

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Matlock, Jack F.: Files
Folder Title: Pipeline – USSR (5)
Box: 31

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name MATLOCK, JACK: FILES

Withdrawer

JET 5/18/2005

File Folder USSR-PIPELINE 5/6

FOIA

F06-114/9

Box Number 31

YARHI-MILO

3101

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
10758	CABLE	181112Z MAR 82 R 3/24/2011 F2006-114/9	12	3/18/1982	B1
10759	CABLE	INTER-AGENCY MISSION ON EAST-WEST ECONOMIC RELATIONS: DISCUSSION OF SIBERIAN GAS PIPELINE R 3/24/2011 F2006-114/9	3	3/22/1982	B1
10765	CABLE	151255Z JUN 82 D 9/25/2012 F2006-114/9	1	6/15/1982	B1 B3
10752	MEMO	MARTIN TO BUCKLEY RE SAKHALIN AND WEST EUROPEAN SOVIET PIPELINE R 9/25/2012 F2006-114/9	1 6	1/16/1982	B1
10753	PAPER	TECHNICAL REVIEW OF SAKHALIN PROJECT AND SIBERIAN GAS PIPELINE PROJECT R 9/25/2012 F2006-114/9	4	7/16/1982	B1
10760	CABLE	240214Z JUN 82 R 3/24/2011 F2006-114/9	2	6/24/1982	B1
10761	PAPER	SIBERIA-TO-WESTERN EUROPE GAS PIPELINE: THE PRESSURE INTENSIFIES	1	6/26/1982	B1
10754	MEMO	BAILEY/PIPES/ROBINSON TO CLARK RE PYM RECENT VISIT TO WASHINGTON D 1/24/2008 NLRRF06-114/9	1	8/4/1982	B1 B3

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name MATLOCK, JACK: FILES

Withdrawer

JET 5/18/2005

File Folder USSR-PIPELINE 5/6

FOIA

F06-114/9

Box Number 31

YARHI-MILO

3101

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
10755	CABLE	041255Z AUG 82 D 1/24/2008 NLRRF06-114/9	2	8/4/1982	B1 B3
10756	CABLE	171429Z SEP 82 D 1/24/2008 NLRRF06-114/9	1	9/17/1982	B1 B3
10757	MEMO	PIPES TO CLARK RE CDU STATEMENT ON SOVIET SANCTIONS R 3/24/2011 F2006-114/9	1	9/21/1982	B1
10762	CABLE	251312Z SEP 82 R 3/24/2011 F2006-114/9	4	9/25/1982	B1
10763	CABLE	011524Z OCT 82 R 3/24/2011 F2006-114/9	2	10/1/1982	B1
10764	CABLE	071530Z OCT 82 R 3/24/2011 F2006-114/9	4	10/7/1982	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.

PIPELINE

10758

~~SECRET~~

DECLASSIFIED

NLRREF06-11419 #10768

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

BY KML NARA DATE 4/7/2011

PAGE 01 OF 02 ROME 6645 DTG: 181112Z MAR 82 PSN: 001989
EOB665 AN009463 TOR: 077/1508Z CSN: HCE560

DISTRIBUTION: ISEC-01 MYER-00 PIPE-00 RENT-00 RUSS-00 STER-00
ECON-00 /001 A2

WHTS ASSIGNED DISTRIBUTION: 7
SIT: CKLS
EOB:

OP IMMED
UTS7624
DE RUEHRO #6645/01 0771129
O 181112Z MAR 82
FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4820

INFO AMEMBASSY BONN 3882
AMEMBASSY BRUSSELS 4776
AMEMBASSY LONDON 6391
AMEMBASSY PARIS 2193
USMISSION USNATO 7433

~~SECRET~~ SECTION 01 OF 06 ROME 06645

EXDIS
ALSO FOR USEC
E. O. 12065: RDS-1, 3/18/92 (BUCKLEY, JAMES L.)
TAGS: EFIN, EEWT, UR
SUBJECT: INTER-AGENCY MISSION ON EAST-WEST ECONOMIC
- RELATIONS: REPORT ON TALKS IN PARIS

1. ~~SECRET~~ ENTIRE TEXT.)

2. SUMMARY:
FOCUS OF MISSION'S TALKS IN PARIS WAS THREE-HOUR-SESSION WITH FRENCH INTER-AGENCY TEAM HEADED BY QUAI ECONOMIC DIRECTOR PAYE INCLUDING MOUTON, ALSO FROM THE QUAI, SCHNEITER OF DREE AND TRICHET OF THE TREASURY. PRIOR TO THAT MEETING, SENIOR MEMBERS OF MISSION AND AMBASSADOR GALBRAITH MET WITH FOREIGN MINISTER CHEYSSON WHO WAS GENERALLY POSITIVE BUT NON-COMMITTAL TOWARD THE MISSION'S OBJECTIVES. FOLLOWING LUNCH AT QUAI, MEMBERS OF MISSION MET SEPARATELY WITH FINANCE, DEFENSE AND ELYSEE OFFICIALS AS WELL AS WITH OECD SEC-GEN VAN LENNEP. OVERALL IMPRESSION OF TALKS WITH FRENCH IS THAT WHILE GOF SHARES MANY OF OUR BASIC CONCERNS AND WOULD LIKE TO WORK WITH US IN CREDITS AREA, THIS WILL HAVE TO BE DONE WITHOUT PREJUDICE TO FRENCH ECONOMIC INTERESTS. POLITICAL INCENTIVE FOR MAINTAINING CLOSE ECONOMIC RELATIONSHIP WITH USSR SEEMS LESS PRONOUNCED IN PARIS THAN MISSION FOUND TO BE THE CASE IN BONN. THIS BEING SAID, HOWEVER, MOVING FROM GOOD FRENCH INTENTIONS TO CONCRETE UNDERTAKING WILL BE VERY DIFFICULT.
END SUMMARY.

3. UNDER SECRETARY BUCKLEY OPENED MEETING WITH OUTLINE OF U. S. OBJECTIVES, NOTING: THE PRESIDENT'S UNDERSTANDING OF EUROPEAN CONCERNS OVER DECEMBER 29 MEASURES AND HIS DECISION TO HOLD FURTHER MOVES PENDING MISSION'S VISIT; FAILURE OF "DETENTE POLICY" TO PRODUCE HOPED-FOR IMPACT ON SOVIET UNION; DISAPPOINTED HOPES FROM CSCE, MOST DRAMATICALLY REVEALED LAST FRIDAY IN MADRID; NEED TO FOCUS ON STRATEGIC ROLE OF CREDITS IN FACE OF SOVIET BUILD-UP; THREAT TO WESTERN FINANCIAL STABILITY OF SOVIET/EASTERN EUROPEAN DEBT; AND NEED FOR COMMON ALLIED APPROACH. BUCKLEY SAID WE WERE AWARE OF COMPETITIVE

~~SECRET~~

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 ROME 6645

DTG: 181112Z MAR 82 PSN: 001989

EXDIS
PRESSURES BUT BELIEVED THAT IF WE COULD AGREE ON BASIC OBJECTIVE WE COULD FIND WAYS TO DEAL WITH THIS PROBLEM. HE NOTED THAT WE HAD ALREADY APPROACHED JAPANESE, WHO, TOGETHER WITH FOUR COUNTRIES ON MISSION'S EUROPEAN ITINERARY WERE RESPONSIBLE FOR 90 PERCENT OF CREDITS EXTENDED TO USSR. HE ASKED WHETHER FRENCH COULD:

- A. AGREE ON NECESSITY OF DEVELOPING COMMON APPROACH ON OFFICIAL CREDITS AND GUARANTEES TO SOVIET UNION;
- B. AGREE TO GIVE MUCH MORE INFORMATION TO OTHER PARTICIPATING COUNTRIES ON THEIR CREDIT OPERATIONS WITH SOVIET UNION;
- C. JOIN IN A "PAUSE" ON FURTHER EXTENSIONS OF CREDITS/ GUARANTEES TILL KEY ALLIES AGREE ON ESTABLISHMENT OF A MECHANISM FOR FURTHER POLICY COORDINATION.

EXDIS
4. UNDER SECRETARY IKLE STRESSED STRATEGIC IMPLICATIONS OF CREDITS ISSUE, POINTING TO THREAT WHICH GROWTH OF SOVIET MILITARY POTENTIAL POSED TO ALLIES. FRENCH AND U. S., HE SAID, ARE ENGAGING IN MAJOR BUILD-UP OF THEIR FORCES. HOWEVER, THIS EFFORT TO CLOSE GAP WOULD BE IN VAIN IF WE CONTINUE TO ASSIST, THROUGH CREDITS AND GUARANTEES, CONTINUING SOVIET BUILD-UP. HE ACKNOWLEDGED THAT OUR IMPACT ON SOVIET ECONOMY WOULD ALWAYS BE MARGINAL BUT ARGUED THAT ANY GAIN WOULD BE WORTH THE EFFORT. HE ALSO STRESSED NEED TO AVOID "REVERSE LEVERAGE" SITUATION IN WHICH SOVIETS USE WESTERN CREDIT EXPOSURE TO THEIR ADVANTAGE. UNDER SECRETARY OLMER CALLED ATTENTION TO SELF-IMPOSED RESTRAINTS ON ACTIVITIES OF U. S. BUSINESS IN SOVIET UNION GOING BACK TO 1974. RECENT U. S. LOSSES IN SALES, HE SAID, AMOUNTED TO ABOUT \$500 MILLION.

EXDIS
5. ASSISTANT SECRETARY LELAND ALSO NOTED DANGER OF "REVERSE LEVERAGE" SITUATION. HE SUGGESTED THAT GENERAL ISSUE OF EXPORT CREDIT SUBSIDIES, WHICH WAS BEING DISCUSSED ELSEWHERE, CONTINUE TO BE HANDLED SEPARATELY.

