey

OMB - ^{Diana} Sandy 6816 ✓ Judy 6190 ✓

USUN - Jackie 632-8647 ✓ Amb. Kerpelick

USTR - Carol Browning x3204 ✓ Amb. Wm S. Brock

JCS - LTC Bucknell 695-4824 ✓ Adm Thomas B. Hayward Acty CJCS
Lt Gen Paul F. Waman

Clark - Florence ✓

Meese - Barbara 2235 ✓

Baker - Margaret 6797 ✓

Deaver - Shirley 6475 ✓

Kemp - Sally [unclear]

[Tyson - Mary]
"Info Only"

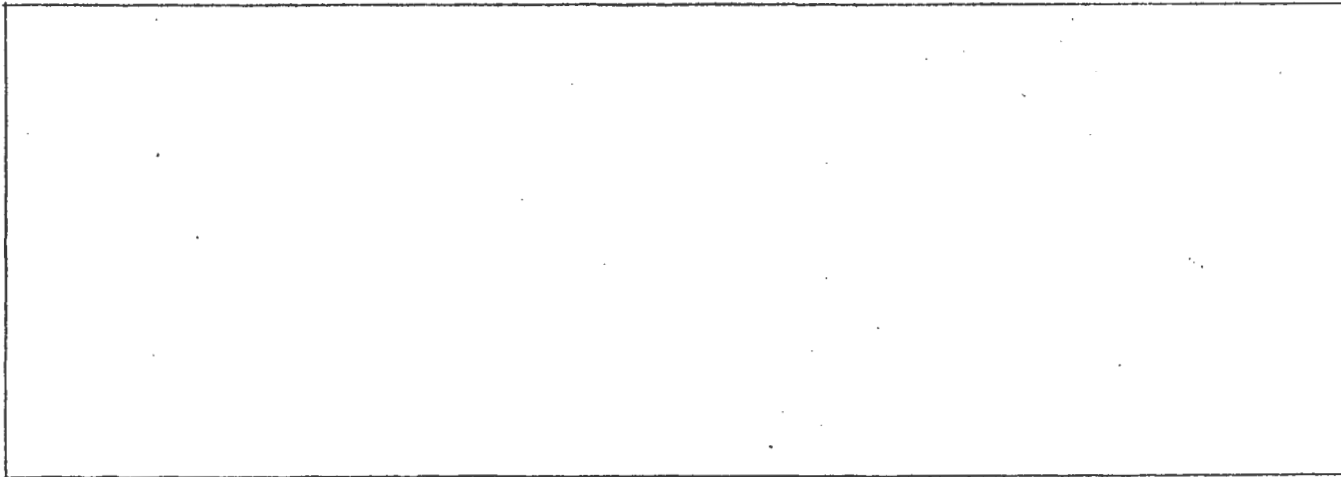
RELEASED/ DECLASSIFIED IN PART

NLS FOO-002#2540

By NOT, NARA, Date 6/6/06

THE CABINET ROOM

Kirkpatrick Smith Stoessel Haig . President Weinberger Carlucci Baldrige Davis Brock



Jones Casey Clark VP Regan Meese Baker Deaver

Gorman McFarlane Bailey Kemp

DOOR

REQUEST FOR APPOINTMENTS

To: Officer-in-charge
Appointments Center
Room 060, OEOB

Please admit the following appointments on February 4, 1982
for The President of White House:
(NAME OF PERSON TO BE VISITED) (AGENCY)

The Vice President
Admiral Daniel J. Murphy

JCS:
General David C. Jones
Lt General Paul F. Gorman

State:
Secretary Alexander M. Haig, Jr.
Under Secretary Walter J. Stoessel, Jr.

