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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
2566	PAPER	RE STRATEGY ON POLAND (SAME TEXT AS 2563) ***R 6/6/2006***	11	ND	B1
2567	PAPER	RE CLARIFICATION OF THE SCOPE ***R 6/6/2006***	1	ND	B1
2568	PAPER	RE POLITICAL IMPLICATIONS (SAME TEXT AS 2546) ***R 6/6/2006***	2	ND	B1
2569	AGENDA	FOR NSC MEETING ***R 6/6/2006***	1	2/2/1982	B1
2570	PAPER	P.2 ONLY OF A PAPER RE DEPARTMENT POSITIONS ***R 8/21/2013 M325/1***	1	ND	B1
2571	PAPER	RE ECONOMIC SANCTIONS ***PAR 6/6/2006***	4	ND	B1

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STRATEGY ON POLAND: POSSIBLE NEXT STEPS AGAINST THE U.S.S.R.

I. ANALYSIS OF THE SITUATION

We are approaching a crossroads over Poland, and our handling of the situation will have far-reaching implications for U.S. foreign policy, particularly the future of our relations with the Soviets, the Poles, and the Western Alliance. Unless we continue clearly to demonstrate our seriousness in this crisis, the Soviets may draw conclusions that could lead them to test our resolve at other critical points over the next three years.

The Soviet Stake in Poland:

The Soviets consider a "friendly" Poland absolutely critical to the U.S.S.R.'s vital security interests. Poland has historically been an avenue for invasion of Russia, and, since World War II, it has been the essential line of communication to Soviet ground forces in Germany. From the political perspective, maintenance of the status quo in Poland preserves the post-war division of Germany and ensures the continued existence of a "world socialist community".

Although the Soviets have historically been willing to tolerate some deviations from the Poles, the Soviet-instigated Polish crackdown demonstrated that Moscow remains prepared to risk bloodshed and increased international tension in order to retain control over events in Poland. This was true after Yalta; it is still true after Helsinki.

West European Dimension:

In defending what it sees as its critical interests in Poland, Moscow seeks to play upon divisions of the West. The Soviets see West Europeans as inclined to accept Soviet hegemony in Eastern Europe and less willing than the United States to forgo the benefits of "detente." These divisions in the West were one among many reasons why the U.S.S.R. rejected the option of a direct invasion--which would have united us and the allies--instead pressuring the Polish Government into brutal repression. This suggests that allied support for U.S. policy toward Poland can have an important impact on Soviet conduct.

The Outlook in Poland:

Moscow will continue to press the Polish martial law regime to crush Solidarity and restore the kind of orderly, if economically inefficient, Polish dictatorship the Soviets feel they can comfortably control. The martial law regime has achieved its initial objective of suppressing active resistance, but is perplexed as to where to go from there. Even regime spokesmen admit privately that the generals in charge have neither a policy for solving the country's problems nor the political talent to develop and implement one. Despite the decapitation of Solidarity, passive resistance continues and there are signs that it could become active. The economy was in shambles before December 13; it has steadily worsened since. Little or no progress has been made in rebuilding the shattered Polish Communist Party, and conflict continues between orthodox hardliners and more pragmatic elements within the leadership. The regime has been moving to fend off resistance and further Western sanctions by cosmetic adjustments of the martial law regime, but the generals know they have not yet begun to deal with Poland's overwhelming problems.

It is impossible to predict with any certainty what will occur in Poland in the next 12-18 months. There are a wide range of possible scenarios. But we believe these can be grouped within four broad categories:

(1) A Soviet invasion, most probably resulting from large scale bloodshed among the Poles. Such bloodshed could occur in a variety of ways: as a consequence of intensified repression, from increased food shortages, or from some other triggering of the pent-up bitterness and frustration now held in check by Polish security forces. Should the Soviets intervene, Western leverage for any amelioration of repression would largely vanish. But the likelihood of bringing the Allies along in the imposition of major, far reaching sanctions against the Soviets would greatly improve.

(2) Continuation, largely unchanged, of Martial Law. While economic deterioration would continue, the government might succeed in keeping the lid on by heavy reliance on its security organs. Despite its potential instability, such an outcome would represent a victory, albeit perhaps temporary, for the Soviets. This situation would be the most susceptible to Western leverage. But the instability inherent in martial law would make Polish leaders fearful of moving too far, too rapidly. The Soviets could be expected to keep heavy pressure on Jaruzelski not to make substantial compromises.

(3) An incremental and partial restoration of human rights. In an effort to undercut our efforts to gain allied support, the Polish Government might move to restore a sense of normalcy to Poland by taking highly publicized steps such as the release of a large number of prisoners and the opening of a limited dialogue with the Church and some elements of Solidarity. The central aspects of martial law - e.g. the high degree of control currently being exerted by Polish security organs - would continue. If carried out well by the Poles, this would be the most difficult scenario for the West to deal with. It would particularly complicate efforts to maintain a

unified Western position toward returning to business as usual with Moscow and Warsaw.

(4) A return to dialogue and reform, holding open the possibility for further political and social evolution. This would require that the Polish regime (with at least tacit Soviet acquiescence) see no viable long-term alternative to developing a relationship with the Church and the working class that preserves a significant number of the gains made since August 1980, and which guarantees the Soviets' basic interests. The security apparatus would undoubtedly remain active enough to assure the Soviets and the Polish establishment that control would not again be threatened. But, if this resulted in real latitude for trade unions and the Church, it would preserve the possibility of future peaceful change in Poland and other East European countries. The Soviets, however, could be expected to maintain their campaign of calculated pressure to limit the extent of the Polish Government concessions.

It is becoming clear that the Soviets now foresee a lengthy process with an uncertain outcome. Whatever the next year brings for Poland, the Soviets face inevitable long-term pressure for change throughout Eastern Europe. However, recent events in Poland suggest that the Soviets will continue to react to such pressures by taking whatever steps are necessary, including the use of force, to preserve their hegemony in Eastern Europe. Gromyko's categoric rejection of Secretary Haig's presentation on Poland at their Geneva meeting is further evidence of Soviet determination to implement this view of its security interests in Eastern Europe. Thus, Poland in the near term, and the entire region over time will remain a source of tension in East/West relations.