EXDIS
HE CHARACTERIZED CREDITS ISSUE AS OF STRATEGIC NATURE AND THEREFORE NOT SUITABLE FOR OECD DISCUSSION AND NOT, STRICTLY SPEAKING, ISSUE FOR EC COMPETENCE. LELAND SAID
BT

~~SECRET~~

SECRET

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02
EOB667

ROME 6645
AN009465

DTG: 181112Z MAR 82
TOR: 077/1510Z

PSN: 001990
CSN: HCE561

DISTRIBUTION: ISEC-01 /001 A2

WHTS ASSIGNED DISTRIBUTION:
SIT: MCF
EOB:

OP IMMED
UTS7629
DE RUEHRO #6645/02 0771130
O 181112Z MAR 82
FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4821

INFO AMEMBASSY BONN 3883
AMEMBASSY BRUSSELS 4777
AMEMBASSY LONDON 6392
AMEMBASSY PARIS 2194
USMISSION USNATO 7434

~~SECRET~~ SECTION 02 OF 06 ROME 06645

EXDIS

ALSO FOR USEC

U. S. UNDERSTOOD NEED FOR EQUITY IN ANY RESULTING SYSTEM AND ADDED THAT NO COUNTRY COULD BE EXPECTED TO SUFFER DISPROPORTIONATELY. COMPETITIVE PRESSURES COULD BE HANDLED, HE SAID, ALTHOUGH HE ADMITTED THIS WOULD BE DIFFICULT. UNDER SECRETARY BUCKLEY MENTIONED THERE WERE THREE OTHER SUBJECTS WHICH MISSION WISHED TO DISCUSS BRIEFLY, NAMELY:

- 1. DEFAULT SAFETY NET;
- 2. HOW POSSIBLE DEPENDENCY OF WESTERN EUROPE ON SOVIET ENERGY COULD BE AVOIDED; AND
- 3. RESTRICTIONS ON IMPORTS FROM SOVIET UNION.

DR. BAILEY OUTLINED POSSIBLE SCHEDULE FOR FOLLOW UP CONSULTATIONS ON CREDITS ISSUE LEADING THROUGH FURTHER BILATERAL MEETINGS TO A MULTILATERALIZATION AND AGREEMENT ON ESTABLISHMENT OF A COCOM-TYPE MECHANISM.

6. OPENING FOR THE FRENCH SIDE, PAYE SAID FRANCE SHARED U. S. PREOCCUPATIONS REGARDING ECONOMIC RELATIONS WITH USSR, WHICH HE LISTED AS: A) TECHNOLOGY TRANSFER, WHERE HE EXPRESSED SATISFACTION WITH STEPS TAKEN TO STRENGTHEN COCOM; AND B) FINANCIAL PROBLEMS, WHERE FRENCH WERE AWARE OF HAZARDS OF GIVING MORE CREDITS TO SOVIETS AND EASTERN EUROPEAN COUNTRIES WHEN THEY WERE RUNNING INTO DEEP TROUBLE. FRENCH HAVE BEEN TRYING FOR 2/3 YEARS TO REDUCE EXPOSURE IN EAST; FOR LAST 18 MONTHS, FRENCH HAVE HAD "TENSE" DISCUSSIONS WITH SOVIETS OVER CREDIT ISSUE AND INTEND TO CONTINUE TO TIGHTEN TERMS. FRENCH ARE READY, HE SAID, TO EXCHANGE INFORMATION ON THE DEBT PROBLEM AND CONTINUE WORK IN OECD. ON POLITICAL FRONT, FRENCH SHARE OUR DISAPPOINTMENT WITH RECENT TRENDS, BUT BELIEVE CONTINUATION OF DIALOGUE NONETHELESS ESSENTIAL. FRENCH WANT TO MAKE TRADE MUTUALLY BENEFICIAL, BUT MODIFICATIONS TO THAT END SHOULD BE MADE GRADUALLY. TOUGHER CONDITIONS FOR CREDITS ARE DESIRABLE, HE SAID, BUT WE SHOULD BE AWARE THAT THIS WILL NOT CHANGE SOVIETS, AND FRENCH FEEL "DESTRUCTION OF TRADE PATTERNS" WITH EAST WOULD ONLY HELP SOVIETS INCREASE CONTROL OVER EASTERN EUROPE.

7. PAYE SAID FRENCH WERE PLEASED THAT U. S. WAS NO LONGER FOLLOWING SANCTIONS APPROACH BUT WAS SEEKING TO DEVELOP LONG-TERM POLICY TOWARD USSR, AS FRENCH HAD LONG

SECRET

EXDIS

EXDIS

EXDIS

EXDIS

3

4

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 ROME 6645

DTG: 181112Z MAR 82 PSN: 001990

SOUGHT. HE WARNED AGAINST SEEKING TOO RAPID CHANGE AND GIVING SOME COUNTRIES IMPRESSION THAT BURDEN WAS NOT EQUALLY SHARED. PAYE SAID FRENCH COULD AGREE TO COMMON CONSIDERATION OF JOINT APPROACH AND TO MODIFICATION OF PATTERN OF TRADE AND CREDITS, AS LONG AS THIS DIDN'T MOVE TOO FAST OR CREATE CONTENTION AMONG ALLIES.

8. SCHNEITER (DREE) NOTED IMPORTANCE OF CAPITAL GOODS/ COMPLETE PLANTS IN FRENCH EXPORTS TO USSR, ALTHOUGH FRENCH SIDE INDICATED THAT IN THEIR 1981 EXPORTS OF 10 BILLION FRANCS, THESE ITEMS ACCOUNTED FOR ONLY 18 PERCENT OF THE TOTAL (85 PERCENT OF WHICH OR 15 PERCENT) WAS COVERED BY MEDIUM- AND LONG-TERM CREDITS. THIS LOW SHARE WAS DUE TO SMALL NUMBER OF CONTRACTS CONCLUDED IN 1977-79. IN 1982, SHARE OF CAPITAL GOODS SHOULD RETURN TO "NORMAL" 30-35 PERCENT RANGE AS MORE RECENT CONTRACTS BEGIN TO SHOW UP IN STATISTICS. DISCUSSING FRANCE'S LARGE AND GROWING TRADE DEFICIT WITH USSR, SCHNEITER SAID FRENCH WERE NOT INCLINED TO SEEK BILATERAL BALANCE SINCE OIL AND GAS ACCOUNTED FOR 85 PERCENT OF SOVIET EXPORTS, AND REDUCTION OF THESE PURCHASES WOULD WORK AGAINST FRENCH GOAL OF MAXIMUM DIVERSIFICATION. TURNING TO CREDIT POLICY, SCHNEITER CLAIMED THAT GOVERNMENT ROLE IN CREDIT SYSTEM IS "ONE OF CLAREST IN WEST" BECAUSE SUBSIDIES ARE GIVEN ON VERY CLEAR AND REGULAR BASIS. IN CASE OF USSR, SCHNEITER STRESSED THAT FRENCH HAD TERMINATED, AS OF SEPTEMBER 30, 1981, SPECIAL ARRANGEMENT ON INTEREST RATES. FRENCH CREDITS WERE NOW EXTENDED ONLY ON BASIS OF OECD CONSENSUS, AS OPPOSED TO PREVIOUS RATES OF 7.45

00

BT

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

5

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02 ROME 6645
EOB670 AN009468

DTG: 181112Z MAR 82 PSN: 001994
TOR: 077/1512Z CSN: HCE562

DISTRIBUTION: ISEC-01 /001 A2

WHTS ASSIGNED DISTRIBUTION:
SIT: MCF
EOB:

OP IMMED
UTS7630
DE RUEHRO #6645/03 0771132
O 181112Z MAR 82
FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4822

INFO AMEMBASSY BONN 3884
AMEMBASSY BRUSSELS 4778
AMEMBASSY LONDON 6393
AMEMBASSY PARIS 2195
USMISSION USNATO 7435

~~SECRET~~ SECTION 03 OF 06 ROME 06645

EXDIS
ALSO FOR USEC
PERCENT (2-5 YEARS) AND 7.84 PERCENT (5-8 YEARS). SOVIETS
WERE SEEKING DISCUSSIONS ON NEW INTEREST RATE ARRANGEMENT,
IN WHICH THEY WOULD ASK FOR LONG-TERM COMMITMENT TO GO NO
HIGHER THAN CURRENT OECD CONSENSUS, BUT FRENCH WOULD
REFUSE THIS DEMAND. SCHNEITER OBSERVED THAT FRENCH HAVE
CALCULATED THAT TOTAL COST TO ALL WESTERN COUNTRIES OF
INTEREST RATE SUBSIDIES TO SOVIETS AMOUNTS TO ABOUT \$400
PER YEAR, WITH FRENCH SHARE OF ABOUT \$200 MILLION.
LELAND ASKED WHAT PERCENT OF TOTAL FRENCH EXPORTS TO
USSR WAS COVERED IN ONE WAY OR ANOTHER BY OFFICIAL CREDITS
OR GUARANTEES. SCHNEITER SAID THIS WAS LESS THAN 64 PER-
CENT.

9. CLARIFYING SCHNEITER'S PRESENTATION, PAYE NOTED THAT
WHILE FRENCH WERE NO LONGER COMMITTED TO GIVE SOVIETS
ANY PARTICULAR INTEREST RATE, THEY WERE COMMITTED, UNDER
FIVE-YEAR AGREEMENT WHICH EXPIRES IN 1985, TO GIVE
CREDITS AND GUARANTEES. THE TERMS OF INDIVIDUAL CREDITS,
I. E. RATES AND MATURITIES, DEPENDED UPON SIZE AND NATURE
OF CONTRACT. ASKED WHETHER IRON/STEEL PRODUCTS COVERED
BY OFFICIAL CREDITS, PAYE SAID SOVIETS HAD DEMANDED THIS
BUT FRENCH HAD REFUSED. IKLE SUGGESTED THAT FRENCH
COMMITMENT TO SOVIETS WOULD NOT SEEM TO RULE OUT ARRANGE-
MENT WE HAVE IN MIND, BUT PAYE REPEATED THAT FRENCH
REGARD THEMSELVES COMMITTED TO GIVE CREDITS. MOUTON
RECALLED THAT LOWER RATES CHARGED THROUGH SEPTEMBER 30,
1981 HAD BEEN ESTABLISHED IN AN ANNEX TO THE FIVE-YEAR
PROTOCOL WHICH HAD A STATED LIFE OF 18 MONTHS. LELAND
ASKED WHY FRENCH COULD NOT NOW CHARGE SOVIETS RATES
HIGHER THAN THOSE IN OECD CONSENSUS, SINCE THEY WERE
CLEARLY LOSING MONEY ON BUSINESS. PAYE NOTED THAT
"EVERYONE IS LOSING MONEY."

10. ON SHORT-TERM CREDITS, FRENCH INDICATED THEY CHARGED
ANY RATE THE MARKET WOULD BEAR. MOUTON SAID ALMOST ALL
OF THE 1981 EXPORTS NOT IN CAPITAL GOODS CATEGORY (I. E.
ABOUT 82 PERCENT OF TOTAL) WAS COVERED BY SHORT-TERM
CREDITS AT MARKET RATES. THE SUBSIDY ELEMENT, HE SAID,
APPLIED ONLY TO MEDIUM/LONG TERM CREDITS FOR CAPITAL
GOODS.

