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November 29, 1982

NATIONAL SECURITY DECISION
DIRECTIVE NUMBER 66

EAST-WEST ECONOMIC RELATIONS AND POLAND-RELATED SANCTIONS (U)

I have reviewed the "Summary of Conclusions" of the consultations with our Allies conducted by Secretary Shultz of which a copy is attached. This framework agreement establishes the security-minded principles that will govern East-West economic relations for the remainder of this decade and beyond. In putting these principles into practice, the Allies have committed themselves to immediate actions on the key elements of East-West trade including: agreement not to sign or approve any new contracts for the purchase of Soviet gas during the urgent study of Western energy alternatives; agreement to strengthen the effectiveness of controls on high technology transfer to the USSR, including examination of the necessity of multilateral controls on critical oil and gas equipment and technology; and agreement to harmonize export credit policies. It is my goal that firm allied commitments emerge from the studies in each of these major categories in the next few months and that the resulting common policies will be substantially agreed by the time of or before the Williamsburg Economic Summit presently scheduled for May 1983. The principal objectives of the United States during these studies are as follows: (S)(u)

1. An agreement that countries participating in the agreement will not commit to any incremental deliveries of Soviet gas beyond the amounts contracted for from the first strand of the Siberian pipeline; not commit themselves to significant incremental deliveries through already existing pipeline capacity; and participate in the accelerated development of alternative Western energy resources, principally Norwegian gas reserves. To accomplish this objective, the U.S. should undertake intensive work with our Allies and within the IEA/OECD to encourage development of these Western alternatives and to encourage that adequate safety net measures are adopted to protect against a shutoff of Soviet gas. (S)(u)

2. An agreement to add critical technologies and equipment to the COCOM list, harmonize national licensing procedures for COCOM, and substantially improve the coordination and effectiveness of international enforcement efforts. (S)(u)

3. A quick agreement that allied security interests require controls on advanced technology and equipment beyond the expanded COCOM list, including equipment in the oil and gas sector; development of a list of equipment in this category and an effective procedure to control its transfer to the Soviet Union. (S)(u)

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4. An agreement that builds on the recent OECD agreement substantially raising interest rates to the USSR to achieve further restraints on officially-backed credits such as higher downpayments, shortened maturities and an established framework to monitor this process. (S)(u)

Preparations within the U.S. Government

The Senior Interagency Group for International Economic Policy (SIG-IEP) will be responsible for the attainment of U.S. objectives in the context of the work program and studies called for in the "Summary of Conclusions." Interagency working groups will be established under the supervision of the SIG-IEP to develop U.S. positions and strategies for the achievement of these objectives in the four principal areas of U.S. concern. In addition, a working group will be established for an overall study of East-West economic relations in the context of political and strategic considerations. These working groups will submit for approval by the President, through the SIG-IEP, the strategies for attaining U.S. objectives and all U.S. positions for meetings with Allies. The SIG-IEP will report to the President periodically through the Assistant to the President for National Security Affairs the state of progress in attaining the objectives. (S)(u)

The members of the working groups will be as follows:

- Energy: International Energy Security Group,
Chaired by State
- COCOM High Technology: Senior Interagency Group
on Transfer of Strategic Technology, Chaired
by State
- Credits: Treasury (Chair), NSC Staff, State,
Commerce
- East-West Economic Relations: State (Chair),
NSC Staff, Treasury, Commerce, DOD.

Delegations to negotiate with Allies on these subjects will be chaired by a representative of the Department of State and will include representatives from the National Security Council Staff and concerned departments. (S)(u)

Poland-related Sanctions

On the expectation of firm allied commitments in these four areas reflecting U.S. objectives emerging from the work program agreed in the "Summary of Conclusions," I approved the cancellation of the December 30 sanctions on oil and gas equipment and technology to the Soviet Union and the June 22 amendment extending these controls to U.S. subsidiaries and licensees abroad. In addition, I have approved the resumption of case-by-case licensing for commodities under national security controls. Sanctions imposed against the USSR following the invasion of Afghanistan remain in effect, including a presumption of denial for exports of oil and

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gas technology for manufacturing equipment used for exploration and production. This decision was taken because we believe that the framework agreement represented by the "Summary of Conclusions" on an enduring and unified approach to East-West economic relations in a security context represents stronger and more effective measures to advance reconciliation in Poland and addresses our vital long-term strategic and security objectives toward the USSR. (S) (u)

Ronald Reagan

Attachment

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