II. U.S. OBJECTIVES

Poland relates to so many fundamentals (the future of Eastern Europe, the Alliance, Soviet security, American political and moral leadership) that our objectives must be placed in the context of our overall foreign policy. Our overall objective is to maintain U.S. capacity for world leadership by halting and if possible reversing adverse trends in the world power balance over the last decade or more. But we recognize that we must navigate through a period of some vulnerability as we rebuild our strength.

Thus we seek to establish a sense that the U.S. is prepared to accept the responsibilities of political and moral leadership --without provoking confrontations with the U.S.S.R. which could carry unacceptable risks in the nuclear age. Since our response to the Polish crisis will inevitably be regarded as a critical test of our ability to meet this longer-term challenge, our policy must be both prudent and effective. In this sense, we face an historic juncture in Poland, and our actions will have profound consequences for the future across a broad front of basic U.S. interests.

This strategic objective and the analysis of the concrete situation set forth in Section I dictate the following specific objectives for the U.S. response to the Polish crisis:

-- Toward the situation within Poland, to secure the agreed Western objectives of lifting martial law, release of detainees, and restoration of a minimum of freedom (e.g. for trade union activity), without creating a public perception that we are responsible should there be a violent ending.

-- Toward the Soviet Union, to drive home that the U.S.S.R. will pay a heavy price in U.S.-Soviet relations if it continues on its present course in Poland, without seeming to threaten vital Soviet security interests to the point of direct confrontation.

-- Toward the Alliance, to exert strong pressures and leadership for concrete measures, without pushing so hard that we tear the Alliance apart (recognizing that a divided alliance deprives us of much of our ability to affect Soviet behavior).

-- Toward the American people, to demonstrate that we are living up to our moral and political responsibilities, without creating expectations that cannot be fulfilled given the present balance of forces, Poland's geographical situation, the State of the Alliance, our economy, etc.

III. ACTIONS AND IMPACT TO DATE

We must view the situation to date both in terms of our own actions and the overall situation facing the U.S.S.R. and Poland.

A. Specific Actions

The specific actions we and our Allies have taken to date represented a measured response which has imposed a cost on the USSR.

--The package of economic and political measures against the Soviet Union announced on December 29 was deliberately restrained in order to send a primarily political signal to Moscow of our readiness to impose more substantial costs if the repression was not brought to an early end. Specifically, we: (1) suspended Aeroflot service; (2) closed the Soviet Purchasing Commission; (3) suspended issuance of licenses for high-technology exports; (4) halted exports for the oil and gas industry;

(5) suspended talks on a new maritime agreement and imposed strict controls on Soviet access to U.S. ports; (6) refused to set a date for talks on a new long-term grains agreement; (7) decided not to renew three bilateral cooperation agreements that expire this year. We also have stepped up VOA broadcasting to the U.S.S.R. by the introduction of medium-wave frequencies.

--At the January 11 Ministerial and follow-up meeting on January 23, the Allies moved closer to getting on board with modest political actions versus the Soviets. A number of Allies, under EC-10 aegis, are prepared to limit selected imports of manufactured and luxury goods from the USSR (although not oil or other raw materials). The EC Foreign Ministers have decided to recommend to the OECD a more restrictive status for the USSR, effectively raising the interest rate for credits to that country. Several Allies are considering tightened travel controls on Soviet diplomats and nonrenewal of exchange agreements. On the most prominent economic issue, the Siberian Pipeline Project, the Italians have advocated "a pause" in negotiations, but French companies on January 23 signed a major contract with the Soivets for purchase of natural gas from the future pipeline. Meanwhile, the Allies have agreed to suspend rescheduling of the Polish debt, as well as to suspend all export credits to Poland.

B. IMPACT

This listing of specific actions misses the larger consequences for the Soviets. Prior to the December 13th repression, US-Soviet INF negotiations were moving ahead, it appeared that a beginning date for START might be announced at the Haig/Gromyko meeting, there were massive demonstrations in Europe primarily directed against U.S. nuclear deployments, and the Soviets' "Peace" offensive threatened to drive a wedge between the Allies. Since then, START has been postponed indefinitely and another burden added to INF, there have been significant demonstrations against the repression, the "peace movement" in Western Europe is, at least for the moment, less effective, and the Allies have been moving, albeit slowly and unevenly, in an anti-Soviet direction. Allied Ministers will be at our side condemning the Soviets when the CSCE meeting resumes.

In terms of Poland itself, before December 13th the West had provided Poland with some assistance in dealing with its massive economic problems. Now the future of Western aid is much more problematical, thus adding to the economic drain of the Polish crisis on the Soviet Union. It is clear that the Polish regime is already feeling pain as a result of this stance. We should, of course, do everything possible to maximize these economic and political costs to the Soviet Union.

Within Poland, even our modest response has given heart to those who wish to save as much of the achievements of the past year and a half as can be saved. The Polish Council of Bishops and leading Polish intellectuals recently denounced the regime in language that reads like an echo of the President's December 23 statement and the January 11 NATO declaration.

On the other hand, the Soviets have achieved their minimum objectives in Poland -- restoring order and Soviet control over the situation -- without having to resort to direct military intervention. Thus they have staved off, at least for the present, a strategic loss in Poland at the cost of exposing the bankruptcy of the Soviet-imposed system, as well as a potentially serious turn-down in East-West relations, and a new crisis in relations with the largest communist party in Western Europe.

IV. OPTIONS

The following general considerations will have to be taken into account as we review our options:

1. It is possible that nothing we can do in the short term will be enough to induce Moscow to back away from its determination to crush Polish renewal. However, over the longer term there is a chance that, by imposing real costs on Moscow, we can exert some leverage in inducing Soviet and Polish moderation.

2. There is no reason to hold tough economic measures in reserve pending direct Soviet military intervention. Once a Soviet decision to intervene is made, we will not be able to reverse it by imposing additional economic and political sanctions.