Treasury:
Secretary Donald T. Regan

OSD:
Secretary Caspar W. Weinberger
Dep Sec Frank C. Carlucci

White House:
Mr. Edwin Meese III
Mr. James A. Baker III
Mr. Michael K. Deaver
Judge William P. Clark
Mr. Robert C. McFarlane

Justice:
Attorney General William French Smith

Commerce:
Secretary Malcolm H. Baldrige

Energy:
Dep Sec W. Kenneth Davis

NSC:
Mr. Norman Bailey
Mr. Geoff Kemp

CIA:
Mr. William J. Casey

USUN:
Amb Jeane J. Kirkpatrick

USTR:
Amb William E. Brock
MEETING LOCATION

Building West Wing White House Requested by Carol Cleveland
Room No. Cabinet Room Room No. 376A Telephone 3044
Time of Meeting 3:30 p.m. Date of request Feb 4, 1982

Additions and/or changes made by telephone should be limited to three (3) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395-6046 or WHITE HOUSE - 456-6742

RECEIVED 08 FEB 82 19

TO CLARK

FROM BAILEY

DOCDATE 08 FEB 82

KEYWORDS: MINUTES NSC

POLAND

EXPORT CONTROLS

OIL

GAS

SUBJECT: MINUTES OF POLAND PORTION OF 4 FEB NSC MEETING

DECLASSIFIED
White House Guidelines, August 28, 1997
By CAS NARA, Date 12/4/08

ACTION: FOR DECISION

DUE:

STATUS C

FILES IFM O

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

COMMENTS

REF # LOG NSCIFID NSC00039 (B / B)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
Barley	S 2/9	revision		
WPCO	X 2/12	decision		
	C 2/15	Poundexter approved		NB ✓

DISPATCH _____ W/ATTCH FILE _____ (C)

~~CONFIDENTIAL~~

MW

MEMORANDUM

System II
90066

NATIONAL SECURITY COUNCIL

February 12, 1982

~~CONFIDENTIAL~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NAB*

SUBJECT: Minutes of the February 4, 1982 NSC Meeting

Attached at Tab I are the minutes of the Poland portion of the February 4, 1982, NSC meeting. An additional paragraph has been added indicating the final decision reached.

RECOMMENDATION:

That you approve the attached minutes for the files.

Approve *NAB* Disapprove _____

Attachment
Tab I Minutes of the NSC Meeting

DECLASSIFIED
White House Guidelines, August 20, 1997
By CAS NARA, Date 12/4/00

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
February 12, 1982

National Security Council
The White House

Package # 98066

32 FEB 12 12 43

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	<u>1</u>	<u>JK</u>	_____
Staff Secretary	<u>2</u>	_____	<u>R</u>
Sit Room	_____	_____	_____

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

DISTRIBUTION

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

Other _____

COMMENTS

DECLASSIFIED

~~CONFIDENTIAL~~

NLRR FOO-002#2541

BY LOJ, NARA, DATE 2/27/08

NATIONAL SECURITY COUNCIL MEETING

February 4, 1982

TIME AND PLACE: 3:30 p.m.-4:30 p.m., Cabinet Room

SUBJECT: Scope and Interpretation of Oil and Gas Equipment Controls

PARTICIPANTS:

President Ronald Reagan
Vice President George Bush

State
Secretary Alexander M. Haig, Jr.
Under Secretary Walter Stoessel

USTR
Ambassador William E. Brock

Treasury
Secretary Donald T. Regan

CIA
Director William J. Casey

Defense
Secretary Caspar W. Weinberger
Deputy Secretary Frank Carlucci

JCS
General David C. Jones

Commerce
Secretary Malcolm Baldrige
Under Secretary Lionel Olmer

OMB
William Schneider, Jr.

USUN
Ambassador Jeane Kirkpatrick

NSC
Dr. Norman A. Bailey
Geoffrey Kemp

White House
Edwin Meese, III
Michael K, Deaver
Judge William P. Clark
Robert C. McFarlane

Mr. Casey: By taking extraterritoriality decisions, we can delay completion of the pipeline by something close to 3 years. The significance of this is to deny them a significant amount of hard currency after 1986 when they will be running out. No oil exports after 1985. Deficit of \$15 billion in 1985 (high estimate) or \$6.5 billion (low estimate); \$18 billion by 1990.

