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14

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
101870	LIST	OF PARTICIPANTS *R 11/7/2005 NLRRM03-1335 #2*	1	8/6/1982	B1
101871	MEMO	D. PCIKFORD TO VP ET AL RE SENIOR INTERAGENCY GROUP ON INTERNATIONAL ECONOMIC POLICY *R 10/25/2006 NLRRM03-1335 #3*	2	8/3/1982	B1
101872	PAPER	RE EXPORT PROJECT *R 3/17/2006 NLRRM03-1335 #4*	6	ND	B1
101873	TABLE	RE PIPELINE *R 10/25/2006 NLRRM03-1335 #5*	1	ND	B1
101874	PAPER	RE ENERGY GROUP *R 3/17/2006 NLRRM03-1335 #6*	2	ND	B1
101875	PAPER	RE OVERVIEW *PAR 11/7/2005 NLRRM03-1335 #7; R 6/11/2013 M325/1*	5	ND	B1 B3
101876	MEMO	L. BREMER TO N. BEARG DYKE ET AL RE ASSESSMENT *R 12/8/2010 GUIDELINES*	1	2/17/1982	B1
101877	PAPER	RE ASSESSMENT *PAR 11/7/2005 NLRRM03-1335 #9*	20	2/13/1982	B1

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

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

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

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
101878	MEMO	WHEELER TO CLARK AND MCFARLANE RE NSC WORKING LUNCH *R 11/7/2005 NLRRM03-1335 #10*	2	8/6/1982	B1
101879	MEMO	WHEELER TO MCFARLANE RE NSC MEETING *R 11/7/2005 NLRRM03-1335 #11*	1	8/5/1982	B1
101880	NSC MEETING MINUTES	*R 11/7/2005 NLRRM03-1335 #12*	3	8/6/1982	B1

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

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
~~1. list~~	~~of participants (1p)~~	~~8/6/82~~	~~P-1~~
	R 11/7/05 M03-1335 #2		
2. memo	from D. Pickford to VP et al. re: Senior Interdepartmental Group on International Economic Policy (SIG-IEP) (2pp)	8/3/82	~~P-1~~
	R 10/25/06 " #3		
3. paper	re: export project (6pp)	n.d.	~~P-1~~
	R 3/17/06 " #4		
4. table	re: pipeline (1p)	n.d.	~~P-1~~
	R 10/25/06 M03-1335 #5		
5. paper	re: Energy Group (2pp)	n.d.	~~P-1~~
	R 3/17/06 " #6		
6. paper	re: overview (5pp)	n.d.	P-1
	PART. 11/7/05 M03-1335 #7		
7. memo	from L. Bremer to N. Bearg Dyke et al. re: assessment (1p)	2/17/82	P-1
	R 12/8/10 [illegible]		
8. paper	re: assessment (20pp)	2/13/82	P-1
	PART. 11/7/05 M03-1335 #9		
~~9. memo~~	~~from M. Wheeler to W. Clark and R. McFarlane re: NSC working luncheon (2pp)~~	~~8/6/82~~	~~P-1~~
	R " " #10		
~~10. memo~~	~~from M. Wheeler to Bud McFarlane re: NSC meeting (1p)~~	~~8/5/82~~	~~P-1~~
	R " " #11		
~~11. NSC~~ meeting minutes (8290656)	~~(3pp)~~	~~8/6/82~~	~~P-1~~
	R " " #12		

COLLECTION: EXEC. SECRETARIAT, NSC: Rcds [NSC Meeting Files]	dd
FILE FOLDER: NSC 00058 06Aug82 Box 91284	12/8/94

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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

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

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].
- C. Closed in accordance with restrictions contained in donor's deed of gift.

NATIONAL SECURITY COUNCIL LUNCHEON MEETING:

DATE:	SUBJECT:	PARTICIPANTS:
8/6/82	International Economic Policy	The President State: Secretary George P. Shultz Treasury: Secretary Donald T. Regan Mr. Marc E. Leland OSD: Dep Sec Frank C. Carlucci Commerce: Secretary Malcolm Baldrige Mr. Lionel Olmer Agriculture: Secretary John R. Block CIA: Mr. Harry Rowan OMB: Mr. David A. Stockman CEA: Mr. Murray Weidenbaum OPD: Mr. Edwin L. Harper USUN: Ambassador Jeane J. Kirkpatrick USTR: Ambassador David Macdonald JCS: Admiral James D. Watkins White House: Mr. Edwin Meese, III Judge William P. Clark Mr. Richard Darman Mr. Robert C. McFarlane NSC: Mr. Norman Bailey

NSC 00058

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

UNCLASSIFIED WITH
~~SECRET~~ ATTACHMENT

August 6, 1982

MEMORANDUM FOR THE RECORD

FROM: DONNA MOORE dm

SUBJECT: Attached Papers

The attached papers were used in a SIG meeting that took place onThursday August 5. The NSC meeting that followed the next day on the same subject, then used these papers for background. There was limited extra distribution and it was handled by the Treasury Department.

Attachment
As stated

UNCLASSIFIED WITH
~~SECRET~~ ATTACHMENT

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)

NSD 4/2/98

~~SECRET~~

USSR OIL AND GAS CONTROLS

August 1, 1978

Control

Validated export licenses were required for petroleum and natural gas exploration and production equipment and technical data. The foreign direct product of U.S.-origin exploration and production data was also controlled, but only if the U.S. data was exported to the foreign producer on or after August 1, 1978.

Oil and gas cases were subject to thorough interagency review, with significant cases referred to the NSC. Licenses were generally granted for items that were not controlled for national security purposes.

Reason for Control

Controls were imposed for Human Rights purposes.

Representative List of Items Caught by Controls

1. All equipment related to off-shore floating or bottom-supported drilling and producing structures, including all gathering equipment.

2. Rotary type well drilling rigs and derricks.

3. Parts, accessories, and equipment for well drilling machines, including, but not limited to, drill bits, box and pin tool joints, drill pipe, drill collars, rotary tables, and blow-out preventors.

4. Petroleum gas-lift equipment.

5. Oil well and oil field pumps, including, but not limited to, high performance types of submersible or conventional pumping units.

6. Wire line and down hole equipment and accessories, including, but not limited to, collars, stabilizers, mandrels, packers, multi-completion equipment, gun perforators, and telemetry equipment.

7. Optical, electrical, or electronic geophysical and mineral prospecting instruments, including magnetic, gravity, seismic, borehole logging and high-resolution remote sensing equipment.

Controlled by: L.J. Brady

8. Submersible pumps, drill bits

Foreign Availability

Items 1-5:	Foreign availability in U.K., France, and FRG but U.S. has lead
Item 6:	Competitive foreign availability in France
Item 7:	Foreign availability in France and FRG, but U.S. leads in magnetic, gravity, seismic, and high resolution remote sensing equipment
Item 8:	Virtual U.S. monopoly

January 1980

Control

Immediate suspension of all Soviet licenses. A high level review (NSC) of the foreign policy and national security implications of this suspension was subsequently made. As a result of this review, it was decided that oil and gas equipment exports would be reinstated on a case by case basis. There was, however, a presumption of denial for exports of technical data for the manufacture of oil and gas equipment in the Soviet Union.

Reason for Control

Soviet invasion of Afghanistan.

Representative List of Items Caught by Controls

No changes were made in the scope of the August 1978 controls.

Foreign Availability

See Foreign Availability assessment for August 1, 1978 controls

December 30, 1981

Control

The 1980 oil/gas controls were expanded to include equipment and data for for the transportation, transmission, and refining for energy use. The intent of these controls was to cover equipment for construction of the trans-Siberian pipeline.

In a parallel action on December 30, 1981, processing of all license applications for exports to the USSR was suspended, although licenses that were already issued were not suspended or revoked.

Reason for Control

The Soviet role in the imposition of martial law in Poland.