~~SECRET~~

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 ROME 6645

DTG: 181112Z MAR 82 PSN: 001994

11. TRICHET NOTED THAT FRENCH HAVE CALCULATED THAT \$8 BILLION IN EXPORT CREDITS EXTENDED TO USSR ANNUALLY INVOLVES SUBSIDY TO SOVIETS OF \$400 MILLION, A SUM WHICH HE DESCRIBED AS SUBSTANTIAL BUT NOT OF THE MAGNITUDE TO HAVE A GREAT IMPACT ON THE USSR. HE ALSO MADE POINT THAT FRENCH REGARD CREDITS/GUARANTEES VERY IMPORTANT TO THEIR TRADE WITH USSR, RAISING POSSIBILITY OF SOVIET "RETALIATION" IF FRENCH TOOK STEPS AGAINST SOVIET ECONOMIC INTERESTS. TRICHET ADDED THAT FRENCH BANKS CONTINUE TO REGARD USSR, AS OPPOSED TO EASTERN EUROPE, AS GOOD RISK; LELAND REJECTED THIS ASSERTION, POINTING OUT THAT NEITHER FRENCH NOR U. S. BANKS WOULD LOAN MONEY TO SOVIETS BEYOND VERY SHORT TERMS WITHOUT GUARANTEES. TRICHET OBJECTED THAT AT LEAST HALF OF FRG'S EXPORTS TO USSR WERE COVERED BY NON-GUARANTEED CREDITS, TO WHICH LELAND POINTED OUT THAT THIS FIGURE WAS FALLING FAST AS HERMES GUARANTEES WERE BEING USED MORE AND MORE. LELAND ALSO OBSERVED THAT SINCE MARCH 1981, SOVIETS HAD BEEN UNABLE TO RAISE MONEY IN EUROCURRENCY MARKETS, AND BAILEY NOTED THAT SOVIETS WERE EVEN SEEKING LOANS FOR DOWN PAYMENTS (SUCCESSFULLY IN CASE OF FRANCE).

12. FRENCH THEN TURNED TO QUESTION OF U. S. GRAIN SALES, WHICH THEY SAID WAS VERY IMPORTANT IN TERMS OF BURDEN SHARING. PAYE SUGGESTED THAT SOVIETS HAD ACHIEVED SOME "REVERSE LEVERAGE" IN CASE OF U. S. GRAIN SALES. LELAND ACKNOWLEDGED THAT THERE WERE STRONG FORCES IN U. S. WHICH OPPOSED ANY EMBARGO, BUT POINTED OUT THAT REAL QUESTION WAS EFFECTIVENESS OF ANY U. S. ACTION IN ABSENCE COOPERATION OF CANADA AND ARGENTINA, WHICH CUT SUBSTANTIALLY INTO U. S. SHARE OF SOVIET MARKET DURING LAST EMBARGO. BUCKLEY POINTED OUT THAT IF SOVIET HARD CURRENCY AVAILABILITY SHRINKS DUE TO CREDIT RESTRICTIONS, THEY WILL PROBABLY CUT BACK ON PURCHASES OF U. S. GRAIN. OLMER

NOTED LIMITED IMPACT OF PARTIAL EMBARGO AND CALLED ATTENTION TO U. S. SACRIFICE OF LARGE VOLUME OF CAPITAL GOODS SALES TO USSR. RETURNING TO DANGER OF SOVIET
BT

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02
EOB671

ROME 6645
AN009469

DTG: 181112Z MAR 82
TOR: 077/1514Z

PSN: 001997
CSN: HCE563

DISTRIBUTION: ISEC-01 /001 A2
WHSR COMMENT: WPC MCF WHLR JP VP EOB SIT

WHTS ASSIGNED DISTRIBUTION:
SIT: MCF
EOB:

OP IMMED
UTS7632
DE RUEHRO #6645/04 0771133
O 181112Z MAR 82
FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4823

INFO AMEMBASSY BONN 3885
AMEMBASSY BRUSSELS 4779
AMEMBASSY LONDON 6394
AMEMBASSY PARIS 2196
USMISSION USNATO 7436

~~SECRET~~ SECTION 04 OF 06 ROME 06645

EXDIS
ALSO FOR USEC
COUNTERMEASURES, TRICHET SUGGESTED THAT CUT OFF IN WESTERN CREDITS WOULD CAUSE SOVIETS TO DECLARE MORATORIUM ON SERVICING OF EXISTING DEBTS. LELAND SAID THIS WAS CLASSIC CASE OF REVERSE LEVERAGE IN ACTION, AND SAID SMART THING WOULD BE TO CUT OFF FURTHER CREDITS BEFORE THE WEST FALLS EVEN DEEPER INTO THIS DANGER. EVEN PAYE SUGGESTED THAT TRICHET'S COMMENTS INDICATED THAT SOVIETS HAD SUBSTANTIAL LEVERAGE OVER FRANCE, BUT TRICHET CLAIMED THAT LEVERAGE IN FACT WAS OVER COMMERCIAL BANKS.

13. LELAND, IKLE AND BAILEY URGED GREATER INFORMATION SHARING ON STATUS OF LENDING TO THE EAST IN INTEREST OF MORE EFFECTIVE WESTERN COOPERATION AND CONTINGENCY PLANNING. FRENCH AGREED GREATER TRANSPARENCY WAS NEEDED BUT QUESTIONED WHETHER ANY SPECIAL GROUP WAS REQUIRED TO CARRY THIS OUT. OECD WOULD BE FINE, THEY SAID. LELAND SAID OECD WAS FINE FOR SHARING OF INFORMATION ON CREDITS; WHAT WE HAD IN MIND WAS INFORMAL GROUP WHICH WOULD NOT ONLY SHARE INFORMATION BUT CONSIDER AND AGREE ON HOW TO ACT.

14. PAYE ASKED HOW U. S. PROPOSED TO PROCEED AFTER FIRST ROUND OF BILATERAL CONSULTATIONS. BUCKLEY SAID WE HAD NO FIXED IDEAS BUT WERE THINKING IN TERMS OF INTENSIVE BILATERAL FOLLOW-UP, ASSUMING FIRST ROUND DEVELOPS CONSENSUS IN SUPPORT OF OUR BASIC STRATEGIC ANALYSIS, WITH MULTILATERAL MEETING AT END OF APRIL OR FIRST OF MAY. PAYE DISPLAYED CONTINUING SKEPTICISM REGARDING NEED FOR ANY NEW GROUP, SUGGESTING THAT EXISTING BODIES COULD BE USED. HE ALSO RAISED QUESTION OF EC COMPETENCE, TO WHICH LELAND POINTED OUT THAT WE ARE RAISING A SECURITY, NOT A TRADE, ISSUE; AS CONSEQUENCE, EC WOULD NOT BE DIRECTLY INVOLVED, ALTHOUGH MISSION PLANNED TO CONSULT WITH COMMISSION. PAYE ASKED WHETHER WE WERE THINKING IN TERMS OF "CREDIT COCOM." BAILEY SAID WE BELIEVE THE MORE INFORMAL A STRUCTURE SELECTED, THE BETTER. THIS WAS WHY PARALLEL WITH COCOM HAD BEEN MENTIONED.

15. TURNING TO THE U. S. PROPOSAL FOR A PAUSE IN APPROVAL OF NEW CREDITS, PAYE SAID HE DID NOT SEE HOW FRENCH COULD SQUARE THIS WITH COMMITMENTS OF THEIR FIVE-YEAR AGREEMENT

~~SECRET~~

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 ROME 6645

DTG: 181112Z MAR 82 PSN: 001997

WITH SOVIETS. BUCKLEY ASKED WHETHER CREDITS AND GUARANTEES WERE BEING GIVEN FOR NON-CAPITAL GOODS EXPORTS. COULD THIS BE AN AREA OF FLEXIBILITY, HE ASKED? PAYE AND SCHNEITER ACKNOWLEDGED THAT SHORT-TERM CREDITS WERE NOT UNDER THEIR FIVE-YEAR AGREEMENT WITH SOVIETS; HOWEVER, BOTH ARGUED THAT STOPPING CREDITS AND GUARANTEES FOR THESE ITEMS WOULD KILL THE TRADE, WHICH IS PARTICULARLY ATTRACTIVE SINCE NO SUBSIDIES ARE INVOLVED. IN ADDITION, A PAUSE IN THIS AREA WOULD BE PARTICULARLY DIFFICULT, THEY SAID, WITHOUT PARTICIPATION OF OTHER "EUROPEAN PARTNERS." PAYE ALSO RAISED POSSIBILITY THAT GOF MIGHT BE "OBLIGED" TO GRANT THESE CREDITS UNDER SOME BILATERAL "STATEMENT" WITH SOVIETS OF WHICH HE WAS UNAWARE; HE UNDERTOOK TO CHECK ON THIS POINT. FINALLY, HE NOTED THAT THERE MIGHT BE SOME REGULATION UNDER WHICH FRENCH EXPORTER WOULD HAVE LEGAL "RIGHT" TO CREDITS; FRENCH HAD NOT, HE SAID, PREVIOUSLY DENIED CREDITS/GUARANTEES ON POLITICAL GROUNDS. ASKED WHETHER FRENCH WERE CONTINUING TO GRANT CREDITS/GUARANTEES TO ROMANIA, TRICHET BURST OUT THAT "ROMANIA HAS NOTHING," DOUBTLESS DISPLAYING TREASURY'S EXASPERATION WITH THAT COUNTRY'S FINANCIAL PRACTICES.