~~CONFIDENTIAL~~

Review February 5, 2002
Classified and Extended by William P. Clark
Reason: NSC 1.13(f)

Secretary Haig: All of these questions ought to be viewed in the light of our Allies, our objectives, etc. The perception of the Allies is that our sanctions hurt them and not us. This is not a partnership. In Poland, the situation is deteriorating and bloodshed is a possibility. In the immediate case, the government is going to continue to squeeze. Nothing so far from the Soviets or from Jaruzelski. Probably nothing we can do will change their minds. We want to maximize our leverage without risking a confrontation, gain Allied support for strong action. If we use economic/political pressures alone, we can do little. If with allies, we can do a lot. The Soviets are unsure about the situation in Poland -- they are surprised at our unity with our Allies. Now they are united in condemning Soviets and joining slowly in sanctions. We must think of any short-term measures only in conjunction with a new package. There is no point in holding off -- but economic pressure is important only if we are united with our Allies. It should be reversible if they respond. Credits are the most important single factor of pressure. There should be a sixth option (added to the other five -- he then summarizes them). The sixth option is credit. The Allies are moving our way, slowly. We must not take new and jolting actions. By narrow decisions on extraterritoriality, we may destroy our chances to get further Allied actions. Republican Senators are opposed to a grain embargo. We should continue to try to bring our Allies along. If we fail or if the situation changes, we can look at cold turkey steps. We should hit Afghanistan, Libya, the Caribbean. We need a carrot if moderation is restored, a mini-Marshall Plan (by February 9). Polish debt -- all agencies except Defense approved the recommendation not to call Poland into default at this time. /N.B. This is not so -- the Working Group Report was approved by Defense./ (Notes from Working Group Report.) Soviet gold sales in January were very high. If we go the default route, we will lose leverage and other countries would be paid first. Thatcher thinks the economic structure of Europe would be shattered and recommends getting the bureaucracy lined up to speak with one voice.

Secretary Weinberger: Cut commercial credit to the Soviets. Extraterritoriality is absolutely the minimum approach. We would have difficulty explaining why we're not doing it. The pipeline is just as militarily significant as a plane. A total embargo would be effective -- not a selective embargo. We should be developing credible alternatives to the pipeline. We should keep open the possibility of default. We have little to gain by not doing it. The English are claiming that it's too late. We should be willing to do things ourselves. We should not be paying Polish debts ourselves.

Secretary Haig: What is our default policy?

Judge Clark: Not for the time being.

Mr. Meese: We never said we would never use it.

Secretary Baldrige: I am in complete agreement that we should try to stop the pipeline. Costs are now \$200 million. Extraterritoriality another \$200 million; 1 1/2 to 2 year delay. Technology is presently whole and intact in France. We do not slow down the pipeline for 2 years. But it will not be completed until 1987-1990 in any case. Any 18 month delay is not going to have any effect. So we lose \$500 million in exports for nothing. If the Russians don't get phosphates from Florida, they'll get them from Morocco. All the General Counsels agree we are on tenuous grounds. (Cites Freuhauf case.)

Mr. Brock: It is not simply to apply extraterritoriality. We are trying to get national treatment for our companies. This step would destroy that effort. We have to have Allied support. Otherwise, we have no possibility of success. They look at it as an assault on their sovereignty.

Secretary Regan: It is necessary to get Allied cooperation. Note that our freeze on Iranian assets would have been unsuccessful. Pipeline financing is all guaranteed credit. The guarantors are Germany and France. To cut off credit to the USSR, you have to get FRG and France to withdraw guarantees.

Ambassador Kirkpatrick: The pipeline produces interdependence between the USSR and West Europe. It is already happening. This interdependence is one-sided because the West European countries are democracies, subject to pressures. The question is whether we should help the Soviets with subsidiaries and licensees. No one wants to break the law.

Attorney General Smith: The power of the Presidency is very broad. What is the compensation that would be required?

Secretary Haig: Do we continue extraterritoriality or extend it? My view is that we do not.

Secretary Weinberger: Notes Alsthom contract with G.E. If you do that, you will not get the British to shoot at us. Phosphates -- in 15 minutes we can get Morocco not to sell the phosphates. We give G.E. a lot of money in defense contracts made necessary by what we've lost to the Soviets.

Secretary Haig: Extend to credit controls.

Mr. Meese: Goes into CCC Polish case. A briefing on this case is necessary.

Secretary Haig: We need a detailed explanation.

Secretary Regan: Either way the government has to pay up.

The President: We were keeping control of the timing on this matter.