3. We will be under considerable domestic pressure to move forward with more energetic measures in the near future. If Lane Kirkland should follow through on his threat to create a de facto embargo through labor action (which he may not be able to do), the costs to the domestic economy would be as great as if we had instituted a de jure embargo, but we would have gained little or no leverage vis a vis our allies or the Soviets. The result would be a blow to our international credibility which could have far reaching implications.

4. The primary, although still marginal, leverage available to the West is economic, but the U.S. alone cannot do enough to produce an effective response (although leverage can be exercised unilaterally on the debt issue). If we cannot bring the Allies along, we may well not be able to achieve the objectives outlined above.

5. There is no hope of getting European agreement on tough and painful action, unless they believe we are making corresponding sacrifices ourselves. Specifically, they see a direct relationship between the kind of tough European sanctions we are asking for and our grain sales. Without a grain embargo, we have no hope of stopping or even suspending the pipeline or of gaining European agreement to other tough measures, such as a partial embargo. At the same time, while tough U.S. action is necessary to achieve comparable European measures, it still may not be sufficient. We may also have to express our willingness to share the costs of sanctions that penalize our Allies disproportionately.

6. We will have to wrestle with two thorny aspects of the question of reversibility--the sure growth of pressure to reverse and the adverse effects on our international credibility of doing so. Our sanctions are linked to Soviet behavior toward Poland and should be reversible, to give the U.S.S.R. an incentive to moderate its repression, but the sorry post-Afghanistan experience suggests that erosion is almost inevitable over time, whether or not the Soviets change the behavior which caused sanctions to be imposed. We and the Allies are certain to disagree on when the lifting of sanctions is justified, and these differences undoubtedly will be exacerbated by Soviet and Polish adjustments of the martial law regime designed to create an appearance of improvement. Moreover, erosion of sanctions over time could force us to consider a reversal of our policy without evidence of real improvement in Poland, thus acknowledging the defeat of our strategy.

7. It may not serve our interests to suggest that all sanctions should be reversible. This is particularly true of the pipeline, since we would continue to oppose the project (while working to develop energy alternatives) independent of the Polish situation. On balance, however, the Europeans will only agree to sanctions if they are linked explicitly to Poland, and we will have to accept the principle of reversibility if we are to obtain the cooperation of Europeans -- and Americans -- who will be asked to sacrifice. Thus, we have to be prepared to accept a reversible halt to the pipeline.

8. In political terms, reversing at some future point in time sanctions we impose will carry a heavy price, both domestically and internationally, if the objectives we attach to them now have not been met. If erosion of sanctions or domestic political pressure forced us to remove the sanctions without achieving our objectives, the implications for our credibility with Moscow and in our international relationships more generally would be immense and long-lasting. In economic terms, the cost of many possible sanctions is not reversible -- trade, major contracts and associated jobs lost and future US competitiveness diminished by casting a shadow across the image of the United States as a reliable trading partner. The economic effects feed back into and reinforce the domestic political cost already noted.

Polish Debt:

A possibility which should be considered whatever else we choose to do is to continue to refuse to reschedule Poland's 1982 debt.

The act of calling in Poland's debt would have highly negative consequences. The Soviets may have to choose between paying off the Polish debt or being open to the risk that other creditors (private and/or official) would then call a formal default on Poland's other loans and thereby undermine the credit position of the entire Eastern Bloc. However, an SSG paper (at TAB A) concludes that the Soviets in all likelihood would be affected only indirectly (through reduced availability of Western credit) by a Polish default and that the international monetary system would suffer a severe blow if the default spread to other Eastern European countries. The irreversible step of calling in Poland's debt or an overt threat to do so would also provoke a serious fissure in the Alliance. An overt threat carries the additional risks of panicking private creditors into precipitating default and encouraging the Allies to settle with the Polish Government as preferred creditors.

This suggests that the leverage we derive from Poland's massive foreign debt is both limited and difficult to use. Nevertheless, a Presidential reiteration of our established policy that Government-to-Government debt cannot be rescheduled until internal conditions in Poland warrant should be considered as an adjunct to the following specific options.

OPTION 1

Continue with our current efforts to gain Allied agreement to take specific actions against the U.S.S.R., while for the present holding in abeyance new unilateral U.S. steps. Our interim objective would be to bring the Allies as close as possible to the point we reached with our December 29 measures, while holding open our options for future U.S. actions either with or without the Allies. At the same time, we would use events such as the February 9 resumption of the Madrid meeting, on which we have already achieved a considerable degree of Allied unity, to keep public pressure on the Soviets.

Pros:

This course would build upon the degree of Allied unity already achieved, and thus maximize the likelihood of united Western action against the Soviets and the Polish military. It would avoid the political fire we would come under if we announced another series of "half-measures." It would not preclude our taking more severe steps at a later stage, if conditions in Poland warrant.

Cons:

This option would expose us to further charges that we are long on rhetoric but short on action. It might also lead to increased pressure or unilateral action by Kirkland. Depending on how long we delayed and on the course of events in Poland, this course could have profound consequences for our credibility with the Poles, the Soviets, the Allies and the American people.

OPTION 2:

Further intermediate measures against the U.S.S.R. There are numerous mixes of measures which could be adopted within this option, the effects of which can be tailored to fall at various points within the broad gap between Options 1 (no new actions) and 3 (a relatively sweeping action package). A list and brief discussion of a number of such measures is at Tab C. In order to make clear that U.S. policy is steadily building, these could be implemented almost immediately and accompanied by a Presidential reiteration of the existing policy to suspend Polish debt rescheduling. They include:

-- embargoing all industrial exports to the U.S.S.R. or at a minimum imposing more selective economic sanctions, such as a ban on chemical exports which focuses on the agricultural sector, including pesticides, fungicides, fertlizers and fertlizer ingredients (especially phosphates which alone could have a significant impact in the short to medium term on Soviet grain production), revoking already-issued licenses for exports such as International Harvester/Combine technology, suspending joint-venture fishing operations, etc.

-- declaring a state of national emergency and imposing an embargo on all non-strategic imports from the Soviet Union;

-- discouraging tourism to the USSR;

-- reducing Soviet commerical representation in the U.S. to a skeletal force;

-- suspending activities under existing bilateral exchange agreements, or even abrogation of all remaining agreements;

-- not setting date for grain consultations scheduled this spring. Up to now we have avoided violating any existing agreements with the USSR. This step and the one above would be a departure from this policy.