Representative List of Additional Items Caught by Controls

1. Specially designed metal working machinery to produce oil and gas exploration and production equipment.
2. Pipelayers
3. Pipe wrappers
4. Pipelines
5. Filtration units
6. Air or gas compressors
7. Gas turbine engines
8. Metering and mixing equipment
9. Pipeline cleaning equipment
10. Specialized land-based and seaborne petroleum and natural gas transportation equipment (includes tankers and petroleum transportation vehicles)
11. Production and pipeline equipment designed for use in Arctic regions and the Polar Seas.
12. Pipeline valves for oil and gas pipelines and high pressure steel hoses, pipes, and connections.

Foreign Availability

Item 1:	Foreign availability in France and FRG, but U.S. has lead
Item 2:	Competitive foreign availability in Japan
Items 3-4:	Competitive foreign availability in France and Japan
Item 5:	Competitive in France
Item 6:	Competitive in France, Italy, FRG
Item 7:	Competitive in U.K., general Italy, France, FRG
Item 9:	Competitive in France and U.K.
Item 10:	Competitive in Japan and France
Item 11:	Competitive in Japan, Korea, General France, U.K., FRG, and Italy
Item 12:	Foreign availability in France and FRG, but U.S. has lead
Item 13:	Foreign availability in Italy, Japan, France, and U.K., but U.S. has lead

June 22, 1982

Control

Amended controls on exports or oil and gas equipment and technology to the Soviet Union to include equipment produced by U.S. owned or controlled companies wherever doing business, as well as certain foreign produced products of U.S. technology not previously subject to controls.

Reason for Control

The USSR's continued role in the repression of the Polish people, and the Administration's opposition to the construction of the Siberian pipeline due to its Western security implications.

Representative List of Items
Caught by Amended Controls

All items caught by previous oil and gas controls are covered by this extension. The purpose of the new extraterritorial controls is to increase the scope of control by including U.S. subsidiaries and licensees. This specifically includes foreign manufactured items from U.S. technology regardless of when the technology was exported from the U.S.

Foreign Availability

Through the mid 1970, the U.S. was the world leader in the production of oil/gas exploration, production, refining and transportation equipment. During the 1970's, the proliferation of this technology from the U.S. to other industrialized countries resulted in the current foreign availability of this type of equipment. Since the manufacture of much of this equipment is based on U.S. technology, our extraterritorial controls would embargo that equipment from being exported from the West to the USSR.

5886I

OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

AUG 3 1982

~~SECRET~~

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International Economic Policy (SIG-IEP)

The agenda for the Thursday, August 5, SIG in the Roosevelt Room at 4:00 p.m. includes:

(a) steel negotiations with the European Community, and

(b) pipeline sanctions.

Attached are background papers on the pipeline sanctions:

(1) The history of sanctions against the Soviet Union, including those imposed during the Carter Administration. The history shows the coverage of current sanctions.

(2) An analysis of the impact of sanctions on construction of the pipeline. It discusses the Soviets' ability to meet schedules for delivery to Western Europe and to meet construction schedules.

(3) Alternative energy sources for Europe. The paper reports on the status of the Buckley Group work to date in considering European alternatives to dependence on Soviet gas.

~~SECRET~~

Classified by ME Leland
☐ Declassify ☒ Review for
Declassification on 90/08/03

(4) Legal analysis of issues raised by sanctions. The paper reviews the legal basis of sanctions and indicates legal challenges are likely.

Attendance is limited to principals (or designees) and those invited by the Chairman to make a presentation.

David E. Pickford
David E. Pickford
Executive Secretary

PROSPECTS FOR THE SOVIET NATURAL GAS EXPORT PROJECT

ISSUES AND ANSWERS

An examination of the impact of US sanctions on the Soviet Union's gas export pipeline and the Soviet economy must address four separable issues:

- Can the Soviet Union meet its obligations to deliver increased volumes of natural gas to West European buyers beginning in the last quarter of 1984?
- Can the Soviet Union commission the Urengoy-to-Uzhgorod export pipeline in late 1984, thus flaunting its ability to carry through the project despite US sanctions?
- Can the Soviet Union complete the export pipeline with the planned array of equipment and meet designed performance goals by late 1984?
- How will the mobilization of resources to counteract the US sanctions affect the Soviet economy?

We believe that:

- The Soviets can meet schedules for gas delivery to Western Europe.
- The Soviets will be able to commission the export pipeline and start pumping gas through it, albeit not at the designed level of throughput, by late 1984.
- The Soviets will not be able to fully equip the export pipeline and bring it to full-bore operation by the end of 1984. But the impact of the US sanctions on this result is difficult to assess, because the usual delays in Soviet execution of major pipeline projects would probably have retarded full completion to 1986 even if the United States had not imposed sanctions.
- If the USSR is able to acquire Western compressor equipment, the effect of the US sanctions on the Soviet economy will be negligible. Should US sanctions force the Soviet Union to rely entirely on domestic compressor equipment, the USSR could lose roughly 30 BCM of gas production in the mid-1980s.

~~SECRET/NOFORN/NOCONTRACT~~

RANGE OF OPTIONS OPEN TO THE SOVIET UNION

Moscow has a range of options available to meet its gas delivery commitments to Western Europe under the contracts recently negotiated or still under negotiation.

- Alternative sources of equipment.--Moscow can try to convince Western suppliers to deliver the equipment now on order, equip the pipeline with Soviet turbine-compressors, or work out a combination of these options.

- Alternative types of equipment.--The Soviets can stick to their plan for powering compressor stations with gas turbines, turn to other power sources such as electric motors, or use different types of equipment on different parts of the pipeline.

- Use of other pipelines.--Moscow can try to supply all of the gas called for under the new contracts with West European purchasers through the export pipeline, use excess capacity in the existing gas transmission system, or supply some or all through other new pipelines in the rapidly expanding trunkline system carrying gas from the huge Urengoy field to the western USSR.

- Adjustment of gas delivery schedules.--West European gas requirements through 1987 are likely to fall well below the full volume specified in the contracts. Moscow therefore may be able to adjust the phasing-in of gas deliveries to some or all of the West European customers. (The West Germans have already approached the Soviets about postponing full delivery from 1987 to 1988.) Such adjustments would in turn permit the stretching out of equipment delivery and installation schedules.

DELIVERING THE GAS

The amount of gas to be delivered and the schedule for phasing-in the deliveries are obvious considerations in judging Moscow's ability to supply gas to its West European customers under the new contracts. At this time, both of these variables are still uncertain and must be estimated. The nominal maximum offtake specified in the contracts with West German (including West Berlin), French, and Austrian buyers totals 21 billion cubic meters (BCM) per year. Italy may sign for as much as 8 BCM per year, bringing the total delivery requirement close to the throughput capacity of the export pipeline when fully-powered--29 BCM after allowance for compressor station consumption of gas. But the contracts provide for periodic negotiation of the specific offtake, which may be set below the nominal maximum by agreed percentages. Thus, the Soviet obligation to deliver--if Italy signs--could be as high as 29 BCM per year or as low as 22 BCM per year. Without Italy, the obligation could range between 21 BCM per year and 15 BCM per year. Depending on West European gas demand in the late 1980s, therefore, equipment capacity to provide maximum throughput in the export pipeline may or may not be needed. Although we do not know the details of the West European gas purchase contracts, we believe that they provide for a gradual phasing-in of deliveries, with maximum volume to be available by 1987.

Moscow will most probably seek to meet its delivery commitments beginning in late 1984 by:

- o Using existing pipeline capacity in the Soviet Union and Eastern Europe to export additional gas at an annual rate of up to 6 BCM beginning in late 1984.

- o Delivering gas through the export pipeline at an annual rate of about 16 BCM beginning in late 1984 by acquiring turbines built in Western Europe incorporating the 20 or so GE-made rotor sets already in Europe.