Secretary Weinberger: This is not a final decision.

Secretary Haig: Kirkland is threatening actions. He says he can get European support.

The President: A grain embargo would be no use.

Secretary Regan: Have a year's stock already.

The President: Farmers always hurt first in recessions. Charge the USSR with violation of the Yalta Agreement. They would have to defend themselves on the issue.

Ambassador Kirkpatrick. This would never pass at the UN.

Notetaker's comment: The final decision of this NSC meeting was to send a high-level mission to Europe to try to get the European countries involved (England, France, Germany and Italy) to prevent themselves the export of oil and gas equipment by U.S. subsidiaries and licensees on their territory as well as to negotiate with them concerning a mutually-agreed restriction on official and officially-guaranteed credits to the Soviet Union. This was subsequently embodied in NSDD-24.

RECEIVED 02 FEB 82 11

TO CLARK FROM BREMER DOCDATE 29 JAN 82
 BREMER 30 JAN 82
 BAILEY 31 JAN 82

KEYWORDS: USSR EXPORT CONTROLS
 SANCTIONS GAS
 OIL NSC

DECLASSIFIED
 White House Guidelines, August 28, 1997
 By CAS NARA, Date 12/4/04

SUBJECT: INTERPRETATION OF 4 FEB NSC MTG RE EXPORT CONTROLS OF OIL & GAS
 EQUIPMENT TO USSR

ACTION: FOR DECISION DUE: STATUS C FILES IFM O

FOR ACTION FOR CONCURRENCE FOR INFO
 CLARK DOBRIANSKY
 GREGG
 NAU
 REED

COMMENTS

REF# 8202139 8202307 LOG NSCIFID NSC00039 (B / B)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<u>Bailey</u>	<u>S</u>	<u>2/2 further action</u>		
<u>WPC</u>	<u>X</u>	<u>2/3 for decision</u>		
	<u>C</u>	<u>2/17 Action completed at 4 Feb NSC</u>		

DISPATCH _____ W/ATTCH FILE _____ (C)

National Security Council
The White House

Package # 90043

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>✓</u>	<u>_____</u>
Bud McFarlane	<u>2</u>	<u>10/1</u>	<u>_____</u>
Jacque Hill	<u>3</u>	<u>✓</u>	<u>_____</u>
Judge Clark	<u>4</u>	<u>✓</u>	<u>11</u>
John Poindexter	<u>_____</u>	<u>_____</u>	<u>_____</u>
Staff Secretary	<u>_____</u>	<u>_____</u>	<u>_____</u>
Sit Room	<u>_____</u>	<u>_____</u>	<u>_____</u>

I-Information A-Action

DISTRIBUTION

CY To VP	<u>_____</u>	Show CC	<u>_____</u>
CY To Meese	<u>_____</u>	Show CC	<u>_____</u>
CY To Baker	<u>_____</u>	Show CC	<u>_____</u>
CY To Deaver	<u>_____</u>	Show CC	<u>_____</u>
Other	<u>_____</u>		

COMMENTS

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System II
90043

MEMORANDUM

NATIONAL SECURITY COUNCIL

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February 3, 1982

URGENT ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NB*

SUBJECT: Interagency Agreement on Agenda Item #1 of
NSC Meeting of February 4, 1982

On January 31, 1982 I sent forward, addressed to you, the attached memorandum (Tab I) suggesting an approach to the problem of the U.S. subsidiaries and licensees which I thought might be acceptable to all the agencies involved and proposed that you authorize me to try to get interagency agreement on such an approach prior to the meeting (if you agreed with it, of course). The memo was returned asking me to contact Stoessel, Carlucci, McNamar and Olmer one-on-one and get their reactions.

I am happy to report that all four reported back favorably, after checking with their principals. They will be expecting you to propose this solution at the meeting.