Pros:

An embargo on all industrial exports, particularly on chemicals, would impose significant costs on the Soviets, although it would not affect the item that accounts for two-thirds of our exports to the U.S.S.R., grain. The other measures would enhance the political impact of this step and would involve only minimal costs to us. Taken together, however, these steps would seem to foreshadow a full embargo, thus possibly increasing our leverage.

Cons:

Singling out industrial exports would be a departure from the President's position that all sectors should share equally the burden of any future economic sanctions against Moscow. At the same time this would not entail U.S. sacrifices sufficient to induce the Allies to curtail their own far more extensive exports to the U.S.S.R. Cuts in exchanges and commercial representation might be emulated by the Allies, but these steps could be criticized by the U.S. public as inadequate half-measures that fail to live up to our rhetorical condemnation of Soviet actions in Poland.

Option 3:

A ban on all exports to the USSR not covered by existing contracts either covering all items or exempting agricultural trade. Exempting agricultural trade would involve less domestic costs, but would make our action less credible to our Allies, who allege that the U.S. is only taking actions which don't hurt itself. Including agricultural trade, however, could trigger the legal obligation to compensate producers under the Farm Bill, which is not clear on this point.

Pros:

This would impose substantial ecomomic costs on the Soviets (particularly if agricultural trade were included) by grinding U.S. trade with the USSR slowly to a halt without forcing suppliers with signed contracts to abrogate legal obligations. It would be consistent with our early 1981 discussions with the Allies in NATO, and thus easier for them to accept. If followed by Allies this would give real meaning to their pledge not to undercut U.S. restrictions.

Cons:

It would not have an immediate impact because of the exemption for deliveries under existing contracts. If it included grains, they would be affected faster than industrial goods. It could encourage our allies to increase pressure on us to exempt existing contracts from our previously announced oil and gas sanctions. Though this step would have a real bite over time, it might not be seen as forceful enough by our domestic critics. It could trigger the obligation to compensate producers under Section 1204 of the Farm Bill.

OPTION 4:

Total export embargo against the Soviets. One bold action would be for the U.S. to embargo all exports, including grain, to the U.S.S.R. Under current legislation, in order to embargo grain without triggering USG parity price payments (30 billion dollars per year), there must be a total export embargo. (see Tab B).

Pros:

This would impose the greatest economic costs on the Soviets of any option available to us. By demonstrating our readiness to make substantial economic sacrifices (especially in grain sales), it could help induce the Europeans to take comparably tough measures against Moscow, such as suspension of the pipeline project or a partial but significant embargo on their own industrial trade with the Soviets. Taken together, the U.S. and Allies actions might be costly enough to the Soviets, if sustained over time, to influence them to ease the repression in Poland.

Cons:

A total export embargo may not be enough to bring the Europeans along, and if implemented unilaterally, could exacerbate severe strains in the Alliance. Even if the Europeans did take parallel action, the Western embargo could begin to erode quickly with the Europeans undercutting or circumventing the restrictions as they did after Afghanistan, and with U.S. farmers ending up sacrificing billion of dollars in grain sales without comparable sacrifices by the Europeans. This is certain to amplify already growing anti-European sentiments in the U.S., leading to demands for U.S. troop withdrawal and ulitmately weakening the Alliance to the point of irrevelancy. Moreover, to be fully effective, other grain exporting countries would have to join in. This may be possible with Australia, but unlikely with Canada and Argentina. Finally, a grain embargo could cost thousands of jobs in the U.S., and increase USG farm price support payments by 3 billion dollars per year.

Option 5

Actions to hit the Soviets in other regions. Recognizing that even the most serious U.S. and Allied sanctions may not succeed in changing Soviet behavior toward Poland, we should also give serious consideration to action in other regions to drive up the costs to Moscow of its international irresponsibility. These steps could be taken as an alternative to any of the actions set forth in options 1-4 or as a complement to them. In many cases, we have already made decisions to act against Soviet allies and proxies, and the actions we will be taking could be explicitly or implicitly linked to Poland either with the Soviets are publicly. We could also consider expanding the scope of action already decided upon as a direct response to the Polish crisis. In this connection, we would stress that our decisions reflect the overall determination of the Administration to counter Soviet use elsewhere of the kind of indirect military force which crushed the renewal movement in Poland.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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January 29, 1982

MEMORANDUM FOR MS. NANCY BEARG DYKE
Assistant to the Vice President for
National Security Affairs

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Department of State

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Executive Assistant to the
United States Representative to
the United Nations

COLONEL CHARLES F. STEBBINS
Executive Assistant to the
Chairman, Joint Chiefs of Staff

SUBJECT: National Security Council Meeting, February 2, 1982

Attached is Tab C to the background paper forwarded earlier today and an additional paper from Commerce for the National Security Council Meeting on Tuesday, February 2. Also attached is page 1 of the background paper inadvertently deleted from original package.

Michael O. Wheeler

Michael O. Wheeler
Staff Director

Attachments

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

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White House Guidelines, August 28, 1997
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Clarification of the Scope of the December 30, 1981
Sanctions Involving Oil and Gas
Equipment Exports to the Soviet Union

Since the imposition of expanded foreign policy controls on oil and gas equipment exports to the Soviet Union on December 30, 1981, there has been disagreement within the government as to the scope and interpretation of those controls. It is urgent that the matter be resolved quickly, so that the Commerce Department can publish definitive regulations.

Basically, the controversy involves whether the sanctions were intended to cover controlled subsidiaries of U.S. companies abroad and whether they were intended to cover foreign licensees of U.S. companies.

In an attempt to obtain interagency agreement on this matter, a meeting was held on January 27, 1982 in the Situation Room consisting of representatives of the Department of State (Stoessel), Defense (Carlucci), Commerce (Olmer), CIA (Inman), Office of the Vice President (Murphy) and Ambassador Kirkpatrick. A paper prepared by the Commerce Department (Tab A) was used as the basis for discussion. Subsequently, a more extended Commerce Department paper on the legal background was received (Tab B).

