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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9757	PAPER	U.S. POLICY ON CONTROL OF OIL AND GAS EQUIPMENT [6 - 14]	9	ND	B1
9761	PAPER	U.S. OIL AND GAS EXPORT CONTROL TOWARD USSR [22 - 23] *R 7/7/2008 NLRRF06-114/7*	2	ND	B1
9758	PAPER	WORLD WIDE AVAILABILITY OF OIL AND GAS EQUIPMENT [24 - 27]	4	ND	B1
9759	PAPER	U.S. MULTILATERAL CONTROL EFFORT [28 - 28]	1	ND	B1

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

B-1 National security classified information [(b)(1) of the FOIA]
B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9762	PAPER	FOREIGN POLICY OIL AND GAS LICENSING REQUIREMENTS [29 - 30] *R 7/7/2008 NLRRF06-114/7*	2	ND	B1
9760	PAPER	SOVIET IMPORTS OF OIL AND GAS EQUIPMENT FROM SELECTED COUNTRIES IN 1975 AND 1983 BY TYPE OF EQUIPMENT AND COUNTRY OR ORIGIN [31 - 31]	1	ND	B1
9763	PAPER	EXAMPLES OF U.S. LOSS OF TECHNOLOGY LEAD [32 - 32] *R 7/7/2008 NLRRF06-114/7*	1	ND	B1
9764	PAPER	OPTIONS FOR MODIFICATION OF U.S. UNILATERAL CONTROL OF OIL & GAS EQUIPMENT/TECHNOLOGY FOR EXPORTS TO U.S.S.R [33 - 36] *R 11/24/2009 F06-114/7*	4	ND	B1

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

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PENDING REVIEW IN ACCORDANCE WITH E.O. 13233

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		LOJ	3/27/2007
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ID	Doc Type	Document Description	No of Pages	Doc Date	
A	MEMO	LIONEL H OLMER TO THE SECRETARY OF COMMERCE, RE US EXPORT CONTROLS…[3-5]	3	ND	Opened 05/14/2007

1

File –
US - USSR
Economic
Rels

2

U.S. DEPARTMENT OF COMMERCE
Deputy Under Secretary
for International Trade

6/3/85

To: Jack Matlock

From: Olin L. Wethington OLW

Before Lionel left for Japan he asked me to send you the attached material on U.S. export controls on oil and gas equipment and technology to the Soviet Union. All items are drafts and may be refined before they are actually sent. However, Lionel wanted you to have his thinking on the subject.

Attachments

Automatically declassified upon removal of classified attachments.

~~SECRET~~ CVS 7/16/02

3

DRAFT

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D.C. 20230

MEMORANDUM FOR: The Secretary

FROM: Lionel H. Olmer

SUBJECT: U.S. Export Controls on Oil and Gas Equipment/Technology to the USSR

As a follow-up to the recent U.S.-USSR Joint Commercial Commission and our previous discussions on the matter, I have reviewed current U.S. export control policy dealing with exports of oil and gas equipment and technology to the Soviet Union.

I have come to the conclusion that our current export control policy in this area is not achieving this Government's stated objectives and is, in fact, counterproductive to those objectives. In addition, the only concrete effect of the policy has been to increase Western European oil and gas equipment suppliers' participation in the Soviet oil and gas market to the detriment of U.S. suppliers. The policy has had no impact in ameliorating our concerns about Western European energy security, in general, and Western European increased dependence on Soviet natural gas, in particular.

Our current policy on exports of oil and gas equipment and accompanying technology to the Soviet Union is at considerable variance with the controls imposed by our partners in the Coordinating Committee on Export Controls (COCOM). The United States requires a validated license for all oil and gas exploration and production equipment whether that equipment is controlled by COCOM or not and whether it has a strategic application or not. COCOM countries impose a license requirement for only oil and gas equipment which has a strategic application. Most oil and gas exploration and production equipment does not have a strategic application. In addition, the United States has a general policy of denial on exports of technical data for oil and gas exploration and production equipment. COCOM countries do not require a license for the technical data related to non-strategic oil and gas exploration and production equipment or to the manufacture of same.