16. LELAND ASKED HOW FRENCH HANDLE HIGH-RISK SITUATIONS. SCHNEITER SAID FRENCH HAVE "RISK-MANAGEMENT" SYSTEM FOR POLITICAL RISKS. RATES FOR COVERAGE OF THESE RISKS ARE UNIFORM, WORLD-WIDE; COMMERCIAL RISKS, ON THE OTHER HAND, ARE REFLECTED IN VARIABLE RATES DEPENDING UPON THE BORROWER. MOUTON RETURNED TO QUESTION OF WHETHER FRENCH EXPORTER HAD "RIGHT" TO COFACE GUARANTEES, SUGGESTING THAT WHILE THIS IS NOT "AUTOMATIC," ONCE APPROVAL OF COFACE ITSELF IS SECURED, SUBSEQUENT TREASURY APPROVAL WAS "AUTOMATIC." TRICHET REMARKED THAT ANY HALT IN SHORT-TERM GUARANTEES WOULD BE A SHATTERING SIGNAL; THERE WOULD BE A TOTAL STOP IN LENDING. SUMMING UP ON PAUSE, PAYE REITERATED THAT GOF'S ONLY FLEXIBILITY OF MEDIUM- AND
BT

~~SECRET~~

EXDIS

EXDIS

EXDIS

EXDIS

9

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02
EOB672

ROME 6645
AN009470

DTG: 181112Z MAR 82
TOR: 077/1516Z

PSN: 001999
CSN: HCE564

DISTRIBUTION: ISEC-01 /001 A2
WHSR COMMENT: WPC MCF WHLR JP VP EOB SIT

WHTS ASSIGNED DISTRIBUTION:
SIT: MCF
EOB:

OP IMMED
UTS7633
DE RUEHRO #6645/05 0771134
O 181112Z MAR 82
FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4824

INFO AMEMBASSY BONN 3886
AMEMBASSY BRUSSELS 4780
AMEMBASSY LONDON 6395
AMEMBASSY PARIS 2197
USMISSION USNATO 7437

~~SECRET~~ SECTION 05 OF 06 ROME 06645

EXDIS

ALSO FOR USEC

LONG-TERM CREDITS IS IN AREA OF RATES; CREDITS THEMSELVES CANNOT BE REFUSED DUE TO FIVE-YEAR AGREEMENT WITH SOVIETS. LELAND ASKED HOW FRENCH HAD HANDLED THEIR CREDIT AGREEMENTS WITH ROMANIA AND POLAND WHEN FINANCIAL PROBLEMS OF THOSE COUNTRIES BECAME ACUTE. AFTER SOME DISCUSSION WITHIN FRENCH DELEGATION, WE WERE TOLD THAT AGREEMENT WITH USSR IS UNIQUE; ONLY SIMILAR AGREEMENT IS ONE WITH GDR, BUT FRENCH OBLIGATIONS IN THAT CASE WERE LESS SPECIFIC. PAYE SAID HE WOULD LOOK INTO STATUS OF SHORT-TERM CREDITS/GUARANTEES, WHERE HE THOUGHT THERE MIGHT BE MORE FLEXIBILITY, ALTHOUGH HE RAISED QUESTION AS TO WHETHER GOF WOULD WANT "THIS TRADE TO FALL VERY FAST." BUCKLEY SUGGESTED THAT SOVIETS WOULD PAY CASH, BUT PAYE REJOINED THAT ONLY A SMALL PERCENTAGE OF CURRENT DEALS WOULD GO THROUGH ON THIS BASIS. IN RESPONSE TO LELAND'S QUESTION AS TO WHO BEARS THE RISK, TRICHET SAID THAT, "PSYCHOLOGICALLY," THE RISK IS SHARED BETWEEN BANKS AND EXPORTERS, BUT HE ADDED THAT THE BANKS WOULD NOT LEND IF COFACE WERE OUT OF THE PICTURE.

17. PAYE TURNED TO QUESTION OF "SAFETY NET" IN EVENT OF EASTERN EUROPEAN DEFAULTS, AND ASKED WHAT U. S. HAD IN MIND. LELAND AND BAILEY EXPLAINED THAT ACTUAL MECHANISMS (BIS AND SWAP LINES) WERE IN PLACE. WE WERE THINKING OF BETTER INFORMATION EXCHANGE TO ANTICIPATE WHERE "NET" MIGHT BE NEEDED. LELAND SUGGESTED THAT "AUTOMATIC" SOVIET ACCESS TO FRENCH CREDIT WAS QUITE DANGEROUS, AND HE NOTED WIDESPREAD VIEWS IN THE UNITED STATES THAT ANY EFFORTS TO STAVE OFF POLISH OR ROMANIAN DEFAULTS CONSTITUTED INDIRECT ASSISTANCE TO SOVIETS. TRICHET NOTED REPORTS THAT U. S. WAS CONSIDERING PUSHING FOR POLISH DEFAULT, FEELING THAT ANY NEGATIVE SIDE EFFECTS COULD BE CONTAINED. LELAND NOTED PRESIDENT'S DECISION ON THIS ISSUE BUT SAID THAT THERE WAS A WIDE VARIETY OF VIEWS ON SUBJECT IN U. S. THERE WAS GENERAL AGREEMENT IN U. S., HOWEVER, THAT WEST HAD CREATED ENORMOUS PROBLEM FOR ITSELF WITH EXTENSION OF EASY CREDIT TO SOVIETS AND EASTERN EUROPEANS AND THAT FURTHER CREDIT TO SOVIETS IN PARTICULAR HAD TO BE CAREFULLY CONTROLLED. LELAND NOTED THAT IN HIS OWN CONGRESSIONAL TESTIMONY ON POLISH DEBT ISSUE, HE HAD CITED FACTS THAT CURRENT FLOW WAS FROM EAST

~~SECRET~~

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

NATIONAL SECURITY COUNCIL MESSAGE CENTER

PAGE 02 OF 02 ROME 6645

DTG: 181112Z MAR 82 PSN: 001999

TO WEST AND THAT PRACTICALLY NO NEW LENDING WAS GOING TO USSR AS REASONS FOR AVOIDING DEFAULT. BAILEY REFERRED TO GERMAN CLAIM THAT SOVIETS WERE BORROWING IN WEST AND PASSING FUNDS TO POLES FOR USE ON LATTER'S 1981 COMMERCIAL BANK INTEREST. QUAI SOVIET/EE DIRECTOR MASSET INDICATED THAT FRENCH ASSUMED THIS WAS THE CASE.

18. ON ENERGY SECURITY ISSUES, PAYE SAID FRANCE SHARED U.S. CONCERNS ON "DEPENDENCY" ISSUE AND WAS PREPARED TO WORK WITH US, OLMER AND IKLE CALLED ATTENTION TO ENORMOUS INCREASE IN U.S. COAL EXPORT CAPACITY AND CHANGING VIEWS IN NORWAY ON GAS EXPORTS. PAYE SAID FRANCE WAS PREPARED TO INCREASE COAL IMPORTS "CAUTIOUSLY" (TO AVOID PROBLEMS WITH UNEMPLOYED FRENCH MINERS) PROVIDED IT WAS ECONOMIC. HE ALSO NOTED EFFORTS UNDERWAY IN FRANCE AND ELSEWHERE IN EUROPE TO CREATE "SAFETY NET" IN EVENT GAS SUPPLY CUT-OFFS. UNDER THESE CIRCUMSTANCES, FRANCE WOULD BE FOOLISH NOT TO BUY SOVIET GAS IF THE PRICE WERE RIGHT. ON MATTER OF EC CUTS IN IMPORTS FROM USSR, PAYE ACKNOWLEDGED OLMER'S EXPRESSION OF DISAPPOINTMENT WITH REMARK THAT THE "MOUNTAIN WAS BOILED DOWN TO A MOUSE." HE ADDED, HOWEVER, THAT OBJECTIVE HAD BEEN UNDERSTOOD FROM OUTSET TO BE "SYMBOLIC," AND SUGGESTED THAT THIS HAD BEEN ACHIEVED.

19. FOLLOWING LUNCH AT QUAI, U.S. TEAM SPLIT UP. BUCKLEY AND LELAND MET AT THE TREASURY WITH TRESOR DIRECTOR DE CABINET LAGAYETTE, JURGENSEN AND TRICHET. MESSRS. BUCKLEY AND LELAND REITERATED OUR BASIC OBJECTIVES. SOME FRENCH EXPRESSED SURPRISE AT U.S. VIEW THAT BANKS WERE LOOKING AT USSR AS LESS CREDITWORTHY NOW THAN A YEAR AGO. MR. DE LAGAYETTE STATED THAT ONE HAD TO SEPARATE ESSENTIALLY POLITICAL AND SYMBOLIC STEPS--SUCH AS THE RECENT EC ACTION TO RESTRICT IMPORTS OF "CERTAIN GOODS FROM THE USSR--FROM "TRUE ECONOMIC AND TRADE MEASURES" SUCH AS OUR PROPOSALS TO RESTRICT EXPORT CREDITS. HE EVINced LITTLE INTEREST IN ANY MULTILATERAL EFFORT IN THIS AREA AND INDICATED HE SAW NO PURPOSE IN SEEING THEIR
BT

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02
EOB673

ROME 6645
AN009471

DTG: 181112Z MAR 82
TOR: 077/1517Z

PSN: 002001
CSN: HCE566

DISTRIBUTION: ISEC-01 /001 A2
WHSR COMMENT: WPC MCF WHLR JP VP EOB SIT

WHTS ASSIGNED DISTRIBUTION:
SIT: MCF
EOB:

OP IMMED
STU4643
DE RUEHRO #6645/06 0771136
O 181112Z MAR 82
FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4825

INFO AMEMBASSY BONN 3887
AMEMBASSY BRUSSELS 4781
AMEMBASSY LONDON 6396
AMEMBASSY PARIS 2198
USMISSION USNATO 7438

~~SECRET~~ SECTION 06 OF 06 ROME 06645

EXDIS

ALSO FOR USEC

TRADE EFFECTED AS IT WOULD BE BY CURTAILING CREDIT.
FOLLOWING MR. BUCKLEY'S DEPARTURE FOR ANOTHER MEETING,
MR. LELAND HAD A MEETING WITH DIRECTOR DE TRESOR
CAMDESSUS. THIS MEETING WAS EXTREMELY USEFUL. MR. LELAND
REVEALED THE CONNECTION BETWEEN EUROPEAN WILLINGNESS TO MOVE
FORWARD WITH US ON THE ISSUE OF RESTRICTING CREDITS TO
THE USSR AND OUR ABILITY TO WORK WITH THEM ON OTHER EAST-
WEST FINANCIAL AND DEBT PROBLEMS. THIS CONNECTION WAS
CLEARLY UNDERSTOOD BY MR. CAMDESSUS AND, IT IS
BELIEVED, ITS IMPORTANCE APPRECIATED.