- o Adding turbines built with the 40 rotor sets contracted for by the Soviets from Alsthom-Atlantique in November 1981 to boost throughput on the export pipeline to about four-fifths of maximum (forgoing standby capacity) and, in conjunction with the use of excess capacity in other pipelines, be in a position to supply maximum contracted deliveries by 1987.

- o Accelerating completion of the pipeline by supplementing available Western equipment with Soviet turbines and compressors diverted from construction of domestic pipelines.

- o Alternatively, if it fails to engage West European cooperation in violating the spirit of the US sanctions, Moscow would rely on compressor equipment diverted from new domestic pipeline construction, and might even extend one of the large domestic pipelines to Uzhgorod.

Thus Moscow should be able to meet its obligation for initial deliveries of gas to Western Europe in late 1984 and supply full volume in 1987 if called upon to do so by the purchasers. Acquisition of the full array of Western equipment ordered for the export pipeline would, of course, permit more economical use of the invested capital. It would also obviate delays in the growth of domestic gas production and utilization that would occur if extensive use of Soviet-built compressor-station equipment is required for the export pipeline.

COMMISSIONING THE EXPORT PIPELINE

Now that the export pipeline project has become an even more important political objective for the Soviets, we expect that they will install sufficient equipment to permit a symbolic commissioning of the pipeline in late 1984. Pipe is available, and pipelaying and testing should be completed before the last quarter of 1984. Although the pipeline might at that time be equipped with only a fraction of the compressor power originally ordered from Western suppliers and the elaborate central control system might not be operational, the pipeline could function. An essential consideration underlying this judgment is the non-linear relation between gas throughput and compressor power on large gas pipelines. For example, one third of planned compressor power on line will deliver about two-thirds of planned throughput.

A related factor affecting Soviet options is the considerable redundancy in compressor equipment ordered for the pipeline. When the Soviets originally planned the compressor stations for the export pipeline, they were contemplating construction of two strands of pipe. Each of the 40 line stations was designed, therefore, to accomodate 5 of the 25-megawatt (MW) GE Frame V gas turbines and associated compressor equipment. For the first strand of the export pipeline, (the one now under construction), three Frame V turbines were ordered for each station--2 to run on line and 1 as a standby unit. Later, should a second strand of pipe be laid, the standby unit would be available for use on either strand. Thus, of the 120 Frame V turbines on order for the one pipeline being built, 80 are for on-line operation and 40 are for standby. In the initial stages of operation, the Soviets might forgo having standby units in some compressor stations, thus making available for on-line operation a larger share of the available compressor equipment and raising the attainable throughput of the pipeline. We believe that Moscow will maintain standby units in some compressor stations--especially at the relatively inaccessible sites in West Siberia. The Soviets may also reduce the number of compressor stations to be constructed by 1984. Construction resources and equipment could be marshalled to ensure minimal operation of the pipeline by late 1984. Later, as additional equipment becomes available, the intermediate compressor stations could be added and desired standby units could be installed. A staged buildup of compressor stations and compressor-station equipment is feasible and is common practice on Western pipelines.

COMPLETING THE EXPORT PIPELINE

Discussion of 'delay' requires a benchmark from which to measure the delay. The West European turbine builders think in terms of their contractual delivery dates; the Soviets, in terms of the late 1984 date of planned completion--which has been given added prominence by Moscow's propaganda campaign since the imposition of the US sanctions. A more realistic benchmark for the full equipping of the pipeline with all planned equipment might be in 1986, the date we considered likely before the imposition of the US embargo. However, because of the political significance attached by the Soviets to the 1984 target, we adopt 1984 as the benchmark from which delay is to be measured in the following discussion.

The Soviets ordered the 120 Frame V turbines for delivery by the fall of 1983 to allow time for shipment to site, installation, and testing before the final quarter of 1984. Before the December 1981 embargo order, General Electric had shipped 20 or so Frame V rotor sets to its West European manufacturing associates which held orders to supply Frame V turbines for the Soviet export pipeline.

If the US embargo were to be lifted before the Soviets complete alternative plans for equipping the pipeline (and if--as is likely-- the Soviets agree to stretching out the equipment delivery schedule in order to obtain Frame V turbines with GE rotors), about 20 units could be shipped to the Soviet Union by early 1983, but the remainder of the order (about 100) would be delayed for about a year. General Electric would have to reschedule and resume production of the rotor sets. The delay to full completion of the pipeline would be about 1 year (to late 1985). In the interim, however, fulfillment of gas delivery contracts and operation of the export pipeline at less than full capacity would be possible.

If the US embargo continues past a point of no return at which the Soviets--possibly together with the West European equipment manufacturers--firmly adopt alternative plans for compressor-station design and equipment supply, delays to full completion of the pipeline could range up to 3 years (to late 1987). Nonetheless, the USSR could fulfill its gas delivery contracts and operate the export pipeline at less than full capacity.

IMPACT ON THE SOVIET ECONOMY

Any reduction in the availability of Western compressor equipment will have some impact on Soviet gas production because shortage of this equipment has been a major bottleneck in the gas industry. The diversion of Soviet-made equipment from installation in compressor stations on the domestic gas transmission system would increase the real cost of the export pipeline project to the Soviet economy and would decrease the reliability of the export pipeline. In the extreme case--denial of all Western compressor equipment coupled with a crash Soviet effort on the export pipeline--the USSR could lose roughly 30 BCM of gas production in 1985 because of reduced compressor power on the new domestic transmission lines. The forgone production would represent about 5 percent of planned output of gas in 1985 and less than 2 percent of planned energy production. This shortfall may, however, overstate the effect on the Soviet economy because (a) the USSR is likely to obtain some Western compressor equipment by the means suggested above and (b) below-plan economic performance is curtailing growth in domestic energy demand.

Moscow clearly would prefer to avoid whatever disruption in domestic energy plans would result from diversion of equipment from domestic gas transmission to use of the export pipeline. Some of the increase in supply of Urengoy gas to the domestic economy is needed to offset declining gas availability from the older Ukraine and Caucasus gas fields. If necessary, however, the Soviets would accept the costs entailed in order to ensure the expected hard currency revenues from the new gas sales beginning in 1984. Facing a tight supply of energy in the mid-1980s, Moscow might be forced to reduce delivery of fuels to Eastern Europe more rapidly than it now deems politically feasible. It would also have to make internal adjustments in planned gas consumption that could:

- Curb efforts to substitute gas for oil and coal.
- Reduce industrial efficiency, especially in metals and petrochemicals.
- Intensify competition between sectors of the economy for scarce resources.

Western Participation in the Siberian Pipeline

Orders of Western equipment for the pipeline now total about $4.3 billion, of which ninety percent is from France, Italy, the United Kingdom, and West Germany. In addition, the USSR will import substantial amounts of large-diameter pipe, mainly from Japan and West Germany. The total cost of Western equipment and pipe for the pipeline is expected to be $7-$8 billion. (C)

Siberia-to-Western Europe Gas Pipeline: Financing Offers[1]

	Loan[3]	Amount	Interest Rate	Grace Period (in years)	Maturity (in years)
West Germany[2]	Hermes government-guaranteed credit	$500 million	7.8%	3	11
	AKA supplier credit	$930 million	9.6%	3	4
France	Government-backed export credit	$1.8 billion	7.75%	5	8.5
	Bank credit	$140 million	N.A.	N.A.	N.A.
Netherlands	Bank consortium	$1.1 billion	7.8%	3	3
Italy	Supplier credit	$3.3 billion	7.8%	3	8
U.K.[4]	ECGD government-guaranteed supplier credit	$450 million	N.A.	N.A.	N.A.
Belgium	Export credit	$500 million	8.5%	N.A.	10
Japan	Mixture of loan guarantees and EXIM Bank credits	$3 billion	7.8%	N.A.	8

1 Offers of financing exceed expected hard currency costs of the pipeline. Credits will be used only to the extent that orders for pipeline equipment are placed in the country offering the financing.
2 Excluding credits for large-diameter pipe which are to be financed separetly under annual pipe orders.
3 Credit lines are to cover 85 percent of the value of Western contracts.
4 While terms are not known they presumably are similar to those offered by other ...ern countries.