Although the United States imposes a validated license requirement for non-strategic oil and gas equipment with a presumption of approval, the licensing requirement itself holds out the possibility that the U.S. Government could change its mind and not approve the equipment and, in fact, gives credence to the Soviet claim that the uncertainty inherent in the licensing requirement makes U.S.

U.S. DEPARTMENT OF COMMERCE • INTERNATIONAL TRADE ADMINISTRATION suppliers unreliable. Obviously, this argument is given greater credence when the Soviets know they can buy the same equipment from our COCOM allies without the license requirement, thus ensuring the reliability of COCOM suppliers.

However, the U.S. unilateral controls on technical data have a more devastating affect on U.S. exporters of oil and gas equipment to the Soviet Union than does the unilateral license requirement for oil and gas equipment. For instance, a U.S. exporter could have an approved license to export an oil drilling rig to the Soviet Union but cannot provide the hands on technical assistance to Soviet nationals so that Soviet nationals would know how to operate the rig. It should, therefore, come as no surprise that the Soviets do not buy oil drilling rigs from U.S. suppliers when they can obtain the same equipment and on-site technical assistance from non-U.S. suppliers, primarily from COCOM countries.

The following is also apparent:

- Given the fact that the Soviet Union possesses 40 percent of the world's natural gas reserves and their indigenous production capabilities, the Soviet Union's ability to produce natural gas is independent of Western export controls, either COCOM multilateral or U.S. unilateral controls. As a result, current U.S. unilateral controls have not had and will not have any effect on Soviet natural gas production.

- An unintended result of these U.S. unilateral controls has been the Soviet replacement of U.S. suppliers with Western European suppliers. In 1975 the U.S. accounted for 35.8 percent of Soviet oil and gas equipment and technology imports from the U.S. and six COCOM countries. By 1983 the U.S. share had dropped to 0.5 percent, but had been more than offset by two COCOM countries who accounted for 48.3 percent.

- These U.S. unilateral controls foster increased competition to U.S. companies in <u>non-Soviet</u> markets from non-U.S. suppliers who have become more cost effective, experienced and, in some areas, more technologically advanced as a result of their participation in the Soviet oil and gas field supply market.

The current U.S. unilateral export controls on oil and gas equipment and technology had their genesis in the Carter Administration and were imposed to punish the Soviets for their behavior in two separate instances: in 1978 in response to the Shcharansky and Ginsberg trials in the Soviet Union; and in 1980 in response to the Soviet invasion of Afghanistan. They are <u>not</u> COCOM controls.

The thinking at that time, was that, since the U.S. was the world leader in the oil and gas area, this country's denial of Soviet access to such equipment would create a hardship on the Soviet

Union, reduce their energy supplies and ameliorate their actions. None of these outcomes have occured, nor are they likely to. The Soviets have been able to obtain the necessary equipment from non-U.S. suppliers, primarily in COCOM countries, and are increasing their natural gas production.

Given the shortcomings of these U.S. unilateral controls in meeting U.S. objectives, I recommend the removal of all current U.S. foreign policy controls on oil and gas equipment and technical data, and allow for a presumption of approval of technical data for exploration, production and specially-designed industrial equipment not COCOM controlled. All other controls would remain in place. This approach would:

o make U.S. export controls on most oil and gas equipment consistent with COCOM controls;

o reduce the principal obstacle (controls on technical data) to U.S. idustry's participation in joint venture projects in the Soviet oil and gas area by allowing U.S. companies to provide on-site training and technical assistance;

o minimize the advantage non-U.S. suppliers (principally our COCOM partners) currently enjoy over U.S. suppliers; and,

o put U.S. suppliers at near parity with their Western European and Japanese competition.