20. OLMER, BAILEY, NILES AND DENYSYK MET SEPARATELY WITH
ELYSEE ECONOMIC DIRECTOR SAUTTER AND OECD SECGEN VAN
LENNEP. RECALLING THAT PRESIDENT REAGAN HAD TOLD
PRESIDENT MITTERRAND LAST FRIDAY OF MISSION'S VISIT AND
IMPORTANCE HE ATTACHED TO IT, SAUTTER WAS QUITE EN-
COURAGING ON GOF'S OVERALL POLICY TOWARDS USSR IN
ECONOMIC AREA, NOTING THAT MITTERRAND GOVERNMENT HAD
ABANDONED "PISAR" THEORY THAT THE MORE TRADE WITH THE
USSR, THE BETTER EAST-WEST POLITICAL RELATIONS WOULD
BECOME. FRANCE NOW APPROACHED ECONOMIC RELATIONSHIP
WITH USSR ON BASIS OF COOL ECONOMIC CALCULATIONS. UNDER
THE MITTERRAND GOVERNMENT, SAUTTER ADDED, THE USSR WAS
TREATED AS JUST ANOTHER COUNTRY, I. E., NO "SPECIAL
RELATIONSHIP." AT THE SAME TIME, HOWEVER, THIS MEANT
IN HIS VIEW THAT THE USSR COULD NOT BE SINGLED OUT AMONG
FRANCE'S TRADING PARTNERS FOR DISCRIMINATORY TREATMENT
AND EXCLUDED FROM EXPORT CREDITS AND GUARANTEES. OLMER
AND BAILEY PRESENTED U. S. VIEWS ON NEED FOR ACTION NOW
TO RESTRICT FLOW OF SUBSIDIZED OFFICIAL CREDITS AND
CREDIT GUARANTEES TO USSR. SAUTTER EXPRESSED SKEPTICISM
REGARDING MISSION'S OBJECTIVES BUT TOOK THOROUGH NOTES
AND SAID HE WOULD INFORM ELYSEE SECGEN BEREGOVY OF
MISSION'S PRESENTATIONS. HE CHARACTERIZED FRANCE'S
REACTION, THUS FAR, TO POLISH CRISIS AS CONSISTING OF
"SYMBOLIC" STEPS; RESTRICTION OF EXPORT CREDITS AND
GUARANTEES, HE SAID, WOULD BE A "SUBSTANTIVE" STEP.

21. BRIEF CALL ON OECD SECGEN VAN LENNEP, IN WHICH
MISSION MEMBERS WERE JOINED BY AMBASSADOR KATZ, FOCUSED
ON OECD'S ONGOING WORK ON EAST-WEST ECONOMIC RELATIONS,

~~SECRET~~

EXDIS

EXDIS

EXDIS

EXDIS

12
~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 ROME 6645

DTG: 181112Z MAR 82 PSN: 002001

INCLUDING CREDIT/DEBT ISSUES. VAN LENNEP SAID HE BELIEVED
THAT MAY 10-11 OECD MINISTERIAL WOULD PROVIDE VERY
IMPORTANT OPPORTUNITY FOR MEMBERS TO LAUNCH NEW POLICY
IN AREA OF EAST-WEST ECONOMIC RELATIONS. HE SAID HE
BELIEVED MISSION'S VISIT WAS TIMELY IN TERMS OF OECD'S
WORK IN THAT IT CALLED HIGH-LEVEL ATTENTION TO THIS ISSUE.
RABB
BT

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

10759

~~SECRET~~

EUR:TMTNILES
3/22/82 EXT. 21126
T:JLBUCKLEY

NSC:NBAILEY
S/S-O:

EB:AWENDT
E:Wheaton

IMMEDIATE BONN, PARIS IMMEDIATE, LONDON IMMEDIATE, ROME IMMEDIATE,
BRUSSELS IMMEDIATE, OSLO IMMEDIATE, THE HAGUE IMMEDIATE
IMMEDIATE USNATO

EXDIS, BRUSSELS ALSO FOR USEEC
Pipe for use EC

RDS-1 3/22/92 [BUCKLEY, JAMES L.]

JLS
TMTN

EFIN EEW T UR

INTER-AGENCY MISSION ON EAST-WEST ECONOMIC
RELATIONS: DISCUSSION OF SIBERIAN GAS
PIPELINE

1. ENTIRE TEXT ~~SECRET~~.

2. DISCUSSION OF SIBERIAN GAS PIPELINE ISSUES DURING
MISSION'S VISIT REVEAL, AS EXPECTED, THAT GERMANS AND
FRENCH REMAIN COMMITTED TO PROJECT AND THAT ITALIANS,
~~BARRING SOME UNEXPECTED DEVELOPMENT, WILL END THEIR~~ *probably*
"PAUSE" WITHIN NEXT FEW WEEKS. HOWEVER, SEVERAL SOFT
SPOTS IN EUROPEAN SUPPORT FOR PIPELINE PROJECT DID
EMERGE, AS WELL AS INFORMATION ON UK ATTITUDE TOWARD
POSSIBLE GAS EXPORTS TO THE CONTINENT WHICH COULD HAVE
SOME IMPACT ON DECISIONS OF THOSE COUNTRIES WHICH HAVE
NOT YET SIGNED ON. IN ADDITION, MISSION GAINED
IMPRESSION THAT FRENCH MAY WELL BE CONSIDERING
POSSIBILITY OF TAKING 6 BCM RATHER THAN 8 BCM. WE ALSO
HAVE REPORT THAT RUHRGAS CAN EXERCISE ON APRIL 1 AND
NOVEMBER 1 OPTIONS TO REDUCE ITS TAKE BY TEN PERCENT ON
EACH OCCASIONS. ~~OBVIOUSLY, EVEN IF PIPELINE IS~~
~~ULTIMATELY CONSTRUCTED,~~ OUR INTEREST REMAINS TO
MINIMIZE WESTERN EUROPEAN PURCHASES OF AND DEPENDENCE

*Would a
+ tangible
alternative
can be
identified.*

DECLASSIFIED

~~SECRET~~

NLRRF06-11419 # 10759

BY KML NARA DATE 4/7/2011

~~SECRET~~

2

14
U.S. Team left
Giuseppe Ratti of ENF
an informal document on how Italian
gas demands might be met without
 Soviet gas. We would appreciate any
 he may have on our
 as well as any
 as to where the U.S. would
 exist Italian
 in developing
 alternatives
 described in the
 papers.

ON SOVIET SUPPLIES. IN ADDITION, THE LOWER THE LEVEL OF EUROPEAN PURCHASES FROM THE SOVIET UNION, THE GREATER THE POSSIBILITY THAT A SUFFICIENTLY LARGE MARKET WILL REMAIN UNSATISFIED IN THE EARLY 1990'S TO JUSTIFY THE ENORMOUS INVESTMENTS WHICH WILL BE REQUIRED TO DEVELOP THE ~~NORTHERN~~ NORWEGIAN OFFSHORE FIELDS SUCH AS 31/2 and ~~Slavica~~

3. ADDRESSEE POSTS SHOULD FOLLOW UP WITH HOST GOVERNMENT AUTHORITIES AND INTERESTED COMPANIES AS APPROPRIATE:

A. FOR ROME. EMBASSY SHOULD ENCOURAGE AS LONG A "PAUSE" AS POSSIBLE, USING AS ARGUMENTS THE FACT THAT ADDITIONAL CONSIDERATIONS SUCH AS UK READINESS TO EXPORT GAS TO THE CONTINENT SHOULD CHANGE SOME OF THE CALCULATIONS ON WHICH PARTICIPATION IN THE PIPELINE WAS DECIDED.

B. FOR LONDON. MISSION WAS EXTREMELY ENCOURAGED TO LEARN FROM LORD BRIDGES THAT HMG HAS DECIDED TO ALLOW GAS EXPORTS TO THE CONTINENT AND TO ELIMINATE MONOPOLY POSITION OF BRITISH GAS CORPORATION IN THIS BUSINESS. WE BELIEVE THAT IT WOULD BE EXTREMELY USEFUL FOR BRITISH TO MAKE THIS DECISION AND ITS PRACTICAL IMPLICATIONS KNOWN TO CONTINENTAL COUNTRIES AS SOON AS POSSIBLE.

C. FOR BONN. DEPARTMENT WOULD APPRECIATE ON URGENT BASIS CONFIRMATION OR OTHER INFORMATION RELATING TO REPORT THAT RUHRGAS MAY EXERCISE ON APRIL 1 AND OCTOBER 1 OPTIONS TO REDUCE SOVIET OFFTAKE BY TEN PERCENT. IF THESE REPORTS ARE CORRECT, WE BELIEVE RUHRGAS SHOULD BE STRONGLY ENCOURAGED TO EXERCISE SUCH OPTIONS, ON GROUNDS THAT PROJECTIONS FOR FUTURE GAS DEMAND IN EUROPE WOULD NOT SUGGEST THAT SUCH LARGE OFFTAKE IS CURRENTLY ENVISAGED, I.E., 10.5 BCM PLUS .75 BCM FOR BERLIN, ARE JUSTIFIED. EMBASSY SHOULD ALSO POINT OUT, TO RUHRGAS MANAGEMENT AS WELL AS PERHAPS TO REPRESENTATIVES OF US MULTINATIONALS IN GERMANY WHOSE COMPANIES OWN 27 PERCENT OF RUHRGAS, THIS ARGUMENT.

D. FOR PARIS. WE WOULD APPRECIATE ANY INFORMATION EMBASSY CAN PROVIDE ON POSSIBILITY THAT ~~FRANCE~~ FRANCE MAY INDEED EXERCISE LOWER OF TWO OPTIONS, I.E., 6 BCM RATHER THAN 8 BCM IN ITS PIPELINE CONTRACT. WE WOULD ALSO WELCOME INFORMATION ON STATUS OF PIPELINE CONTRACTS, SPECIFICALLY WHETHER GOVERNMENT APPROVAL, WHICH WE UNDERSTOOD WAS REQUIRED, HAS IN FACT BEEN

~~SECRET~~

SECRET

3

Buckley promised to provide information on North Sea gas possibilities and he will undertake to send this package to Embassy ~~for delivery~~ within one week.

GRANTED OR WHETHER THERE IS STILL AT LEAST IN FORMAL TERMS THIS REQUIREMENT.

E. FOR BRUSSELS. WE GAINED IMPRESSION FROM FOREIGN MINISTER TINDEMANNS AND FOREIGN MINISTRY SECRETARY GENERAL ROELANTS THAT QUESTION OF BELGIAN PURCHASE OF SOVIET GAS IS STILL VERY MUCH OPEN. IF THIS IS TRUE, AND WE WOULD WELCOME ANY CONFIRMATION EMBASSY CAN PROVIDE, EMBASSY SHOULD CONTINUE TO ENCOURAGE BELGIANS TO HOLD OFF SIGNING CONTRACTS. ARGUMENT THAT UK GAS WILL IN FACT BE AVAILABLE THAT GAS DEMAND MAY INDEED TURN OUT TO BE CONSIDERABLY LESS THAN ORIGINALLY ESTIMATED AS BASIS FOR HOLDING OFF ON PURCHASES.