I have confirmed the information in item 1), so that your proposal should start with item 2) as follows:

1) A small but high-powered team should be quickly sent to Rome, London, Bonn and Paris (perhaps in that order) to try to convince the governments involved to themselves stop the exports to the USSR from the Dresser subsidiary in France and the licensees. We can argue that their promise not to undercut our sanctions is meaningless unless they do so, and we can additionally offer our promise to try to make sure that the same equipment is used in the Alaska pipeline, if necessary, in the same or larger amounts. Also, if necessary, we can say to the English that recognizing the parlous condition of their industry, we will make an exception for the G.E. rotors already shipped, but they must understand we cannot authorize more shipments if they are to be for reexport to the USSR. In this regard, it should be pointed out that we can stop Rolls Royce replacing G.E. if we want to, by threatening to stop purchasing their jet engines and/or by offering to buy more.

2) If despite all the above, the Allies refuse to cooperate, we should then apply the sanctions across-the-board to all subsidiaries and licensees.

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Review February 3, 1988

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BY LOJ, NARA, DATE 2/22/88

Defense agrees only if 2) is decided concurrently with 1).

In my opinion, if this approach is adopted, the team should be headed by Commerce (it is their responsibility), in the person of Under Secretary Olmer (he is agreeable) and include high-level people from State (perhaps Buckley), Defense (perhaps Ikle or Perle), Treasury (probably Leland) and the NSC.

RECOMMENDATION:

That you make the above proposal at the February 4, 1982 NSC meeting with reference to Agenda Item #1.

Approve _____ Disapprove _____

cc: Richard Pipes
William Stearman

Attachment
Tab I My Memo of January 31, 1982

National Security Council
The White House

Package # 90043

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>1</u>	
Bud McFarlane	<u>2</u>	<u>1</u>	
Jacque Hill	<u>3</u>		
Judge Clark	<u>4</u>		<u>#</u>
John Poindexter	<u>5</u>	<u>1</u>	
Staff Secretary	<u>6</u>		
Sit Room			
I-Information	A-Action		

2/3

DISTRIBUTION

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

COMMENTS

Handwritten notes:
 1) [unclear]
 2) [unclear]
 3) [unclear]
 4) [unclear]
 Call them all on
 Secure
 [unclear]
 [unclear]

Signature: John

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

January 31, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY

SUBJECT: NSC Meeting of February 2, 1982, on the Interpretation of the December 30, 1981 Controls on Exports of Oil and Gas Equipment to the Soviet Union

At my urging, the State Department has prepared an additional paper expressing its position on the agenda issue of the February 2, 1982 NSC meeting (Tab A). This paper, when coupled with their political effects paper of the previous day (January 29) (Tab B) for the first time sets forth the Department's position in a cogent, well reasoned fashion. Both papers should be attached to the meeting memorandum along with the papers from Commerce.

In order to achieve the goal we all desire, namely, economic and financial weakening of the Soviet Union through blockage or delay of the Siberian pipeline, while at the same time limiting damage to the Alliance, I would suggest that prior to the meeting we try to get Agency agreement on the following approach, which you would suggest at the meeting:

- 1) It has been stated by both Commerce and Defense that Dresser Industries' agreement with its subsidiary in France and General Electric's licensing arrangements with firms in England, France, Germany and Italy make specific reference to compliance with US export controls. It should be ascertained beyond doubt that this is so. [This I will try to do Monday, unless you object.]
- 2) A small team should then be quickly sent to Rome, London, Bonn and Paris (perhaps in that order) to try to convince the governments involved to themselves stop the exports to the USSR from the Dresser subsidiary in France and the licensees. We can argue that their promise not to undercut our sanctions is meaningless unless they do so, and we can additionally offer our promise to try to make sure that the same equipment is used in the Alaska pipeline, if necessary, in the same or larger amounts. Also, if necessary, we can say to the English that

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Review Jan. 31, 1988

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recognizing the parlous condition of their industry, we will make an exception for the G.E. rotors already shipped, but they must understand we cannot authorize more shipments if they are to be for reexport to the USSR. In this regard it should be pointed out that we can stop Rolls Royce replacing G.E. if we want to, by threatening to stop purchasing their jet engines and/or by offering to buy more.

- 3) If despite all the above, the Allies refuse to cooperate, we should then apply the sanctions across-the-board to all subsidiaries and licensees.

Concurrences: Pipes, Stearman, Weiss

RECOMMENDATION

That you authorize me to try to get preliminary Agency agreement on the above approach, and in any case that you suggest the above approach at the February 2, 1982 NSC meeting.