Siberia-to-Western Europe Natural Gas Pipeline*

*Including provisional routes of transit lines through Czechoslovakia and Hungary to West Germany, Austria, and Italy.

The Pipeline at a Glance

Length: 4,650 kilometers (Urengoy-Uzhgorod)

Capacity: 35 billion m^3 per year (gross); 29 billion m^3 per year (net)

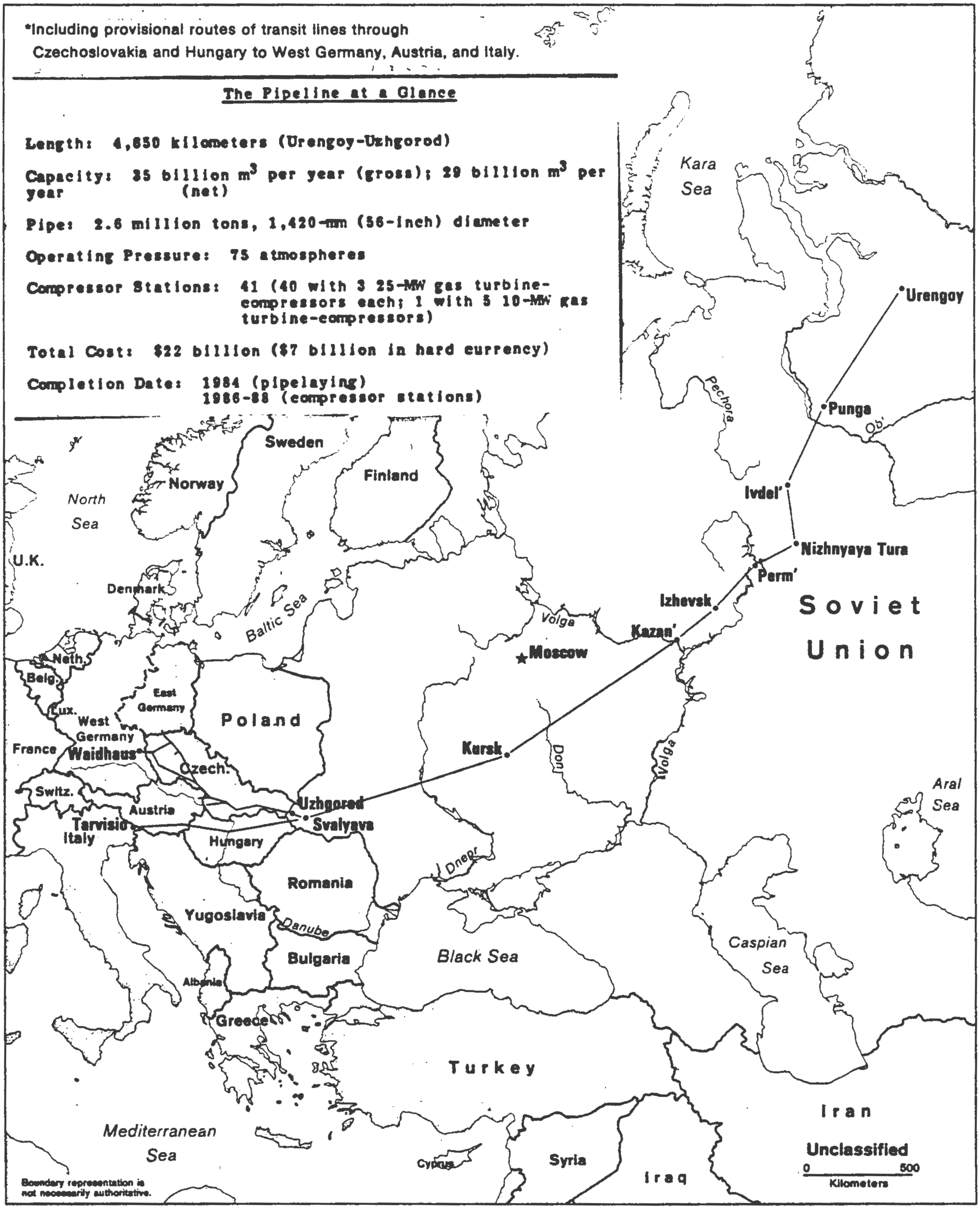
Pipe: 2.6 million tons, 1,420-mm (56-inch) diameter

Operating Pressure: 75 atmospheres

Compressor Stations: 41 (40 with 3 25-MW gas turbine-compressors each; 1 with 5 10-MW gas turbine-compressors)

Total Cost: $22 billion ($7 billion in hard currency)

Completion Date: 1984 (pipelaying)
1986-88 (compressor stations)



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DECLASSIFIED

NLRR M1335 #6

BY HOT, NARA, DATE 3/17/08

Alternative Energy Group

Over the past few months, James Buckley has been chairing a senior interagency group to review domestic and international actions which would facilitate the development of energy alternatives to Soviet gas in Europe and Japan. The effort has focussed initially on actions the U.S. could take to enhance our credibility as a reliable and long term energy supplier.

The U.S. has sufficient reserves to meet its own needs while contributing significant amounts to Europe and Japan as well. On numerous occasions, U.S. representatives have been asked what measures are being taken that will allow increased and more competitive exports of U.S. energy.

However, there are a number of bottlenecks which are prohibiting full development of U.S. export capability. Overcoming these obstacles in a way which is consistent with the Administration's primary energy objective of non-interference in energy markets is a doable, desirable and timely goal.

On the domestic front, the group is reviewing a number of possible policy initiatives including:

1) lifting the ban on Alaskan oil exports to Japan;

2) Means to facilitate U.S. coal exports; and

3) Action to phase-in full decontrol of all natural gas prices by 1985.

The next meeting of the Buckley Group on August 4 will review these and other issues -- the goal being to make recommendations for Cabinet level (probably NSC) consideration. Some of the issues being considered are politically difficult; and while a program can be agreed upon in principle, it is unlikely that the President will be in a position to announce such an effort until after the fall elections.

Classified by William F. Martin, (NSC)
☐ Declassify ☑ Review for
Declassification on 8/2/88

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Having assessed domestic possibilities, the Alternative Energy Group will then focus on overcoming obstacles to international alternatives. Evan Galbraith, U.S. Ambassador to France, has been monitoring progress in accelerating North Sea development. Papers have been prepared on European gas projections and the role of alternatives (with and without Siberian gas). In addition, there are preliminary papers on North Sea, Middle East and North African alternatives which review: 1) economics, 2) obstacles, and 3) possible U.S. actions to stimulate development. The international side of the Buckley Group effort is expected to be completed by early October.

Positive action on energy will reduce tensions with our allies, be psychologically and symbolically important in our drive to reduce Soviet influence in European energy markets, benefit U.S. business, increase employment, and in the long run, enhance overall Western energy security.

Classified by William F. Martin (NSC)
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Overview of European Gas Demand and Alternatives to Siberian Gas (see attached visuals)*

Energy Scenarios

Although West European demand for gas has softened in recent years, the falloff is expected to bottom out this year and demand to revive as economic recovery begins.

1. We estimate that demand for gas in Western Europe will increase from about 3.6 million barrels per day oil equivalent (b/doe) in 1980 to about 4.1 million b/doe in 1990 and to 4.5-5.0 million b/doe by the year 2000.

2. As domestic West European supplies of gas are depleted or shut in, the import dependence of the region will rise -- from 13 percent currently to about 50 percent by the turn of the century.

3. Provided some new deliveries of Soviet gas begin in the late 1980s, West European countries expect to be able to meet projected demand through 1990 from supplies they have already lined up.

   -- West Germany and France have signed contracts, including those for Soviet gas, that will probably give them access to more gas than they will use in the 1980s.

   -- Italy is expected soon to finalize negotiations with Algeria and the Soviet Union to fulfill gas requirements for the 1980s.