L. sell
F. FOR THE HAGUE. WE WOULD WELCOME STATUS REPORT ON DUTCH DISCUSSIONS WITH THE SOVIETS REGARDING POSSIBLE GAS PURCHASE.

G. FOR OSLO. TALKS IN EUROPE MADE CLEAR THAT NORWEGIANS HAVE GOTTEN THE MESSAGE ACROSS TO OTHER EUROPEANS THAT NORWAY IS MORE INTERESTED THAN BEFORE IN DEVELOPING AND EXPORTING IS SUBSTANTIAL GAS RESERVES. NEXT STEP IN THE PROCESS IS PROBABLY UP TO THE EUROPEANS AND ~~FURTHER US INVOLVEMENT AT THIS STAGE WOULD PROBABLY BE UNHELPFUL.~~ EMBASSY'S COMMENTS WOULD BE WELCOMED. //

ITS

Although U.S. remains prepared to assist in ~~any way~~ anyway if can to speed development.

SECRET

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

10752

Review file pipeline 17

SECRET ATTACHMENTS

June 16, 1982

Dear Mr. Buckley:

I am pleased to attach for your information the technical material which you requested on the Sakhalin and West European Soviet pipeline projects. The CIA was responsible for the background paper. This paper was reviewed by officials from State (EB and EUR), Commerce, DOD, DOE and NSC. I have added an executive summary under my own responsibility.

Yours sincerely,

Bill

William F. Martin

Attachment

The Honorable James L. Buckley
Under Secretary for Security
Assistance, Science and Technology
Department of State
Washington, D.C. 20520

SECRET ATTACHMENTS

DECLASSIFIED

NLRR F06-114/9 #10752

BY KML NARA DATE 9/25/12

~~SECRET~~

Technical Review of
(1) The Sakhalin Project
(2) The Siberian Gas Pipeline Project

Executive Summary

This paper summarizes our most current understanding of the technical facts concerning (1) the Sakhalin project and (2) the Siberian gas pipeline project. The study, prepared by the CIA, has been discussed and reviewed by State, Commerce, DOE, DOD and NSC staff. It was commissioned by Under Secretary of State Buckley and coordinated by the NSC. The following are the highlights of the study.

The Sakhalin Project

The Sakhalin project has similar structural characteristics to the Siberian gas pipeline project. First, it is a compensation transaction similar to the European pipeline deal, i.e., Japan would receive gas and oil over a twenty year period as a means of repayment for deliveries of equipment, technology and services on subsidized credit terms. Second, it represents another important Soviet opportunity to earn large amounts of hard currency through energy exports and enhance their internal energy development.

Exploration began in 1977 and 12 of 18 wells have reportedly been successful. U.S. sanctions on \$2 million worth of drilling equipment and services are likely to cancel the 1982 drilling season on a secondary and redundant geological structure (Odoptu). This structure is not required to meet the delivery schedule envisioned in the original 1975 General Agreement between the Soviet Union and Japan. Necessary equipment is not available from non-U.S. supplies at present and maintenance of the embargo will probably set back the exploratory phase of the project at least one year if U.S. sanctions are maintained or extended.

The development phase has been delayed twice for technical and market reasons. Production is now expected to begin in 1986 with full volumes coming on stream by 1990. Any long-term U.S. sanctions are likely to hinder Japanese fabrication of the production platforms and further delay production. The extent of delay depends on Japanese ingenuity in developing these technologies or on finding alternative suppliers. (The Soviets have so far failed in bids on other fronts for Western offshore technology.)

~~SECRET~~

Review June 16, 2002
Derivative Classification by CIA

DECLASSIFIED

NLRR F06-114/9 #10753

BY KML NARA DATE 9/25/12

Reserve estimates vary but reasonable assumptions lead to the conclusions that oil production could reach 80,000 barrels/day and gas 110,000 barrels/day oil equivalent by 1990. Japan is entitled to discount prices for up to half the oil and gas produced for 10 years. However, they are expected to take delivery of all of the gas produced.

Soviet hard currency earnings would be roughly \$32-39 billion ('82 prices) over the life of the project. This figure could be higher depending on oil prices and expanded deliveries. Continuation of the project may allow Moscow access to offshore drilling technology critically needed to explore Soviet continental shelves.

The Japanese assert that if the agreement is breached, Japan would forfeit about \$180-200 million in investments and forego up to \$292 million in oil and gas price discounts granted over the 20 year life of the project. However, it appears most unlikely the Soviets would abrogate the general agreement; Soviet abrogation would remove the only export market for the gas and eliminate the potential for much-needed hard currency earnings. Furthermore, the Soviets would have extreme difficulty developing the reserves without Western equipment, technology and subsidized financing. The Soviets may, however, use the pretext of the contract breach to rescind the price discount to the Japanese.

The Japanese appear to have only limited need for the gas (in fact, less than 1% of total energy supply) given prospects for slower growth in demand and the oversupply of LNG from other projects into the 1990's.

Siberian Gas Pipeline Project

Potential European Dependence on Soviet Gas

The Soviet Union is currently delivering about 430,000 barrels/day oil equivalent (bdoe) of gas to Western Europe.

The pipeline was originally conceived to carry 670,000 bdoe. New contracts have been signed to deliver as much as 330,000 bdoe to France, West Germany and Austria beginning in 1984. Additional sales of 135,000 bdoe are possible with Italy. (This would give a total of 465,000 bdoe compared to 670,000 originally planned.) Thus, quantities are still significant but less than originally believed possible. Even with this lower demand outlook, West Europe would still be dependent on Soviet gas for about 25% of its gas requirements by 1990.

A longer term threat is that the Soviets may put pressure on Europeans to buy more gas than that presently foreseen. This would be a particularly attractive alternative for the Soviets should they find themselves in a credit squeeze and in need of more hard currency by the late 1980's. By pricing their gas

below market, they would be able to drive out the competition, especially the higher cost Norwegian alternative. This being the case, the Soviets could capture as much as 40% of the European gas market by the late 1990's.

Alternatives to Soviet Gas

Short term: If the West Europeans were to forego increases in Soviet gas deliveries because of sanctions or unforeseen political events, they could, from a technical standpoint, balance supply and demand through the 1980's through: (a) increased production of Dutch gas by 130,000 barrels/day; (b) accelerated development of Norway's relatively accessible Sleipner field (this would contribute up to 150,000 barrels/day); (c) maintaining or increasing domestic production levels in France, West Germany and Italy; (d) lowering gas demand through more efficient use and some fuel substitution.

Longer term: Norwegian gas offers a secure but expensive alternative to Soviet gas in the 1990's. Norway could supply an additional 830,000 barrels/day, which would cover the bulk of the increase projected for West European demand in the 1990's although some serious technical obstacles must be overcome and there must be a deliberate political choice to accelerate development. Remaining demands could be met by LNG from North Africa, North America and the Middle East.

Problems: Longer term alternatives to Soviet gas are increasingly attractive. In the case of the short term alternatives, however, the economic and political challenges are formidable and the combination of necessary actions would be difficult to achieve. In addition, accelerated use of Dutch gas in the 1980's would heighten European needs for additional imports in the 1990's and reduce their security against a gas supply disruption from Soviet deliveries. Nevertheless, recent reports from both Norway and the Netherlands suggest that these countries may now be willing to produce at higher levels than presently anticipated.

Effect of Sanctions on Soviet Gas Delivery Capability and Schedule

Transmission facilities are adequate to enable an October 1, 1984 start up of new deliveries which would provide about 150,000 bdoe of the additional Soviet gas envisioned in the Siberian pipeline delivery schedule. Larger quantities of gas could be shipped but this would be at substantial costs to the internal Soviet and Eastern European economies.

CIA estimates suggest that the pipeline is already off schedule. The earliest completion date (assuming U.S. sanctions are lifted) is 1986 compared to the originally planned completion date of 1984.

Maintaining existing sanctions would add another 1 to 2 years of delay.

Successful application of the doctrine of extraterritoriality could add another year of delay, stretching out the completion date of the pipeline to at least 1988.

The withdrawal of sanctions would permit completion of the export pipeline in 1986 assuming that the Soviets didn't encounter other problems in construction.

Prepared by William Martin

Cleared by Roger Robinson

UNCLASSIFIED

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

JUNE 22 29
Sanction
extension
Pipeline

PAGE 01 OF 04 SECSTATE WASHDC 4622 DTG: 232321Z JUN 82 PSN: 032158
EOB120 AN005192 TOR: 175/0027Z CSN: HCE193

IS INAPPLICABLE TO EXPORTS TO THE U.S.S.R. AND POLAND.

DISTRIBUTION: BALY-01 NAU-01 PIPE-01 ROBN-01 /004 A3

DATES: THESE RULES ARE EFFECTIVE 5:00 P.M. (EDT),
JUNE 22, 1982. COMMENTS MUST BE RECEIVED BY AUGUST 21,
1982. HOWEVER, THESE REGULATIONS MAY BE REVISED BEFORE
THE CLOSE OF THE COMMENT PERIOD.

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

ADDRESSES: WRITTEN COMMENTS (SIX COPIES WHEN POSSIBLE)
SHOULD BE SENT TO: RICHARD J. ISADORE, DIRECTOR,
OPERATIONS DIVISION, OFFICE OF EXPORT ADMINISTRATION,
U.S. DEPARTMENT OF COMMERCE, P. O. BOX 273, WASHINGTON,
D.C. 20044.

OP IMMED
DE RUEHC #4622 1742355
O 232321Z JUN 82 ZEX
FM SECSTATE WASHDC

FOR FURTHER INFORMATION CONTACT: MR. ARCHIE ANDREWS,
DIRECTOR, EXPORTERS' SERVICE STAFF, OFFICE OF EXPORT
ADMINISTRATION, DEPARTMENT OF COMMERCE, WASHINGTON,
D.C. 20230 (TELEPHONE: - (202) 377-5247 OR 377-4811).