Approve _____ Disapprove _____

cc: Dobriansky
Gregg
Nau
Reed

Attachments

Tab A State paper on export controls (Jan. 30)
Tab B State paper on political effects (Jan. 29)

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90043

January 30, 1982

MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSE

Subject: Extraterritorial Extension of Export Controls

We have, as requested by Mr. McFarlane, already sent you our analysis of the high political costs of further extending the extraterritorial reach of our oil and gas controls. This memorandum contains further comments on the Commerce Department proposals for further extraterritorial extension of U.S. export controls.

Subsidiaries

First, Commerce proposes that foreign subsidiaries of U.S. firms be deemed to be U.S. persons and made subject to the U.S. oil and gas controls imposed on December 30, 1981. We are not sure that this measure would substantially increase the effectiveness of our controls; we are sure that it will raise the Allies' ire.

Foreign subsidiaries are incorporated where they operate, and are citizens of the country of incorporation. The French and others therefore deny our legal right to regulate subsidiaries and see such regulations as an affront to their economic interests and sovereignty. Moreover, past jurisdictional conflicts with the U.S. have led several of our Allies, including the U.K. and France, to pass or threaten special legislation to block their nationals--including U.S. subsidiaries--from honoring U.S. requirements.

The French have been particularly sensitive about extraterritoriality. In a celebrated case in the 1960's, the French courts took over operation of a U.S. subsidiary to prevent it from complying with the U.S. embargo on China. This precedent is important, because it involves the only foreign country in which a U.S. subsidiary (Dresser Industries, France) has a substantial pipeline contract. Significantly, even a successful extraterritorial application of U.S. controls in this instance would affect only 21 of the 125 compressors needed for the pipeline.

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NLS FOO-002#2544BY LOS DATE 6/6/06

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-2-

Attempting to stop Dresser France from exporting compressors to the USSR would almost certainly invite renewed French action to thwart our controls.

Moreover, asserting jurisdiction over subsidiaries for export control purposes would invite further heavy foreign regulation of U.S. investment around the world. Our efforts to obtain national treatment for U.S. subsidiaries would be undercut, and foreign companies would have a powerful incentive to avoid U.S. partners because of the threat of export control restrictions.

Licensees

Commerce also proposes that we retroactively extend controls over exports by foreign licensees using U.S. technology exported before December 30, 1981. There is no precedent for such action and our domestic legal authority to do so is highly questionable.

The purpose of these controls would be to reach all firms which use GE technology to manufacture pipeline equipment. If these controls work, they would cripple, among others, a British firm requiring such previously transferred GE technology. However, according to information from GE, Rolls Royce's ability to manufacture a different type of turbine and a non-U.S. origin compressor would not be affected by our controls. Our attempt to control the British firm using GE technology would virtually ensure that the British would not cooperate in controlling Rolls Royce exports.

Moreover, action against licensees will bode ill for future U.S. trade potential. Foreign firms will avoid buying U.S. technology wherever possible to avoid the risk that U.S. export controls will reach out and cripple their business.

Political Considerations

As we have noted, both controls on subsidiaries and retroactive controls on licensees would have enormous political cost. The Europeans will see these controls as a U.S. effort to subject them to our export controls, and to transfer decision-making on export controls from their capitals to Washington. Other countries will not stand by while we attempt actions profoundly disruptive to their economies.

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-3-

Reconsideration of Previously Announced Controls

There is a consensus that we not undertake at this time any revision of the December 29 export controls on shipments of U.S.-origin oil and gas equipment to the Soviet Union. However, we believe that this issue may well require reconsideration if it proves to be the carrot to induce the Europeans to agree to strong actions.

Bremer
L. Paul Bremer, III
Executive Secretary

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DEPARTMENT OF STATE

WASHINGTON, D.C. 20520

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January 29, 1982

MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSE

Subject: Attached Paper on Extraterritoriality

The attached paper on the political implications of extending applications of U.S. export controls was specifically requested by Bud McFarlane at the January 27 meeting in the Situation Room. Upon receipt of the paper being drafted by the NSC on this issue, we will comment further on this matter. We understand that this paper is to be available for comment by the Department today.