Attachment 1 15

THE WHITE HOUSE

WASHINGTON

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WITH SECRET ATTACHMENT

November 29, 1982

File: Poland Sanctions

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF COMMERCE
THE SECRETARY OF ENERGY
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE UNITED STATES REPRESENTATIVE TO THE UNITED NATIONS
THE UNITED STATES TRADE REPRESENTATIVE
THE CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: East-West Economic Relations and Poland-related Sanctions (U)

The President has approved the attached National Security Decision Directive on East-West Economic Relations and Poland-related sanctions. This is a modification of an earlier version dated November 16, 1982, which should be destroyed. The purpose of this modification is to prescribe in more detail the organizational arrangements specified in the paragraph on "Preparations within the U. S. Government." (U)

FOR THE PRESIDENT:

Robert McFarlane for
William P. Clark

Attachment
NSDD 66

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Authority D. VAN TASSEL F89-609 10/3/95
BY CAS, NARA, Date 7/16/02

THE WHITE HOUSE
WASHINGTON

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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)~~

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)~~

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)~~

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)~~

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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)

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)

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)

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 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)

Ronald Reagan

Attachment

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SUMMARY OF CONCLUSIONS (U)

During conversations in Washington between the Secretary of State of the United States of America and representatives of Canada, the Federal Republic of Germany, France, Italy, Japan and the United Kingdom on the subject of East-West relations, in which representatives of the EEC participated, a certain number of conclusions have been reached on behalf of the governments represented. The summary of these follows. ~~(C)~~

1. They recognize the necessity of conducting their relations with the USSR and Eastern Europe on the basis of a global and comprehensive policy designed to serve their common fundamental security interests. They are particularly conscious of the need that action in the economic field be consistent with that global and comprehensive policy and thus be based on a common approach. They are resolved together to take the necessary steps to remove differences and to ensure that future decisions by their governments on these issues are taken on the basis of an analysis of the East-West relationship as a whole, with due regard for their respective interests and in a spirit of mutual trust and confidence. ~~(S)~~

2. The following criteria should govern the economic dealings of their countries with the Soviet Union and Eastern European countries:

-- That they will not undertake trade arrangements, or take steps, which contribute to the military or strategic advantage and capabilities of the USSR.

-- That it is not in their interest to subsidize the Soviet economy; trade should be conducted in a prudent manner without preferential treatment.

-- That it is not their purpose to engage in economic warfare against the Soviet Union. To be consistent with our broad security interests, trade with the USSR must proceed, inter alia, on the basis of a strict balance of advantages. ~~(S)~~

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It is agreed to examine thoroughly in the appropriate bodies how to apply these criteria, taking into account the various economic and political problems involved, with the view to agreeing on a common line of action in the spirit of paragraph one and the above criteria. They will pay due attention in the course of this work to the question of how best to tailor their economic relations with Eastern European countries to the specific situation of each of them, recognizing the different political and economic conditions that prevail in each of these Eastern European countries. (S)

The overall analysis of economic relations with the USSR and the Eastern European countries will touch in particular on the following areas:

-- Strategic goods and technology of military significance (COCOM);

-- Other high technology items;

-- Credit policy;

-- Energy;

-- Agricultural products. (S)

In their analysis of other high technology items, it is agreed to examine immediately whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment to be jointly determined. This immediate examination of whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment will include technology and equipment with direct applications to the oil and gas sector. (S)

In the field of energy, they will initiate a study of their projected energy requirements and dependence upon imports over the next decade and beyond and possible means of meeting these requirements, with particular attention being given to the European energy situation. The study will be conducted under the auspices of the OECD. (S)

3. As an immediate decision and following decisions already made, they have further agreed on the following:

(a) Building on the conclusions of the High-Level Meeting, they will work together within the framework of the Coordinating Committee (COCOM) to protect their contemporary security interests: the list of strategic items will be evaluated and, if necessary, adjusted. This objective will be pursued at the COCOM Review now under way. They will take the necessary measures to strengthen the effectiveness and responsiveness of COCOM and to enhance their national mechanisms as necessary to enforce COCOM decisions. (S)

(b) It was agreed at Versailles that the development of economic and financial relations with the Soviet Union and Eastern Europe would be subject to periodic ex post review. The necessary procedures for this purpose will be established without delay. Having in mind the criteria in paragraph two above, they will work urgently further to harmonize export credit policies. (S)