Unfortunately, it was not possible to get unanimous agreement on the questions of the application of the sanctions to subsidiaries and/or licensees. Defense, CIA, Commerce, USUN, Office of the Vice President and NSC agree that the sanctions should be interpreted to include subsidiaries and licensees, for the following reasons:

-- Without such application, the sanctions will be ineffective in slowing or stopping development of the Siberian pipeline.

-- Not applying the sanctions to subsidiaries will be seen as penalizing U.S. companies, U.S. workers and U.S. exports rather than the Soviets.

-- Even if after prolonged litigation, extension of the controls is declared invalid in other countries, by that time great damage will have been done to the pipeline project because of continued uncertainties. This is particularly true of the banking community.

-- Not applying the sanctions to subsidiaries and licensees will be perceived as making our original response very weak and increase the likelihood of a longshoremen's boycott of grain shipments as well as encouraging media and political criticism.

~~SECRET~~
Review January 29, 1988

TAB C

~~SECRET~~

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 licencees 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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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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UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

JAN 29 1982

MEMORANDUM FOR LIONEL H. OLMER
Under Secretary for International Trade

FROM: W. H. Morris, Jr.
Assistant Secretary
for Trade Development

Lawrence Brady
Assistant Secretary
for Trade Administration

PREPARED BY: JBrougher (EWT)/DStein (EWT)/DSchlecty (TA)

SUBJECT: Economic Cost to U.S. of Extraterritorial Application of Oil and Gas Controls

The extraterritorial application of oil and gas controls will have an immediate impact on a number of American firms. We estimate that subsidiaries of American firms would lose about $200 million annually over the next 2-3 years in signed or projected contracts for delivery of goods to the Soviet Union. This cost would be added to the impact of the December 30 controls, i.e., loss of perhaps $150-250 million annually in exports and reexports to U.S.S.R. Soviet orders for Western oil and gas equipment and pipe totalled about $7.4 billion in 1976-80.

In the longer term the cost could be substantially more. In Western Europe, Japan, and elsewhere potential purchasers of technology and equipment and manufacturing partners could be motivated to seek non-U.S. suppliers in an effort to avoid U.S. export controls.

Licensing and other cooperative trade mechanisms such as manufacturing associate relationships play an important role in international trade. The GE turbine division, for example, says that its business related with manufacturing associates and licensees amounts to about $500 million annually.

American corporations may find acquisition of West European firms less attractive as host countries become reluctant to extend national treatment to U.S. subsidiaries. One company, Dresser, reportedly fears that its French subsidiary would be in greater danger of being nationalized if the U.S. attempts to prevent the latter from fulfilling its contract to supply compressors for the Yamal pipeline.

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The following provides a little more detail on the estimated cost for American firms:

I. Barring U.S. foreign subsidiaries from exporting oil and gas equipment.

Directly Affected:

Dresser Industries' French subsidiary with reported $45 million contract for compressors for Yamal pipeline;

Howmet Turbine Components Corporation's U.K. and French subsidiaries with $30 million each in contracts for components for turbines to Alsthom Atlantique;

and the following firms with subsidiaries which have been exporting petroleum equipment to the USSR (a comprehensive list is not available):

Baker (UK)
Camco (UK)
Cameron Iron Works (France)
Control Data (France)
Dresser (Canada)
FMC (France)
Grove Valve and Regulator (Italy)
Honeywell Control and Measuring Devices (Austria)
Hydril (Europe)
McEvoy (UK)
Rockwell International (Netherlands)
UOP (UK).
Others

These are the subsidiaries identified as having previously sold petroleum equipment to the Soviets; many other subsidiaries could be affected by extraterritorial application.

II. Barring Export of foreign products of U.S. technology transferred prior to December 30, 1981.

No comprehensive list of U.S. firms affected is available. Such a list would probably include the firms listed in I above, plus additional companies with foreign licensees that have exported to the U.S.S.R. such as

General Electric (turbines),
ARMCO (offshore rig structure),
Cooper (turbine components and compressors),
Perry Equipment (pipeline pigs),
Levingston (offshore rigs), and
Grove (valves).

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NATIONAL SECURITY COUNCIL MEETING

February 2, 1982

Agenda

1. Clarification of the Scope of the December 30, 1981 Sanctions Involving Oil and Gas Equipment Exports to the Soviet Union

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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January 29, 1982

MEMORANDUM FOR MS. NANCY BEARG DYKE
Assistant to the Vice President for
National Security Affairs

MR. L. PAUL BREMER III
Executive Secretary
Department of State

MR. DAVID PICKFORD
Executive Secretary
Department of the Treasury

MAJOR GENERAL CARL R. SMITH
Military Assistant to the
Secretary of Defense

MS. JEAN JONES
Director, Executive Secretariat
Department of Commerce

MR. THOMAS B. CORMACK
Executive Secretary
Central Inteligence Agency

MS. JACKIE TILLMAN
Executive Assistant to the
United States Representative to
the United Nations

COLONEL CHARLES F. STEBBINS
Executive Assistant to the
Chairman, Joint Chiefs of Staff

SUBJECT: National Security Council Meeting, February 2, 1982

Attached are the agenda, background paper and attachments for the National Security Council meeting of 3:00 p.m., Tuesday, February 2, 1982 on the clarification of the December 30, 1981 oil and gas equipment sanctions on the Soviet Union.

Michael O. Wheeler
Michael O. Wheeler
Staff Director

Attachments

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The State Department opposes interpretation of the sanctions to include subsidiaries and licensees (Tab C), at least at this time, for the following reasons:

-- We are still making efforts to get our allies to agree to similar measures.

-- Extension of the controls would be extremely divisive in the alliance, where economic conditions and unemployment are very bad.

-- Our legal authority in the case of licensees is murky and in both cases will be hotly contested by our allies.

-- Our allies consider our use of the Polish crisis as an excuse to attack the pipeline to be unfair.

-- The longshoremen have agreed to delay any action for the time being.

The Treasury Department agrees that any controls that could be effective should be imposed, even if not supported by our allies. It is, however, concerned that legal actions in court rulings in allied countries could make the controls totally unenforceable.