4. For the 1990s, however, West European countries will have to line up new supplies of 1.2 to 1.3 million b/doe.

5. The Soviets are anxious to increase gas exports to Western Europe and, with the completion of the Siberian gas pipeline, could more than double current sales by 1990.

   -- The Soviet Union is currently delivering about 430,000 b/doe of gas to Western Europe.

   -- Total Soviet gas exports to Western Europe in the late 1980s could be about 900,000 b/doe, about 25 percent of West European gas requirements and 3 percent of total energy needs.

This analysis is a summary of European gas demand and alternatives prepared for the Buckley Energy Group on 22 July 1982. It is based on the extensive work done by the CIA on this issue over the last few months.

6. If the West Europeans were to forego increases in Soviet gas deliveries because of sanctions or unforeseen political evnets, they could technically balance supply and demand through the decade. However, the economic and political decisions necessary to bring about this combination of events would require a major reversal of existing policies.

-- Increased production of Dutch gas would be needed.

-- Development of Norway's Sleipner field would have to be accelerated.

-- Domestic production in France, West Germany, and Italy would have to be sustained or increased from present levels.

-- Gas consumption would probably have to fall below present expectations.

Alternatives

Maximizing non-Soviet supplies in the 1990s will depend on Western Europe's assessment of the relative costs of alternative gas supplies and their concerns over security and diversification of supplies.

1. Norwegian gas offers a secure but costly alternative to Soviet gas in the 1990s. Norway could supply an additional 670,000 to 830,000 b/d oil equivalent, which would cover the bulk of the increase projected for West European demand in the 1990s.

-- Deliveries from the Block 31/2 (Troll) field in the North Sea could reach 500,000 to 670,000 b/d oil equivalent by the mid-1990s. New technologies must be developed to exploit the field, which lies in very deep water and contains a thin oil layer that could delay development. It will cost more than $10-15 billion to develop and deliver 500,000 b/doe of gas directly to the continent.

-- Another area for potential development is the Tromsa area off the northern coast of Norway. Recent discoveries indicate a large reserve potential, but simultaneous development of Tromsa and Troll is unlikely.

-- Norway's Sleipner area -- with reserves of about 8 trillion cubic feet -- offers the greatest potential for development in the near term.

2. The United Kingdom is not likely to become a net exporter of gas, but could play a key role in a gas swap arrangement with Norway.

   -- If such a triangular deal could be arranged with Norwegian gas from Sleipner going to the UK in exchange for UK gas to the continent, 170,000 to 250,000 b/d oil equivalent could be delivered in the early 1990s.

   -- Development and pipeline construction costs could total about $6 billion.

3. West European importers' most reliable and economical source of additional gas would be the Netherlands, currently Western Europe's largest gas supplier.

   -- Unless the current conservation policies of the Hague change, however, the amount of Dutch gas available for export in the late 1990s will dwindle to less than one-fourth its present volume.

   -- Falling gas sales and Dutch needs for funds are pressing the Hague to reconsider its export policies; at most, the Dutch probably could increase sales by about 150,000 b/d oil equivalent for a few years.

   -- Some Dutch officials have expressed a willingness to provide more gas in the near term if they could obtain gas from other countries later; discussions between high level Dutch and Norwegian officials on such an arrangement are underway but the speed of progress in negotiations will depend on political factors in each country.

4. Gas production on the European continent is expected to decline over the next two decades. Intensified exploratory drilling, particularly in Italy, might slow the expected decline but probably will not yield large additional supplies fro Europe.

5. West European imports of LNG from Nigeria, Cameroon, Qatar, or other sources could total 150,000 b/d oil equivalent but would be very costly and pose security risks.

   -- Nigeria's Bonny LNG project will probably be restructured at half the original size but will not be complete until the early 1990s.

   -- Qatar could supply sizable quantities of gas in the mid to late 1990s but transportation costs would be very high.

6. Gas imports from North Africa or the Middle East via pipeline could offer a more economical alternative than LNG imports, but may be politically undesirable.

   -- Additional gas could be delivered through existing pipelines from Algeria to Italy, and up to 250,000 b/doe through a new pipeline to Spain.

   -- The proposed Iranian gas pipeline to Europe via Turkey, while feasible, would take at least five years to complete and could pose serious security risks.

   -- Other proposed pipelines from the Middle East are under consideration but they are likely to be costly and politically difficult.

7. US coal could provide some additional energy supplies to Western Europe by 1990 but volumes are likely to be small.

   -- Western Europe already has ambitious plans to use coal and would need to expand coal handling capabilities even further.

   -- Some type of subsidy would probably be needed to encourage greater use of coal in industry.

8. Delivery of LNG from Alaska by nuclear powered submarine has been proposed.

   -- Cost estimates by General Dynamics are optimistic; the delivered price of gas would probably be in excess of $7 per million btu.

   -- The project would require the Europeans to build several new LNG import terminals at a cost of $900 million each.

Energy Security

Although steps are being taken to expand gas storage capacity in Western Europe, growing dependence on imported gas in the late 1980s will increase vulnerability to disruptions.

1. By 1990, gas supplies subject to disruption (from Algeria, Libya, and the Soviet Union) could supply almost 40 percent of overall gas demand in Western Europe and an even higher percentage in France and Italy.

2. The seasonal nature of gas demand will tend to magnify the potential impact of a disruption.

3. Potential Dutch surge capacity over existing production levels is estimated to be 1.7 million b/doe, sustainable for one year.

4. Plans call for gas storage capacity to be increased more than 50 percent by the mid 1980s.

   -- Current storage capacity is the equivalent of only 35 days average 1981 consumption.

   -- Much of the storage capacity will be required to meet peak seasonal demand.

5. The IEA has undertaken a detailed study of gas security including assessment of storage capacity and the flexibility of the gas grid.

Visuals:

- European Gas Supplies <u>with</u> Siberian Gas
- European Gas Supplies <u>without</u> Siberian Gas

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Overview of European Gas Demand and Alternatives to Siberian Gas (see attached visuals)*