TO ALL DIPLOMATIC AND CONSULAR POSTS IMMEDIATE

SUPPLEMENTARY INFORMATION:

UNCLAS STATE 174622

REGULATORY CHANGES

E.O. 12065N/A
TAGS: EWT, ESTC, EXCON
SUBJECT: REGULATIONS TO IMPLEMENT AMENDMENT OF
CONTROLS ON OIL AND GAS EQUIPMENT AND TECHNOLOGY
EXPORTS TO THE USSR AND SUSPENSION OF LICENSING TO
POLAND

AT THE DIRECTION OF THE PRESIDENT AND PURSUANT TO
SECTION 6 OF THE EXPORT ADMINISTRATION ACT OF 1979,
AS AMENDED, THE DEPARTMENT OF COMMERCE IS AMENDING THE
EXISTING OIL AND GAS CONTROLS APPLICABLE TO THE U.S.S.R.
CURRENT CONTROLS RESTRICT EXPORTS AND REEXPORTS OF U.S.
ORIGIN OIL AND GAS GOODS AND TECHNICAL DATA. THIS RULE
EXPANDS THESE CONTROLS TO RESTRICT EXPORTS TO THE
U.S.S.R. OF NON-U.S. ORIGIN GOODS OR TECHNICAL DATA BY
U.S. OWNED OR CONTROLLED FOREIGN FIRMS. THE CURRENT
CONTROLS ALSO RESTRICT THE EXPORT OF FOREIGN PRODUCED
PRODUCTS OF U.S. TECHNICAL DATA IF THE EXPORT OF THE
DATA FROM THE UNITED STATES WAS SUBJECT TO THE RECEIPT

REFS: A) STATE 170004 (NOTAL); B) STATE 172922 (NOTAL)

OF A WRITTEN ASSURANCE FROM THE FOREIGN IMPORTER
AGAINST THE TRANSFER OF THE DATA OR ITS PRODUCTS TO
PROSCRIBED DESTINATIONS.

1. THE REGULATION QUOTED IN PARAGRAPH 2 WAS SIGNED ON
JUNE 22 AND FILED IN THE FEDERAL REGISTER TO PUT INTO
EFFECT THE PRESIDENT'S JUNE 18 DECISION TO AMEND
CONTROLS ON EXPORTS TO THE USSR OF OIL AND GAS EQUIPMENT
AND TECHNOLOGY TO COVER EXPORTS OF NON-U.S.-ORIGIN
ITEMS BY US-CONTROLLED FIRMS OR BY LICENSEES USING
PREVIOUSLY TRANSFERRED U.S. TECHNOLOGY. THE JUNE 22
REGULATION ALSO PROVIDES FORMAL NOTICE OF WHAT HAS BEEN
DEFACTO LICENSING POLICY RE POLAND FOR THE LAST THREE
MONTHS, NAMELY THAT VALIDATED LICENSES FOR EXPORT OR
REEXPORT TO POLAND WILL NOT BE ISSUED. PARAGRAPH
3 PROVIDES BACKGROUND FOR SOME OF THE WORDING USED
IN THE REGULATION.

THIS RULE AMENDS CONTROLS ON FOREIGN PRODUCED PRODUCTS
OF U.S. TECHNICAL DATA TO INCLUDE PRODUCTS OF U.S. DATA
IN CASES WHERE THE RIGHT TO THE USE OF THE DATA ABROAD
IS SUBJECT TO A LICENSING AGREEMENT WITH PERSONS
SUBJECT TO THE JURISDICTION OF THE U.S. OR REQUIRES THE
PAYMENT OF ROYALTIES OR OTHER COMPENSATION TO ANY SUCH-
PERSONS OR IN CASES WHERE THE RECIPIENT OF THE TECHNICAL
DATA HAS AGREED TO ABIDE BY U.S. EXPORT CONTROL REGULA-
TIONS.

2. THE TEXT OF THE JUNE 22 REGULATION FOLLOWS:

AS STATED BY THE PRESIDENT, THE OBJECTIVE OF THE UNITED
STATES IN IMPOSING SANCTIONS HAS BEEN AND CONTINUES TO
BE TO ADVANCE RECONCILIATION IN POLAND. THERE HAS BEEN
NO MOVEMENT BY THE U.S.S.R. TOWARD THIS OBJECTIVE.

QUOTE:

DEPARTMENT OF COMMERCE

INTERNATIONAL TRADE ADMINISTRATION

15 CFR 376 379 385

AMENDMENT OF OIL AND GAS CONTROLS TO THE U.S.S.R.

PURSUANT TO SECTION 6 OF THE EXPORT ADMINISTRATION ACT
OF 1979 AND AT THE DIRECTION OF THE PRESIDENT, IT HAS
BEEN DETERMINED THAT THE EXPANSION OF OIL AND GAS
CONTROLS IS NECESSARY TO FURTHER SIGNIFICANTLY THE
FOREIGN POLICY OF THE UNITED STATES. AS REQUIRED BY
SECTION 6(G), ATTEMPTS TO OBTAIN COOPERATION OF COUNTRIES
THAT PRODUCE COMPARABLE ITEMS HAVE BEEN MADE, BUT HAVE
BEEN UNSUCCESSFUL.

AGENCY: OFFICE OF EXPORT ADMINISTRATION, INTERNATIONAL
TRADE ADMINISTRATION, COMMERCE

ACTION: INTERIM RULE WITH REQUEST FOR COMMENTS.

SUMMARY: AT THE DIRECTION OF THE PRESIDENT, EXPORT
CONTROLS ON OIL AND GAS GOODS AND TECHNOLOGY TO THE
USSR ARE AMENDED TO INCLUDE EXPORTS OF NON-U.S. ORIGIN
GOODS AND TECHNICAL DATA BY U.S. OWNED OR CONTROLLED
COMPANIES WHEREVER ORGANIZED OR DOING BUSINESS, AS WELL
AS CERTAIN FOREIGN PRODUCED PRODUCTS OF U.S. TECHNICAL-
DATA NOT PREVIOUSLY SUBJECT TO CONTROLS. THE REGULATIONS
ARE ALSO REVISED TO STATE THAT CERTAIN POLICY GUIDANCE

PURSUANT TO SECTION 4(C), IT HAS BEEN DETERMINED THAT,
NOTWITHSTANDING AVAILABILITY OF SOME OF THESE GOODS AND
DATA FROM FOREIGN SOURCES, FAILURE TO TAKE THIS ACTION
WOULD BE DETRIMENTAL TO THE FOREIGN POLICY OF THE
UNITED STATES. IT ALSO HAS BEEN DETERMINED UNDER
SECTION 6(D) THAT THERE ARE NO FEASIBLE ALTERNATIVE
MEANS OF ACHIEVING THE PURPOSE OF THIS ACTION.

UNCLASSIFIED

NATIONAL SECURITY COUNCIL MESSAGE CENTER

PAGE 02 OF 04 SECSTATE WASHDC 4622 DTG: 232321Z JUN 82 PSN: 032158

APPROPRIATE PERSONS IN INDUSTRY AND THE CONGRESS HAVE BEEN CONSULTED, AND THE CRITERIA SET FORTH IN SECITON 6 (B) OF THE ACT HAVE BEEN CONSIDERED.

THESE REGULATIONS ALSO EXPLAIN THAT THE POLICY GUIDANCE CONTAINED IN SECTION 385.2 OF THE EXPORT ADMINISTRATION REGULATIONS CONCERNING EXPORTS TO COUNTRY GROUPS Q, W, AND Y DOES NOT APPLY TO THE U.S.S.R. OR POLAND. A GENERAL ORDER ISSUED ON DECEMBER 30, 1981 (15 CFR 3390.8) SUSPENDED THE PROCESSING OF VALIDATED LICENSES AND OTHER AUTHORIZATIONS FOR EXPORT TO THE U.S.S.R. FURTHERMORE, BECAUSE THE SITUATION IN POLAND CREATES THE UNACCEPTABLE RISK OF DIVERSION TO UNAUTHORIZED

END-USES AND/OR END-USERS, EXPORT LICENSES AND OTHER AUTHORIZATIONS FOR EXPORT OF NATIONAL SECURITY OR NUCLEAR NON-PROLIFERATION CONTROLLED ITEMS DESTINED FOR POLAND WILL NOT BE ISSUED.

RULEMAKING REQUIREMENTS

THE OFFICE OF EXPORT ADMINISTRATION HAS DETERMINED THAT:

- 1. UNDER SECTION 13 (A) OF THE EXPORT ADMINISTRATION ACT OF 1979 (50 U.S.C. APP. 2401 ET SEQ. (SUPP. III 1979) ("THE ACT")), THIS RULE IS EXEMPT FROM THE PUBLIC PARTICIPATION IN RULEMAKING PROCEDURES OF THE ADMINISTRATIVE PROCEDURE ACT.
- HOWEVER, BECAUSE OF THE IMPORTANCE OF THE ISSUES RAISED BY THESE REGULATIONS AND THE INTENT OF CONGRESS SET FORTH IN SECTION 13 (B) OF THE ACT, THESE REGULATIONS ARE ISSUED IN INTERIM FORM AND COMMENTS WILL BE CONSIDERED IN DEVELOPING ANY FINAL REGULATIONS. THESE REGULATIONS MAY BE REVISED BEFORE THE END OF THE COMMENT PERIOD. ACCORDINGLY, INTERESTED PERSONS WHO DESIRE TO COMMENT ARE ENCOURAGED TO DO SO AT THE EARLIEST POSSIBLE TIME TO PERMIT THE FULLEST CONSIDERATION OF THEIR VIEWS.
- 2. THIS RULE DOES NOT IMPOSE A BURDEN UNDER THE PAPERWORK REDUCTION ACT OF 1980, 44 U.S.C. 3501 ET SEQ.
- 3. THIS RULE IS NOT SUBJECT TO THE REQUIREMENTS OF THE REGULATORY FLEXIBILITY ACT, 5 U.S.C. 601 ET SEQ.
- 4. THIS RULE IS EXEMPT FROM THE REQUIREMENTS OF EXECUTIVE ORDER 12291 (46 FR 13193, FEBRUARY 19, 1981), "FEDERAL REGULATION" BECAUSE IT RELATES TO A FOREIGN

AFFAIRS FUNCTION OF THE UNITED STATES.