Attachments

Tab A	Commerce Paper
Tab B	Commerce Paper on Legal Background
Tab C	State Paper

ECONOMIC SANCTIONS
ISSUES RELATING TO EXTENSION OF OIL AND GAS CONTROLS

Introduction

The President announced sanctions on December 29, 1981 against the USSR that broadened oil and gas controls to include refining and transmission equipments. The controls prevent the export or reexport of U.S. origin commodities and technology to the USSR. Commerce Department specialists maintain that the broadened controls require additional extension to block or delay the construction of the West Siberian Pipeline. The proposed extensions are:

I. Barring of all "U.S. Persons" (controlled foreign subsidiaries of U.S. corporations) from exporting oil and gas equipments to the USSR regardless of U.S. content, and

II. Barring the export to the USSR of foreign products based on U.S. technology without U.S. components.

By further extending the controls, the U.S. will have a significantly higher probability of delaying or blocking the pipeline; our allies are expected to object strongly, however. New controls would also blunt criticism by the press and the AFL-CIO. On the other hand, these extensions could cause long-term US business losses as foreign customers turn in the future to non-US suppliers of technology and components. Decisions need to be taken regarding the extension of the new controls.

Two other issues have surfaced since December 30th. Several foreign governments (U.K., FRG, and Italy) and companies have informally requested that signed contracts should not be affected by the sanctions and that components already shipped from the U.S. should not require reexport authorizations. Turbine rotors supplied by G.E. to firms in Western Europe are affected by both these issues. Several hundreds of millions of dollars and thousands of jobs are involved. Decisions should be taken on how to handle requests by governments to make exceptions to our sanctions.

Present Coverage

The expanded controls cover:

- Exports or reexports of U.S. origin goods (regardless of physical location)
- Products of technology exported after December 30, 1981
- Reexport of foreign produced commodities containing U.S. origin components

Issues for Decision

I. Should the U.S. prevent U.S. foreign subsidiaries from selling controlled commodities?

Legal Authority: Legal authorities exist under the EAA to assert control over U.S. subsidiaries.

Discussion: Although authority exists to control subsidiaries, it has been used only once (Levi's uniforms for the Moscow Olympics). If this action is taken, the major contracts affected include Dresser Industries' French subsidiary ($30 million contract for the sale of 21 compressors) and Howmet Turbine Components Corporation's U.K. and French subsidiaries ($4 million contract under negotiation). This option provides the President significant leverage to delay or even block the pipeline. Allied reaction is expected to be strong but this step is necessary if we are to stop compressor sales. It may be possible to get voluntary allied cooperation to prevent sales of relevant equipment. Voluntary compliance should be discussed before action is taken.

Decision: Include all U.S. foreign subsidiaries under the sanctions (consult with allies to solicit voluntary agreement before actually implementing.)

Yes _____ No _____

II. Should the U.S. assert control over foreign made products of U.S. technology which was transferred before December 30, 1981?

Legal Authority: No precedent exists under the export regulations for such an application (Carter Administration controls on oil and gas production and exploration equipment were applied prospectively). It can be done, however; but on tenuous legal grounds.

Discussion: Several companies in Europe use General Electric's technology to produce gas turbines, and have signed contracts with the USSR to supply the pipeline's 41 compressor stations. No deliveries have been made. At the time of the technology transfers, no license nor written assurances were required. The G.E. Manufacturing Associates include AEG-KANIS Turbinehfabrick (West Germany), John Brown Engineering (U.K.), and Nuovo Pignone (Italy). Alsthom-Atlantique (France) also has a license arrangement with G.E. to produce turbines. Lastly, Rolls Royce (U.K.) manufactures a turbine for which a coupling shaft is a product of U.S. technology, as is the compressor itself.

If these products could be prevented from going to the Soviet Union and option I is implemented, the President would be provided significant leverage to delay or block the pipeline. The allies argue that we should only include products of U.S. technology which is transferred after December 30, 1981, and that to cover earlier technology is retroactive application of U.S. law.

Decision: Include in our sanctions foreign-made products of U.S. technology which was transferred before December 30, 1981? (Consult with Allies to solicit voluntary agreement before actually implementing.)

Yes _____ No _____

III. Grant reexport authorization for controlled components already in Europe?

Legal Authority: The EAA and present regulations clearly require a reexport authorization from Commerce

Discussion: Over the past two years, G.E. and other companies have exported to Western Europe components that didn't require the government's prior approval but that now require a validated license because of the sanctions the President imposed on December 30th. For example, [redacted] has 6 rotors, [redacted] has 2 rotors, and [redacted] 14. Each rotor costs $1.5 million. Ambassador Louis has suggested granting these authorizations to ease tensions between the U.S. and our allies, since without the U.S. rotors the companies would lose over $500 million in business (some of which would be covered by insurance) and result in substantial layoffs. The situation is especially acute in the U.K.

FOIA(b) (3)

By granting this exception, the ultimate fate of the pipeline will not be affected. The pipeline requires 125 turbines and this would allow only those currently in Europe (22) to be sent to the U.S.S.R. Rotors for the rest of the turbines would require export licenses to leave U.S. shores. Granting an exception, however, could be used as a bargaining chip to induce allies to take independent steps to stop the pipeline. This action would be viewed as a dilution of the sanctions that were imposed on December 30th.

Decision: Grant exception by issuing reexport authorization while negotiating with allies for them to take independent steps to delay the pipeline.

Yes_____ No_____

IV. Grant export Licenses to [redacted] to export 103 rotors to fulfill present contracts?

Legal Authority: EAA and present regulations clearly require validated licenses to export turbine rotors.

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FOIA(b) (3)

Discussion: Contracts or Letters of Intent (Nuovo Pignone) exist to sell 125 gas turbines for the pipeline. [redacted] will supply the rotors while final assembly will be in the U.K., FRG, and Italy. With U.S sanctions, the rotors can't be supplied thereby preventing the foreign companies from delivering over $500 million of turbines. Substantial lay-offs would result, especially in the U.K. The respective governments are expected to request exceptions to the sanctions. While alternatives to [redacted] gas turbines exist, they are either less reliable, more costly or impractical. Granting the exceptions would be viewed as substantially diluting the sanctions imposed on December 30th and invite criticism in the press. Agreeing to this option would ensure that the pipeline is built.