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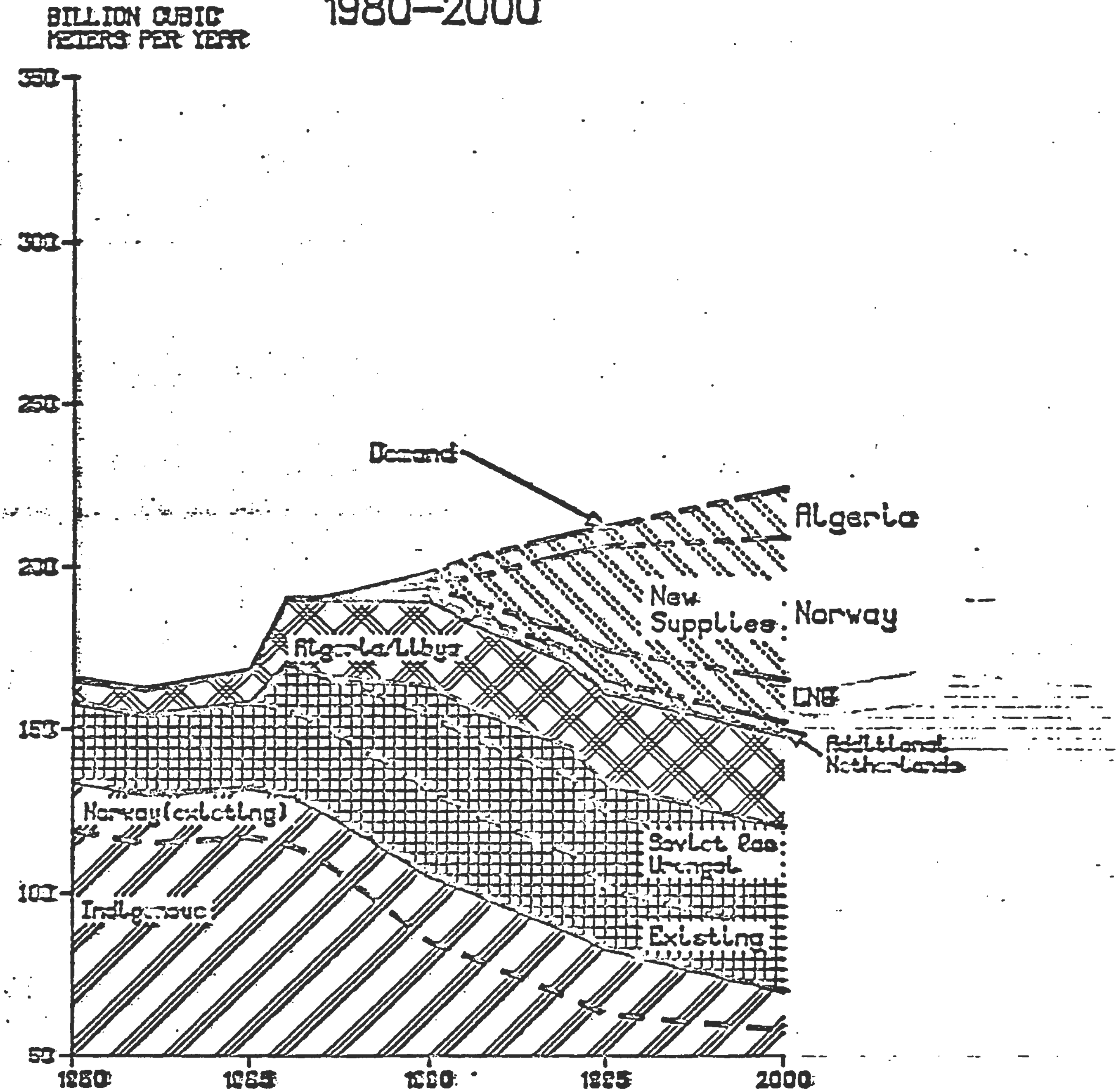
Visuals:

- European Gas Supplies with Siberian Gas
- European Gas Supplies without Siberian Gas

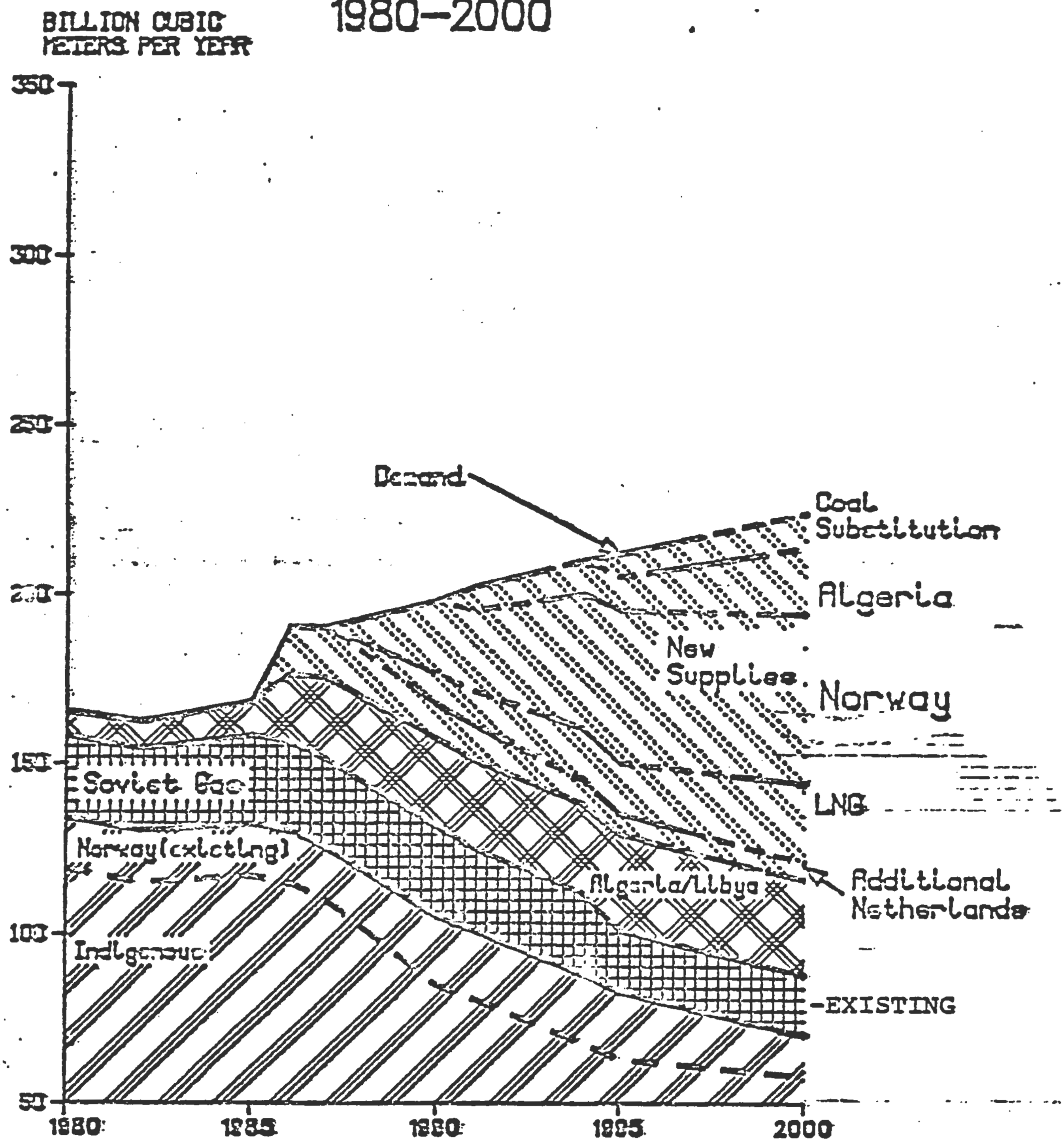
Continental Europe: Natural Gas Supply and Demand Forecast 1980–2000



Low Demand Scenario

(with Siberian gas)

Continental Europe: Natural Gas Supply and Demand Forecast 1980–2000



Low Demand Scenario
Without Siberian Gas

S/S 8205935

DEPARTMENT OF STATE

Washington, D.C. 20520

82-2438

February 17, 1982

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Senior Interagency Group No. 15

TO :	OVP	- Ms. Nancy Bearg Dyke
	NSC	- Mr. Michael O. Wheeler
	DOD	- COL John Stanford
	JCS	- LTC Edward Bucknell
	Commerce	- Ms. Jean Jones
	USTR	- Mr. Richard Heimlich
	Treasury	- Mr. David Pickford
	CIA	- Mr. Thomas B. Cormack

SUBJECT: Assessment of Legal Implications of an Extension of Export Controls

Attached for your information is a joint State, Defense, Treasury, Commerce paper assessing the legal implications of the proposed extension of export controls with respect to the Soviet Union. This paper responds to action assignment (2) of the February 10 SIG on Poland.

L. Paul Bremer, III
Executive Secretary

DECLASSIFIED
Dept. of State Guidelines, July 21, 1997
BY CN NARA, DATE 12/8/10

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RDS-3 2/16/89

February 13, 1982

Assessment of Legal Implications of Proposed Extension of Export Controls

INTRODUCTION

This memorandum discusses legal issues raised by proposals to amend U.S. export control regulations with respect to oil and gas production and transmission goods and technology. The proposals call for the extension of the December 30 sanctions against the Soviet Union so as to assert control:

-- over foreign subsidiaries of U.S. firms ("foreign subsidiaries"); and

-- over foreign products of U.S. oil and gas technology exported before December 30, 1981 ("technology products").