L. Paul Bremer, III
Executive Secretary

Attachment: as stated

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NLS F00-002#2545
BY LOT, NARA, DATE 6/6/06

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RDS-1 1/29/02

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DEPARTMENT OF STATE

Washington, D.C. 20520

Subject: Political Implications of Extraterritorial
Application of US Export Controls

During the January 27 meeting at the NSC under Mr. McFarlane's chairmanship, Acting Secretary Stoessel noted that the extraterritorial application of US export controls to foreign subsidiaries and licensees would be strongly resisted by the Europeans and would cause serious political problems with our Allies. This memorandum supplements the points which the Acting Secretary made at that time.

Many governments view our claim to jurisdiction over subsidiaries as contrary to international law and as an affront to their sovereignty and economic independence. Even governments which tend to be much closer to our assessment of the Polish situation, such as the United Kingdom (which has domestic legislation which could block some US embargo measures), would be much less likely to cooperate with us in an effective sanctions program were we to provoke a dispute through the extraterritorial application of our export controls to subsidiaries. Such a dispute over issues of national sovereignty and the allegiances of transnational companies would distract us from our efforts to reach agreement in dealing with the developments in Poland.

The Department of State believes that the benefits to be gained from the extraterritorial application of our controls to US subsidiaries and licensees in the case of the gas pipeline are outweighed by the political costs of a major dispute with key Allies over this issue. We would obtain virtually no additional leverage over the pipeline at the cost of considerable ill will. Rather than being seen as a sign of US determination to deal effectively with the Soviet Union in light of the repression in Poland, this move would be seen as an affront to the sovereignty of the European countries involved. If we pressed our case, this could well lead to further efforts by the European governments involved to restrict US investment or to circumscribe the actions of European subsidiaries of US companies.

The conflict with key European Allies and Canada over such extraterritorial application of US export controls goes back for many years. It reached a high point during the early 1960's over US embargoes to Cuba and China. Jurisdictional

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BY LDT, NARA, DATE 4/6/06

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conflicts led several of our Allies to pass or threaten special legislation to block locally incorporated US subsidiaries from honoring US requirements. Indeed, in one case in the 1960's, the French courts took over the operation of a US subsidiary of Freuhauf to prevent its compliance with the embargo on China trade.

Attempting to force the Western European subsidiaries of a US company such as Dresser (France) to refuse to fulfill its contract for equipment to be installed on the West Siberian pipeline would place the subsidiary between conflicting US and French policies, laws or requirements and could invite renewed French action to thwart our controls.

In the case of licensees, the situation is complicated by different types of licensing arrangements involved. We have US legal authority to impose controls over products based on US technology transferred after December 31, 1981, but legal authority over products based on technology previously transferred is difficult to enforce effectively. Even if we could place legally effective extraterritorial controls reaching all firms which plan to use GE turbine technology for exports for the gas pipeline, they would not reach Rolls Royce which can supply turbines derived from the RB-211 jet engine. Furthermore, bringing foreign licensees under the controls umbrella, would pose serious political and economic problems. Since World War II, Europe has been dependent on the US for substantial imports of advanced industrial technology. If the US were now to reach out and control retroactively European products made from US technology transferred prior to the imposition of our own export controls, a large percentage of Europe's industrial output could be affected. The Europeans would undoubtedly view such a tactic as a heavy-handed attempt to force European countries into embargoing exports to the USSR. Moreover, in the longer run this would undercut the attractiveness and competitiveness of US technology in Europe for years to come. They would find such an action intolerable. The result would be that it would create a great deal of ill will with very questionable results.

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RECEIVED 29 JAN 82 16

TO AGENCIES

FROM WHEELER

DOCDATE 29 JAN 82

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02 FEB 82

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KEYWORDS: USSR

SANCTIONS

POLAND

GAS

OIL

AGENDA

DECLASSIFIED
White House Guidelines, August 28, 1997
By CAS NARA, Date 12/4/04

SUBJECT: AGENDA & BACKGROUND PAPERS FOR 2 FEB NSC MTG

ACTION: WHEELER SGD MEMO TO AGENCIES DUE: STATUS C FILES IFM O

FOR ACTION

FOR CONCURRENCE

FOR INFO

COMMENTS

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