We could, however, use an exception for present contracts to entice our allies to take independent actions (withdrawal of loan guarantees) to delay or block the pipeline. The negotiations, if started, should be low-key. Also, if exceptions are granted, we should grant licenses for all signed contracts in the U.S. and abroad for oil and gas ~~equipments~~ equipment. U.S. industry would strongly object if we allowed exceptions only for one U.S. firm.

Decision: Grant exception by issuing export licenses for rotors after successfully negotiating with allies to take independent steps to block pipeline (withdrawal of loan guarantees)? /Note: Granting this exception means that we should examine -- with presumption of approval -- all signed contracts./

Yes_____ No_____

LEGAL AUTHORITY ISSUES
RELATING TO OPTIONS
FOR THE EXTENSION
OF OIL AND GAS
CONTROLS

Option 1. Should the United States prevent U.S.-controlled foreign firms from selling controlled commodities of foreign origin?

Legal Authority:

The legal issue posed by the use of this option is whether there is authority under the Export Administration Act to control exports by U.S.-controlled foreign firms. The EAA provides authority to control exports from foreign countries that are sent by "any person subject to the jurisdiction of the United States." (EAA §§ 5(a) (national security) and 6(a) (foreign policy) ; 50 U.S.C.A. App. §§ 2404(a) and 2405(a)). This phrase could be interpreted to include U.S. owned or controlled foreign companies. There is no requirement under the statute that U.S. origin goods or technology be involved.

The authority was added to the EAA in 1977, with legislative history that it was to be used sparingly in view of international repercussions. The effect of that 1977 amendment has been "to broaden the potenital reach of peacetime, non-emergency foreign policy controls to exports by foreign subsidiaries of all products and data (not merely strategic) to all destinations (not merely the embargoed nations and other Communist countries)." (Abbott, Linking Trade to Political Goals: Foreign Policy Export Controls in the 1970s and 1980s, 65 Minn. L. Rev. 739, 847 (1981). During consideration of the EAA in 1979, the Senate acknowledged that the arguably broadened effect "may not have been considered adequately by the Congress at the time the provision was adopted;" however, it withdrew an amendment that would have eliminated the 1977 authority "pending further study." (S. Rep. No. 169, 96th Cong., 1st Sess. 11 (1979)). The authority to date has been exercised only once. Its use was pinpointed to provide a contractual defense for nondelivery of foreign manufactured Levi's uniforms for Moscow Olympics participants (15 C.F.R. § 385.2(d) (1981)).

Controls on exports by U.S.-controlled foreign firms have been imposed by Treasury under the authority of the Trading with the Enemy Act (50 U.S.C.A. App. § 5(b)). The same jurisdictional reach is in the International Emergency Economic Powers Act (Id. § 1703(a)(1). In practice, the extraterritorial reach of the Treasury-administered controls, such as the Cuban embargo, has been cut back over the years in the face of foreign government protests and challenges (Compare 31 C.F.R. § 515.541 (1975) with id. § 515.559 (1981)). The more recent Iranian Assets

Control Regulations did not require licenses for exports of goods and technology by non-banking U.S.-controlled foreign firms (31 C.F.R. §§ 535.207, .429, and .430 (1980)).

The legislative history and past practice of administering similar controls under analogous statutes raises the issue of whether such option would be effective in light of predictable negative foreign reactions. Consideration of the issue should involve not only likely diplomatic protests and non-cooperation of foreign courts but also the use by a foreign government of statutes that would block U.S. enforcement actions of suspected unauthorized exports. Foreign statutes would also subject persons in the foreign country to penalties for making or for responding to U.S. inquiries. A foreign government could also use these laws to prohibit firms doing business in its territory (including U.S.-controlled foreign firms) from complying with U.S. exports controls (See e.g., Protection of Trading Interests Act, 1980, c. 11 (United Kingdom); Law 80-538, (1980) J.O. 1799 (France). It should be noted that, as in the Fruehauf case, a foreign government has the power to finesse that claim of jurisdiction by simply having a receiver appointed which would end "U.S. control" (Fruehauf Corp. v. Massardy, (1965) La Semaine Juridique II 14274 (bis) (Cour d'appel, Paris), (1965) Gaz. Pal. II 86, 5 Int'l Legal Mat'ls 476, reprinted in A. Lowenfield, Trade Controls for Political Ends § 3.3 at 81 (1977).)

The United States could counter these potential foreign reactions by suspending the U.S. export privileges of foreign firms violating U.S. controls (15 C.F.R. §§ 387.1(b), 388.3 (1981)). This suspension can be achieved through administrative hearings and would not require the gathering of evidence abroad. This U.S. sanction might induce a foreign company that is dependent upon continued access to U.S. goods and technology to persuade its government to moderate its response to U.S. controls, however, such unilateral action on our part could well lead to serious trade problems in the future.

Option II. Should the U.S. assert control over foreign-made products of U.S. technology which was transferred before December 30, 1981?

Legal Authority:

The legal issue posed by the use of this option is whether the Export Administration Act (EAA) provides the authority for subsequently controlling the export from a foreign country of a foreign product of U.S. technology, if, at the time the U.S. technology was exported from the United States, there were no controls on the technology or its foreign direct product.

The EAA provides authority to license the export of goods or technology "subject to the jurisdiction of the United States" (EAA §§ 5(a), 50 U.S.C.A. App. § 2404(a) (national security); and _id._ 6(a), _id._ § 2405(a) (foreign policy)). The term is not defined in the statute or its legislative history.

Under the Export Administration Regulations (EAR), the Department has exercised this authority to assert control over reexports of U.S. goods (15 C.F.R. § 374.2 (1981)) and technology (_id._ § 379.8) through conditions imposed by general regulation or specific licensing conditions at time of export from the United States, _i.e._, while the goods or technology are still under U.S. territorial jurisdiction. Such reexports are subject to controls existing _at the time of reexport_. Thus, the regulations "tie a string" on the U.S. goods or technology, reserving the right to bar later the reexport of an item to a destination to which it could have been freely exported when it left the U.S.