(c) They have informed each other that during the course of the study on energy requirements, they will not sign, or approve the signing by their companies of, new contracts with the Soviet Union for the purchase of natural gas. (S)

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Attachment 2

U.S. OIL & GAS EXPORT CONTROL POLICY TOWARD USSR
(Background)

Prior to August 1, 1978, most commodities used in the exploration or production of petroleum or natural gas were exportable to the USSR under General License, G-DEST. In September 1978, revised export controls were imposed requiring validated licenses for export of these items to the USSR. This regulatory change was implemented partly in response to the human rights issue stemming from the Shcharansky and Ginzburg trials in the USSR. The new controls were intended to influence Soviet behavior. (U)

In January 1980, as result of the Soviet invasion of Afghanistan, the processing of all validated licenses to the USSR was held in abeyance pending policy clarification. In addition, all existing validated licenses to the USSR were suspended. In accordance with NSC guidelines of February 1980, the suspended licenses were reviewed and licenses for oil and gas equipment not controlled for national security purposes were reinstated, but there was now motivated a presumption of denial for oil and gas technical data while other technical data licenses were reviewed on a case-by-case basis. (U)

On December 29, 1981, subsequent to the imposition of martial law in Poland, the President suspended the processing of validated license applications to the USSR. Existing oil and gas controls covering exploration and production also were extended to include transactions involving transmission, transportation, and specified refinery operations. (U)

In June 1982, the prevailing controls to the USSR were further extended, placing restraints on export of commodities produced by U.S.-owned or U.S.-controlled companies outside the United States. Foreign produced commodities based on U.S. technology were included in these restraints. (U)

On November 13, 1982 the existing controls were rolled back to the pre-December 1981 level. In substance, this change resulted in the removal of the controls on exports involving transmission, transportation, and refinery operations; however, controls were retained on exploration and production equipment and technology. (U)

On November 29, 1982 the President issued NSDD-66 outlining the objectives of the United States within the framework agreement Secretary Shultz and our Allies reached on security principles to govern East-West economic relations for the balance of this decade and beyond. The export control-related objectives in NSDD-66 are: (S)

1. To obtain agreement "...to add critical technologies and equipment to the COCOM list, harmonize national licensing

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procedures for COCOM, and substantially improve the coordination and effectiveness of international enforcement efforts;" and, ~~(S)~~

2. To obtain "...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, develop a list of equipment in this category and an effective procedure to control its transfer to the USSR." ~~(S)~~

In NSDD-66 the President went on to state that the November 13, 1982 "roll back" of controls was approved in the expectation of firm Allied commitments in these two areas and in two other areas dealing with Allied agreements to freeze the level of deliveries of Soviet gas to current contract amounts while accelerating development of alternative Western energy resources, principally Norwegian gas reserves, and to build on an OECD agreement substantially raising interest rates to the USSR. ~~(S)~~

On August 20, 1983 after a review by the SIG-IEP directed by Judge Clark, the requirement for a validated license for the export of pipelayers to the Soviet Union was removed. ~~(U)~~

On December 9, 1983 the President "...decided not to move 21 strategic, dual-use oil and gas equipment items already proposed for COCOM controls to U.S. national security controls in advance of the outcome of the COCOM deliberations." ~~(S)~~

In the Fall of 1984 the NSC requested studies from the CIA on Soviet energy strategy and the role of Western technology. The studies were completed and delivered to the NSC in early December 1984, and then distributed to Commerce, Defense, State and Treasury in early April 1985. ~~(S)~~

Attachment 5

FOREIGN POLICY OIL AND GAS LICENSING REQUIREMENTS

U.S. Foreign Policy controls on oil and gas equipment impose a requirement for validated export licenses for U.S. exporters who make sales of oil/gas equipment to the USSR. Categories which are controlled are

1. Machining for manufacturing exploration and production equipment.

2. Equipment for exploration and production.

3. Pipeline-related equipment.

4. Geophysical and mineral prospecting instruments.

5. Drilling muds.

Specific items include:

1. Off-shore floating or bottom-supported drilling and producing structures.

2. Rotary type well drilling rigs and devices.

3. Well drilling machines, including 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.

6. Wireline and downhole equipment, including collars, stabilizers, mandrels, packers, multi-completion equipment, gun perforators, and telemetry equipment.