This memorandum considers domestic statutory authority for the proposed new controls; conflicts with foreign jurisdictions posed by any such controls; the range of possible foreign government responses; and the risks of litigation in U.S. courts. The conclusions reached on the basis of a review of the Export Administration Act of 1979, as amended, 50 U.S.C.A. app. § 2401 et seq. ("the EAA"), of pertinent foreign laws, and of related regulations and legal principles are shared by the General Counsels of the Departments of Commerce, Defense and Treasury and the Legal Adviser of the

Department of State. The analysis in this memorandum draws heavily from an earlier study prepared under direction of the General Counsel of the Department of Commerce.

CONCLUSIONS

Our general conclusions are as follows:

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I. Domestic Statutory Authority

A. General Background - The EAA is the basic authority for U.S. export controls on goods or technology. The EAA authorizes controls on exports of "[goods or technology] subject to the jurisdiction of the United States or exported by any person subject to the jurisdiction of the United States," where the controls are necessary for U.S. national security or foreign policy purposes.

EAA controls typically involve a legal requirement that an exporter obtain a validated export license from the Commerce Department before exporting particular types of commodities or technical data from the United States to particular foreign destinations. The Executive Branch has legal discretion to grant or deny such licenses in accordance with procedures and timetables specified by the EAA. Particular commodities and technical data and particular destinations subject to controls are identified in commerce Department regulations. These regulations can be amended relatively quickly by administrative action, but not until notice is given to affected parties.*

*Any expansion or extension of export controls for foreign policy purposes must satisfy the EAA's procedural requirements, including consideration of statutory criteria relating to the effectiveness of such controls, consultations with industry and Congress, and a determination that notwithstanding foreign availability of the controlled items, the absence of these controls would be detrimental to U.S. foreign policy. After controls are imposed, the Secretary of Commerce must report to Congress on the consideration of the statutory effectiveness criteria, on the alternative means attempted and on how the controls will further U.S. foreign policy. There is a question as to whether an amendment to the Export Administration Regulations to control technology products would take the form of an extension of foreign policy controls subject to these procedural requirements. However, any such regulatory change would have to meet due process standards (including timely and effect-

The Commerce Department's regulations also require U.S. authorization prior to reexports of certain U.S.-origin commodities and technical data from foreign countries and prior to the export from foreign countries of the products of certain U.S.-origin components and technical data. Such controls are designed to prevent transfers of controlled items to proscribed destinations from countries to which U.S.-origin commodities and technical data have been exported or reexported.

B. <u>Domestic Statutory Authority Over Foreign Subsidiaries</u> - The EAA gives the President power to prohibit or curtail exports by "any person subject to the jurisdiction of the United States." (50 U.S.C.A. app. §§ 2404(a), 2405(a)). [redacted] The Senate Report accompanying the legislation states that it "would amend the [EAA] to confer non-emergency authority under the act to control non-U.S.-origin exports by foreign subsidiaries of U.S. concerns" (S. Rep. No. 466, 95th Cong., 1st Sess. 6 (1977)).

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This Presidential authority was added to the EAA in 1977, [redacted] The effect of that 1977 amendment has been "to broaden the potential 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 1970 and 1980s, 65 Minn. L. Rev. 739, 847 (1981)).

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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 found in the International Emergency Economic Powers Act (Id. § 1703(a)(1)).

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C. <u>Jurisdiction Based on U.S. Origin of Goods or Technology</u>

(1) <u>Basic Authorities and Practices</u>

In addition to authorizing controls over persons subject to U.S. jurisdiction, the EAA also gives the President broad authority to prohibit, for foreign policy reasons, the export of goods, technology, or other information "subject to the jurisdiction of the United States" (50 U.S.C.A. app. § 2405(a)).

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Under the Export Administration Regulations (EAR), the Commerce Department's Office of Export Administration (OEA) has imposed controls on three general types of transactions that occur in foreign countries: (1) certain reexports from such countries of U.S. goods and technology; (2) certain exports from such foreign countries of end products incorporating U.S. parts and components; and (3) certain exports from such foreign countries of products manufactured using U.S. technology.

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Furthermore, justification may arguably be found under both domestic and international law where the controls involved were established and binding upon the parties at the time of the original export of the U.S.-origin goods or technology.

When such controls are in existence at the time U.S. goods or technology are exported from the United States, U.S. exporters and foreign importers are on notice under the terms of their export licenses, and under the EAR, that the exported items are subject to a claim of continuing U.S. control. In such cases, the United States assertion of jurisdiction over reexports is made at a time when the goods or technology, and at least one of the parties to the transaction (the exporter), remain subject to U.S. territorial jurisdiction.

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(2) Foreign Products of U.S. Technology

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the American Law Institute's Restatement (Second) of the Foreign Relations Law of the United States does not recognize U.S. origin of goods or technology as a source of jurisdiction under international law. In this connection the D.C. Circuit recently reiterated in F.T.C. v. Compagnie de Saint-Gobain-Pont-A-Mousson 636 F.2d 1300 (D.C. Cir., 1980) that U.S.

statutes posing potential conflicts with foreign jurisdictional interests must be construed so as to ensure consistency with international law in the absence of a clear contrary Congressional intent.

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II. <u>Conflicts With Foreign Jurisdictions</u>

The assertion of controls over foreign subsidiaries and technology products would pose direct conflicts between U.S. and foreign legal claims to jurisdiction.

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Moreover, private parties suffering economic injury as the result of extended U.S. controls, or subjected to sanctions for their violation, might have an incentive to contest their legality. Subsection B of this section accordingly assesses the possible legal responses of exporters or other private parties which wished to thwart or contest extended U.S. controls.

A. Responses by Foreign Governments - Foreign governments which deny and decide to contest the legality or propriety of applying particular U.S. export control measures within their territory would have a range of possible responsive legal measures.

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REDACTED The British Protection of Trading Interests Act is the most notable example of such blocking statutes. That Act authorizes the U.K. Secretary of State for Trade to issue orders barring companies that trade in Britain from complying with foreign legal requirements if those requirements are damaging or threatening to damage U.K. trading interests (Protection of Trading Interests Act, 1980, c. 11, § 1). [redacted]

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See 1 J. Atwood & K. Brewster, Antitrust and American Business Abroad, 268 (1981); Restatement (Second) of Foreign Relations Law of the United States § 40 (1965); U.S. Dept. Of Justice, Antitrust Guide for International Operations 55 (1977).

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In 1965 this occurred when the French courts in the Fruehauf case removed a foreign subsidiary from the U.S. parent's control and thus from U.S. jurisdiction -- at the request of the French minority directors. The result was that U.S. controls against trade with the People's Republic of China by foreign subsidiaries of U.S. companies were circumvented. (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)).

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B. Measures by Private Parties - Judicial Review -

There are at least two sets of circumstances in which private parties affected by new U.S. controls might seek judicial review.

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The EAA does not provide for judicial review of administrative sanctions imposed by the Commerce Department and we know of no case in which the reviewability of such sanctions has been litigated.

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The Government's licensing policy, publicly laid down by the President in his December 29 statement, and in the Commerce Department General Order suspending all licensing for export to the Soviet Union (47 Fed. Reg. 144 (1982)), is that export licenses will not be granted. REDACTED

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MEMORANDUM

NATIONAL SECURITY COUNCIL

OK to [illegible] Room

~~CONFIDENTIAL~~

August 6, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK
ROBERT C. McFARLANE

FROM: MICHAEL O. WHEELER MW

SUBJECT: Attendance List for National Security Council Working Luncheon, August 6, 1982

The agencies have provided the following names of individuals who intend to come to the National Security Council Luncheon Meeting on International Economic Policy, August 6, 1982, at 12:00 p.m., in the Cabinet Room.

~~The Vice President:~~ (Traveling to Bogota.)