Such assertion of control over foreign transactions does not fit easily into internationally recognized principles of jurisdiction, but a "defensible" case can be made for the international legality of conditions of extraterritorial control imposed at the time of export. The ultimate issue under this option is whether the EAR provision controlling the export of foreign products of U.S. technology (_id._ § 379.8(a)(3)) can be interpreted or amended to control foreign produced turbines or compressors on the basis of U.S. technology exported prior to the imposition of the December 30, 1981 controls. Section 379.8(a)(3) contains no express reservation of the right to subject such foreign products to U.S. controls in effect at the time of export from the foreign country, as is done in the previously mentioned EAR reexport sections. In addition, no precedent exists under the EAR for such an application of these controls (Carter Administration controls on oil and gas production and exploration equipment were applied prospectively).

The legal grounds for what amounts to retroactive control after technology is already abroad and outside U.S. territorial jurisdiction are tenuous. There is a very high risk that any attempt to interpret or amend the product of technology provisions to have them reach back to cover foreign exports involving technology exported prior to the new controls would not be sustained if challenged in U.S. courts. As discussed in Option I, if these controls were imposed, foreign countries could block enforcement by statutes or other legal means.

Option III. Should the United States grant reexport authorization for controlled U.S. components of foreign products already in Europe?

Legal Authority:

The legal issue posed by use of this option is whether the EAR can be modified or interpreted to restrict the export of foreign products containing U.S.-origin parts or components which are incorporated in the foreign product before such a restriction is imposed?

The EAR provision restricting the export or reexport of foreign end-products containing U.S.-origin parts and components (15 C.F.R. § 376.12 (1981)) attempts to subject the foreign transaction to U.S. control after the export from the United States. But that provision is less clear than the EAR's reexport provisions (discussed in Option II) concerning when, after export, such control could be exercised. Section 376.12 merely provides that U.S.-origin parts and components used abroad to produce a foreign-made end product are "subject to the export control laws of the United States."

On its face, the explanatory note following section 376.12 subjects the parts and components to a system of specific or general authorization in effect at the time "of incorporation abroad . . . in a foreign-made end product that will be exported to another country. This explanation takes account of business realities since a foreign producer would want to know before incorporating U.S. parts in his product whether U.S. controls would permit export to a particular destination. However, the breadth of the phrase "subject to the export control laws of the United States" permits a wide range of interpretations including one permitting the exercise of U.S. controls, after incorporation of the U.S. parts, at the time of export.

There is a risk of successful challenge in U.S. courts if the United States asserts controls over foreign products at the time of export from the foreign country (i.e., after incorporation of U.S. parts). However, a reasonable case can be made that the regulations already reach such transactions. As a matter of practice, the Office of Export Administration exercises control over U.S. parts and components in foreign end products at the time of export or reexport from a foreign country, rather than at the time of incorporation.

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JAN 29 1982

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

MEMORANDUM FOR LIONEL H. OLMER
Under Secretary for International Trade

FROM: W. H. Morris, Jr. *WHM Jr.*
Assistant Secretary
for Trade Development

Lawrence Brady
Assistant Secretary
for Trade Administration

PREPARED BY: JBrougher (EWT)/DStein (EWT)/DSchlecty (TA)

SUBJECT: Economic Cost to U.S. of Extraterritorial Application of Oil and Gas Controls

The extraterritorial application of oil and gas controls will have an immediate impact on a number of American firms. We estimate that subsidiaries of American firms would lose about $200 million annually over the next 2-3 years in signed or projected contracts for delivery of goods to the Soviet Union. This cost would be added to the impact of the December 30 controls, i.e., loss of perhaps $150-250 million annually in exports and reexports to U.S.S.R. Soviet orders for Western oil and gas equipment and pipe totalled about $7.4 billion in 1976-80.

In the longer term the cost could be substantially more. In Western Europe, Japan, and elsewhere potential purchasers of technology and equipment and manufacturing partners could be motivated to seek non-U.S. suppliers in an effort to avoid U.S. export controls.

Licensing and other cooperative trade mechanisms such as manufacturing associate relationships play an important role in international trade. The GE turbine division, for example, says that its business related with manufacturing associates and licensees amounts to about $500 million annually.

American corporations may find acquisition of West European firms less attractive as host countries become reluctant to extend national treatment to U.S. subsidiaries. One company, Dresser, reportedly fears that its French subsidiary would be in greater danger of being nationalized if the U.S. attempts to prevent the latter from fulfilling its contract to supply compressors for the Yamal pipeline.

Eugene K. Lawson
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The following provides a little more detail on the estimated cost for American firms:

I. Barring U.S. foreign subsidiaries from exporting oil and gas equipment.

Directly Affected:

Dresser Industries' French subsidiary with reported $45 million contract for compressors for Yamal pipeline;

Howmet Turbine Components Corporation's U.K. and French subsidiaries with $30 million each in contracts for components for turbines to Alsthom Atlantique;

and the following firms with subsidiaries which have been exporting petroleum equipment to the USSR (a comprehensive list is not available):

Baker (UK)
Camco (UK)
Cameron Iron Works (France)
Control Data (France)
Dresser (Canada)
FMC (France)
Grove Valve and Regulator (Italy)
Honeywell Control and Measuring Devices (Austria)
Hydril (Europe)
McEvoy (UK)
Rockwell International (Netherlands)
UOP (UK).
Others

These are the subsidiaries identified as having previously sold petroleum equipment to the Soviets; many other subsidiaries could be affected by extraterritorial application.

II. Barring Export of foreign products of U.S. technology transferred prior to December 30, 1981.

No comprehensive list of U.S. firms affected is available. Such a list would probably include the firms listed in I above, plus additional companies with foreign licensees that have exported to the U.S.S.R. such as

General Electric (turbines),
ARMCO (offshore rig structure),
Cooper (turbine components and compressors),
Perry Equipment (pipeline pigs),
Levingston (offshore rigs), and
Grove (valves).