7. Prospecting instruments, including magnetic, gravimetric, seismic, bore-hole logging, and high resolution remote sensing equipment.

8. Drilling fluids, muds, lost circulation materials and polymers, and surfactants and other detergents.

Major foreign producers of oil and gas equipment include the USSR, COCOM, Australia, Sweden, Hungary, Mexico, Brazil, Argentina, Austria, Singapore, Finland, Switzerland, Romania, Taiwan, India, Israel, South Africa, Poland, North Korea, Venezuela, and Ireland. Many of the items are based on COCOM technology and individual non-COCOM countries provide individual components but not complete systems in most cases. All of the above countries can sell the listed equipment to the USSR without any licensing requirements except for COCOM-controlled items (such as some magnetometers, gravimeters, hydrophones, and sonar systems) from COCOM countries. Most items controlled by the United States for Foreign Policy reasons are available in comparable quality and quantity from other COCOM countries.

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Attachment 7

EXAMPLES OF U.S. LOSS OF TECHNOLOGY LEAD

A U.K. firm has begun to market a submersible pump, which will represent a significant advance over American pumps if it proves out in commercial operation. Up to this time only American firms have produced reliable, high volume submersible pumps. ~~(U)~~

Joint ventures have the potential of transferring technology over a wide range of transfer mechanisms between that limited to a single phase of plant's operation and that which encompasses the total scope of the plant. In this respect, joint ventures reflect a high level of technology transfer efficiency, depending on the scope involved. In the area of oil and gas exploration and production, joint ventures involving a single phase such as off-shore drilling rigs, operations could involve a technology transfer relative to the maintenance, repair and operation of the rigs. At present, a presumption of denial applies to such transfers. Consequently, U.S. exporters are effectively prohibited from participating in a joint venture which requires even a minimum level of low level technology transfer, even though U.S. export controls do not prohibit joint venture specifically. Non-U.S. suppliers, including COCOM members are filling this void. (C)

French, Japanese and other firms as well as their governments are eager to gain experience in applying equipment in Soviet arctic areas, an area of expertise in which U.S., and to a lesser extent Canadian, firms have had a virtual monopoly. Now the U.S. Embassy in Moscow reports that Canadian firms are competing aggressively in the Soviet oil and gas equipment market, in some cases claiming to deliver technology comparable to U.S. technology. ~~(C)~~

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OPTIONS FOR MODIFICATION OF U.S. UNILATERAL CONTROL OF OIL & GAS EQUIPMENT/TECHNOLOGY FOR EXPORT TO U.S.S.R.

PROs and CONs

OPTION 1. Status Quo. Retains current U.S. unilateral oil and gas export controls. Under these controls, most oil and gas equipment (i.e., magnetometers, underwater acoustic systems, drill rigs, drilling fluids, and deep submersible pumps) require validated licenses which are reviewed with a presumption of approval (transmission and refining equipment do not require a validated license, due not only to widespread foreign availability, as with above items, but also considerable Soviet indigenous capabilities).

These unilateral controls also require validated licenses for all exploration and production related technical data which are reviewed with a presumption of denial. For example, while a U.S. exporter is permitted to export a drilling rig to the USSR, the technical data pertaining to on-site training and technical assistance required to operate the rig is not exportable.

Pro

- Demonstrates U.S. continuing concerns with the energy security of Western Europe as reflected in NSDD-66.

Con

- Will not enable the USG to meet the objectives outlined in NSDD-66 since:
    - Continues to have no impact on Soviet ability to produce natural gas for sale to Western Europe. As the CIA studies note, Soviet production of natural gas is independent of U.S. or COCOM controls.
    - Continues to have no impact on changing the Western European view that increased gas supplies from the Soviet Union are not an energy security risk, unlike their current dependence on OPEC.
- Continues to ignore the widespread foreign availability of oil and gas exploration and production equipment, particularly among COCOM countries.