State:
Secretary George P. Shultz

Treasury:
Secretary Donald T. Regan
Mr. Marc E. Leland (Assistant Secretary for International Affairs)

OSD:
Deputy Secretary Frank C. Carlucci

Commerce:
Secretary Malcolm Baldrige
Mr. Lionel Olmer (Under Secretary for International Trade) ok

Agriculture:
Secretary John R. Block

CIA:
Mr. William J. Casey (wants Harry Rowen to attend in his place) OK

OMB:
Mr. William Schneider (Associate Director for International and National Security Affairs) one or the other only
Mr. David A. Stockman

CEA:
Mr. Murray Weidenbaum

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OPD:
Mr. Edwin L. Harper

USUN:
Ambassador Jeane J. Kirkpatrick

USTR:
Ambassador David Macdonald

JCS:
Admiral James D. Watkins (Acting Chairman)

White House:
Mr. Edwin Meese III
Mr. James A. Baker III
Judge William P. Clark
Mr. Richard G. Darman
Mr. Robert C. McFarlane

NSC:
Mr. Norman Bailey

~~SECRET~~

NATIONAL SECURITY COUNCIL

August 5, 1982

MEMORANDUM FOR BUD MCFARLANE

FROM: MIKE WHEELER MW

SUBJECT: NSC Meeting Next Monday

Bud - we have 60 minutes next Monday, 9 Aug, now at 3 p.m. (vice 2 as originally planned) for an NSC meeting. We don't have an agenda yet.

You'll recall that Henry and Norman raised the question at the 3 Aug NSC Staff Meeting of whether SIG-IEP issues could be included on the agenda for this week's meeting. I checked with Norman this a.m. (Henry wasn't in yet); Norman suggests that two items could profitably be addressed at a Monday NSC meeting.

° steel controversy - may be ready for Presidential decision, although we won't know until after today's SIG-IEP (rescheduled from yesterday)...even if it's not ready for decision, it will be while the President's in California, so an educational session on Monday could allow him to decide by memo later

° pipeline sanctions - time is ripe for discussion of recent developments & their implications for longer-term relations with Europe...strictly educational, no decisions

I don't have suggestions for any other candidates that are far enough along, unless you want the time for a Middle East NSPG.

~~SECRET~~

THE CABINET ROOM

Olmer

Kirkpatrick Block Shultz President Carlucci Baldrige Stockman

Macdonald

Watkins

Rowan McFarlane Clark Regan Meese Baker Harper Weidenbaum Darman

Bailey Leland

DOOR

STATEMENT OF PRESIDENT REAGAN

I am pleased that Secretary Baldrige and Vice Presidents Davignon and Haferkamp have reached agreement on an arrangement which I believe could lead to a resolution of our steel trade problems. These have been very difficult and complex negotiations, and only the determination of both parties to succeed, and a spirit of understanding and cooperation, made agreement possible.

MEMORANDUM

System II
90656

CHRON FILE

NATIONAL SECURITY COUNCIL

August 19, 1982

~~SECRET~~ ATTACHMENT

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY

SUBJECT: NSC Meeting of August 6, 1982 -- Minutes

Attached at Tab I are the minutes of the NSC Meeting of August 6, 1982.

Attachment
Tab I Minutes

Approved
RCM for WPC
8/20

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)

MJD 4/12/48

~~SECRET~~ ATTACHMENT

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NATIONAL SECURITY COUNCIL MEETING

DATE, TIME
AND PLACE: August 6, 1982, 12 noon-1:00 p.m., Cabinet Room

SUBJECT: U.S.-E.C. Steel Dispute and Soviet Sanctions Implementation

PARTICIPANTS:

The President

State
Secretary George P. Shultz

Defense
Mr. Frank Carlucci

Treasury
Secretary Donald T. Regan
Mr. Marc Leland

Commerce
Secretary Malcolm H. Baldrige
Mr. Lionel Olmer

Agriculture
Secretary John R. Block

OMB
Mr. David A. Stockman

CIA
Mr. Harry Rowen

USUN
Ambassador Jean J. Kirkpatrick

USTR
Mr. David Macdonald

JCS
Admiral James Watkins

White House
Mr. Edwin Meese III
Judge William P. Clark
Mr. Robert McFarlane
Mr. Ed Harper
Mr. Richard Darman

CEA
Mr. Murray L. Weidenbaum

NSC
Mr. Norman A. Bailey

Minutes

Secretary Baldrige reported to the President on the tentative settlement of the steel controversy with the European Community. Possibilities for ultimate failure were outlined, including non-agreement by U.S. steel companies, non-agreement by member countries of the E.C., and failure of subsequent negotiations on pipe and tubes. The President congratulated the Secretary

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of Commerce and approved a Presidential statement on the subject.

Secretary Regan reported on the export credit agreement within the OECD as well as studies that are proceeding on monetary matters. On August 4, 1982, the Treasury intervened in the exchange markets for the second time since the Versailles Summit. Secretary Regan also reported on the Mexican financial crisis. They have exhausted all of their U.S. swap lines with the Federal Reserve and the Treasury.

Secretary Regan then outlined the sanctions situation. It was emphasized that they were related to the Polish situation. Some of the questions which must be answered soon include whether to proceed with legal action or wait for European moves; try to enjoin foreign action or not; what fora to use; what products the sanctions were in fact supposed to reach; alternative energy sources and what positive steps might be taken to alleviate the sanctions situation. He stated that paper on the legal implications and strategies was being prepared by the legal departments of the departments of Justice, State, Treasury, Defense and Commerce.

Harry Rowen of the CIA reported that in their judgment the Russians will be able to deliver the gas they have contracted for on schedule using other fields and other equipment. Additionally, the buyers may not take the full amount. There would be costs, of course -- less gas for Soviet internal use and for Eastern Europe as well as diversion of materials and equipment.

The President asked whether there wasn't an obligation on the part of foreign companies not to use our components and technology contrary to U.S. laws and regulations.

Secretary Shultz explained the G.E.-Alsthom Atlantique contract as it relates to compliance with U.S. law.

Secretary Baldrige stated that we must decide soon, since the regulations have to be enforced.

Mr. Harper stated that it would preferable to stop making public comments about the sanctity of contracts.

Secretary Shultz recalled that when he was recently talking to Foreign Secretary Pym he had reminded Pym that many contracts were broken when we declared sanctions against Argentina.

Secretary Regan gave some hypothetical examples of the type mentioned by Europeans who question what U.S. reaction would be if other countries tried to apply their sanctions extra-territorially to our companies.

Judge Clark stated that we must all keep in mind the reason for the sanctions.

Mr. Carlucci mentioned the fact that we maintain control over sales of foreign military equipment with our components and technology all the time.

Secretary Shultz said we must always keep in mind that there are many interrelated factors -- Poland, relations with allies, exports, etc.

Secretary Regan stated that the lawyers must tell us how to do what is needed, not why it can't be done.

Secretary Block asked if there were any hope in Poland.

The President said that he had tried to get the Europeans to pressure the Polish Government while he was in Europe but no one had listened.

Secretary Shultz said we must try to find a solution which will cause least offense to the Europeans while doing maximum damage to the Soviets. We are in danger of an escalation of legal measures.

Ambassador Kirkpatrick quoted the French magazine Express to the effect that the Europeans had not considered that the President was serious and thus had made no serious attempt to negotiate.

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MEMORANDUM

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NATIONAL SECURITY COUNCIL

August 6, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY NB/

SUBJECT: National Security Council Meeting, August 6, 1982

Attached at Tabs I and II are the Agenda and the Suggested Talking Points for the National Security Council meeting of August 6, 1982, 12:00 noon.

RECOMMENDATION

That you approve the agenda and talking points at Tabs I and II.

Approve OK per Rapp Disapprove ________

Attachments

Tab I Agenda
II Talking Points

AGENDA
FOR
NATIONAL SECURITY COUNCIL MEETING

WPC HAS SEEN

AUGUST 6, 1982

1. The U.S.-E.C. steel controversy (Sec Baldrige).

2. The U.S.-E.C. controversy over our sanctions on oil and gas equipment and technology to the Soviet Union (Sec Regan).