OPTIONS FOR MODIFICATION OF
U.S. UNILATERAL CONTROL OF
OIL & GAS EQUIPMENT/TECHNOLOGY
FOR EXPORT TO U.S.S.R.

- o Continues European focus on U.S. export controls as an irritant in our overall relations.
- o Reenforces claims, not only by the Soviet Union but also by the rest of the world, that U.S. suppliers are unreliable.
- o Continues to disqualify U.S. oil and gas equipment suppliers from the Soviet market while that market continues to be legally supplied by COCOM countries.

OPTION 2. Removes the licensing requirement for U.S. foreign policy controlled oil and gas equipment. Unilaterally controlled equipment such as magnetometers, underwater acoustic systems, drill rigs, drilling fluids, deep submersible pumps, metal cutting/forming machines and assembly machines would now be General License, i.e., no validated license required.

Multilateral and unilateral national security controls on oil and gas equipment and technology would be maintained. All technical data related to exploration, production and specially designed industrial equipment, both COCOM controlled and U.S. unilaterally controlled, would continue to be denied.

Pro

- o Eliminates a major portion of U.S. unilateral oil and gas export controls, and in the equipment area puts U.S. suppliers on a par with COCOM suppliers.
- o Eliminates the requirement for a validated license for oil and gas equipment currently unilaterally controlled by the U.S.
- o Assists in establishing a favorable atmosphere for improvements in U.S.-Soviet Union relations.
- o Makes U.S. export controls on most oil and gas equipment consistent with COCOM controls.
- o Diminishes some of the advantage COCOM suppliers currently enjoy over U.S. suppliers.

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OPTIONS FOR MODIFICATION OF
U.S. UNILATERAL CONTROL OF
OIL & GAS EQUIPMENT/TECHNOLOGY
FOR EXPORT TO U.S.S.R.

- Relieves U.S. industry of administrative burden associated with validated license requirement for equipment.

Con

- Primarily a cosmetic action because U.S. unilateral foreign policy licensing controls on most oil and gas equipment currently have a presumption for approval.

- Unilateral technical data controls are retained which continue to disqualify U.S. industry from participation in joint ventures because the controls preclude on-site training and technical assistance for the operation of the equipment which lead to equipment sales. (These technology controls are not applied by COCOM countries.)

- Continues image of U.S. suppliers as unreliable suppliers.

- Unlikely to lead to any substantial increase in U.S. equipment sales to Soviet Union.

OPTION 3. Remove all U.S. foreign policy controls on oil and gas equipment and technical data, and allow for a presumption of approval for exploration, production and specially-designed industrial equipment technical data not controlled by COCOM. All other controls remain in place.

Pro

- Puts U.S. companies on the same level as pre-Carter Administration oil and gas export controls..

- Makes U.S. export controls on most oil and gas equipment consistent with COCOM controls.

- Reduces principal obstacle (technical data controls) to U.S. industry's participation in joint ventures projects in Soviet oil and gas area by allowing U.S. companies to provide on-site training and technical assistance.

- Assists in establishing a favorable atmosphere for improvements in U.S.-Soviet Union relations.

o Relieves U.S. industry of administrative burden associated with validated license requirement for equipment.

o Minimizes advantage COCOM suppliers currently enjoy over U.S. suppliers.

o Reduces U.S. unilateral oil and gas export controls as an irritant with our Allies.

o Enhances U.S. industry's technological lead, reliability and competitiveness in world market.

o Achieves near parity with COCOM suppliers.

Con

o U.S. industry still handicapped by an administrative burden associated with the validated license requirement for non-strategic oil and gas technical data (even with the presumption of approval) that COCOM suppliers do not have.

o Removes Carter Administration oil and gas controls imposed in response to the human rights issue stemming from the Shcharansky and Ginsburg trials and the Soviet invasion of Afghanistan.