THE PERIOD FOR SUBMISSION OF COMMENTS WILL CLOSE ON AUGUST 21, 1982. COMMENTS RECEIVED AFTER THE CLOSE OF THE COMMENT PERIOD CANNOT BE ASSURED CONSIDERATION IN THE DEVELOPMENT OF THE FINAL REGULATIONS. PUBLIC COMMENTS THAT ARE ACCOMPANIED BY A REQUEST THAT PART OR ALL OF THE MATERIAL BE TREATED CONFIDENTIALLY BECAUSE OF ITS BUSINESS PROPRIETARY NATURE, OR FOR ANY OTHER REASON, WILL NOT BE ACCEPTED. SUCH COMMENTS AND MATERIALS WILL BE RETURNED TO THE SUBMITTER AND WILL NOT BE CONSIDERED IN THE DEVELOPMENT OF THE FINAL REGULATIONS. ALL PUBLIC COMMENTS TO BE CONSIDERED IN

ANY REVISION TO THESE REGULATIONS WILL BE A MATTER OF PUBLIC RECORD AND WILL BE AVAILABLE FOR PUBLIC INSPECTION AND COPYING. IN THE INTEREST OF ACCURACY AND COMPLETENESS, COMMENTS IN WRITTEN FORM ARE PREFERRED. IF ORAL -- --

COMMENTS ARE RECEIVED, THEY MUST BE FOLLOWED BY WRITTEN MEMORANDA THAT WILL ALSO BE A MATTER OF PUBLIC RECORD AND WILL BE AVAILABLE FOR PUBLIC REVIEW.

ACCORDINGLY, THE EXPORT ADMINISTRATION REGULATIONS (15 CFR 368, ET SEQ.) ARE AMENDED AS FOLLOWS:

- 1. SECTION 376.12 IS AMENDED BY REVISING THE FIRST SENTENCE OF THE NOTE TO READ:

PART 376 - SPECIAL COMMODITIES POLICIES AND PROVISIONS

SECTION 376.12

PARTS, COMPONENTS, AND MATERIALS IN FOREIGN-MADE END PRODUCTS

NOTE

IN ORDER TO DETERMINE WHETHER THE PRIOR WRITTEN APPROVAL OF THE OFFICE OF EXPORT ADMINISTRATION IS REQUIRED FOR THE EXPORT FROM A FOREIGN COUNTRY OF A FOREIGN MADE END PRODUCT CONTAINING U.S.-ORIGIN PARTS OR COMPONENTS, ANSWER THE FOLLOWING QUESTIONS (AS OF THE TIME OF EXPORT TO THE NEW DESTINATION OF THE FOREIGN-MADE END PRODUCT):

- 2. PARAGRAPHS (A) (2) AND (3) OF SECTION 379.8 ARE REVISED, AND A PARAGRAPH (A) (4) IS ADDED AS FOLLOWS:

- 379.8

- REEXPORT OF TECHNICAL DATA AND EXPORTS OF THE PRODUCT MANUFACTURED ABROAD BY USE OF U.S. TECHNICAL DATA

- (A) PROHIBITED EXPORTS AND REEXPORTS

- (1) - - -

- (2) EXPORT ANY TECHNICAL DATA FROM THE UNITED STATES WITH THE KNOWLEDGE THAT IT IS TO BE REEXPORTED, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, FROM THE AUTHORIZED COUNTRY (IES) OF ULTIMATE DESTINATION;

- (3) EXPORT OR REEXPORT TO COUNTRY GROUP P, Q, W, Y, OR Z OR AFGHANISTAN ANY FOREIGN PRODUCED DIRECT PRODUCT OF U.S. TECHNICAL DATA, OR ANY COMMODITY PRODUCED BY ANY PLANT OR MAJOR COMPONENT THEREOF THAT IS A DIRECT PRODUCT OF U.S. TECHNICAL DATA, IF SUCH DIRECT PRODUCT OR COMMODITY IS COVERED BY THE PROVISIONS OF SECTION 379.4 (F) (EXCLUDING PARAGRAPH (1) (I) (P)) OR SECTION 379.5 (E) (1) OR (2); OR

- (4) EXPORT OR REEXPORT TO THE U.S.S.R., LATVIA, LITHUANIA, ESTONIA OR AFGHANISTAN FOREIGN PRODUCED DIRECT PRODUCTS OF U.S. TECHNICAL DATA, OR ANY COMMODITY PRODUCED BY ANY PLANT OR MAJOR COMPONENT THEREOF THAT IS A DIRECT PRODUCT OF U.S. TECHNICAL DATA, DESCRIBED IN SECTION 379.4 (F) (1) (I) (P) IF:

- (1) A WRITTEN ASSURANCE WAS REQUIRED UNDER THESE

UNCLASSIFIED

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 03 OF 04 SECSTATE WASHDC 4622 DTG: 232321Z JUN 82 PSN: 032158

REGULATIONS WHEN THE DATA WERE EXPORTED FROM THE U.S.;

- (II) THE U.S. TECHNICAL DATA ARE THE SUBJECT OF A LICENSING AGREEMENT WITH, OR THE USE OF THE DATA IS CONTINGENT UPON ROYALTY PAYMENTS OR OTHER COMPENSATION TO, ANY PERSON SUBJECT TO THE JURISDICTION OF THE UNITED STATES AS DEFINED IN SECTION 385.2(C), REGARDLESS OF WHEN THE DATA WERE EXPORTED FROM THE U.S.; OR

- (III) THE U.S. TECHNICAL DATA IS THE SUBJECT OF A LICENSING AGREEMENT, OR OTHER CONTRACT, WHEREBY THE RECIPIENT OF THE TECHNICAL DATA HAS AGREED TO ABIDE BY U.S. EXPORT CONTROL REGULATIONS.

3. SECTION 385.2 IS AMENDED AS FOLLOWS:

- A. SECTION 385.2 (A) IS REVISED TO READ:

- 385.2

- COUNTRY GROUPS, Q, W, AND Y (SEE SUPPLEMENT NO. 1 TO PART 370 FOR LISTING OF COUNTRY GROUPS.); U.S.S.R., OTHER WARSAW PACT COUNTRIES, ALBANIA, MONGOLIAN PEOPLE'S REPUBLIC, AND LAOS

(A) (1) THE EXPORT ADMINISTRATION ACT OF 1979 STATES THAT IT IS THE POLICY OF THE UNITED STATES "TO ENCOURAGE TRADE WITH ALL COUNTRIES WITH WHICH WE HAVE DIPLOMATIC OR TRADING RELATIONS, EXCEPT THOSE COUNTRIES WITH WHICH SUCH TRADE HAS BEEN DETERMINED BY THE PRESIDENT TO BE AGAINST THE NATIONAL INTEREST." THE ACT ALSO STATES THAT IT IS THE POLICY OF THE UNITED STATES "TO RESTRICT THE EXPORT OF GOODS AND TECHNOLOGY WHICH WOULD MAKE A SIGNIFICANT CONTRIBUTION TO THE MILITARY POTENTIAL OF ANY OTHER COUNTRY OR COMBINATION OF COUNTRIES WHICH WOULD PROVE DETRIMENTAL TO THE NATIONAL SECURITY OF THE UNITED STATES." ACCORDINGLY, AND IN COMPLIANCE WITH THE OTHER SECTIONS OF THE EXPORT ADMINISTRATION ACT OF 1979, THE DEPARTMENT CONDUCTS A CONTINUING REVIEW OF COMMODITIES AND TECHNOLOGY TO ASSURE THAT PRIOR APPROVAL IS REQUIRED FOR THE EXPORT OR REEXPORT OF U.S.-ORIGIN COMMODITIES AND TECHNICAL DATA TO THE U.S.S.R., ALBANIA, BULGARIA, CZECHOSLOVAKIA, ESTONIA, GERMAN DEMOCRATIC REPUBLIC, HUNGARY, LAOS, LATVIA, LITHUANIA, MONGOLIAN PEOPLE'S REPUBLIC, POLAND, AND ROMANIA ONLY IF THE COMMODITIES OR TECHNICAL DATA HAVE A POTENTIAL FOR BEING USED IN A MANNER THAT WOULD PROVE DETRIMENTAL TO THE NATIONAL SECURITY OF THE UNITED STATES. THE GENERAL POLICY OF THE DEPARTMENT, HOWEVER, IS TO APPROVE APPLICATIONS OR REQUESTS TO EXPORT OR REEXPORT SUCH COMMODITIES AND TECHNICAL DATA TO THESE DESTINATIONS (OTHER THAN THE U.S.S.R. AND POLAND) WHEN THE DEPARTMENT DETERMINES, ON A CASE-BY-CASE BASIS, THAT THE COMMODITIES OR TECHNICAL DATA ARE FOR A CIVILIAN USE OR WOULD OTHERWISE NOT MAKE A SIGNIFICANT CONTRIBUTION TO THE MILITARY POTENTIAL OF THE COUNTRY OF DESTINATION THAT

WOULD PROVE DETRIMENTAL TO THE NATIONAL SECURITY OF THE UNITED STATES.

(2) TO PERMIT SUCH POLICY JUDGMENTS TO BE MADE, EACH EXPORT APPLICATION AND REEXPORT REQUEST IS REVIEWED IN THE LIGHT OF PREVAILING POLICIES WITH FULL CONSIDERATION OF ALL RELEVANT ASPECTS OF THE PROPOSED TRANSACTION. THE REVIEW GENERALLY INCLUDES AN ANALYSIS OF THE KINDS AND QUANTITIES OF COMMODITIES OR TECHNOLOGIES TO BE SHIPPED; THEIR MILITARY OR CIVILIAN USES; THE UNRESTRICTED AVAILABILITY ABROAD OF THE SAME OR COMPARABLE ITEMS;

THE COUNTRY OF DESTINATION, THE ULTIMATE END-USERS IN THE COUNTRY OF DESTINATION; AND THE INTENDED END-USE.

(3) APPLICATIONS COVERING CERTAIN COMMODITIES AND TECHNICAL DATA THAT ARE CONTROLLED BY THE UNITED STATES

AND CERTAIN OTHER NATIONS THAT COOPERATE IN AN INTERNATIONAL EXPORT CONTROL SYSTEM AND ARE PROPOSED FOR EXPORT OR REEXPORT TO COUNTRY GROUP Q, W, OR Y MAY HAVE TO BE FORWARDED TO THE COORDINATING COMMITTEE (COCOM) OF THIS INTERNATIONAL EXPORT CONTROL SYSTEM FOR CONSIDERATION IN ACCORDANCE WITH ESTABLISHED COCOM PROCEDURES.

(4) ALTHOUGH EACH PROPOSED TRANSACTION IS CONSIDERED INDIVIDUALLY, CERTAIN GOODS ON THE COMMODITY CONTROL LIST ARE MORE LIKELY TO BE APPROVED THAN OTHERS. SEE SUPPLEMENT NO. 1 TO THIS PART 385 FOR AN IDENTIFICATION OF SUCH GOODS.

(5) THE PRECEDING POLICY GUIDANCE CANNOT BE APPLIED TO EXPORTS TO THE U.S.S.R. OR POLAND. PURSUANT TO THE GENERAL ORDER CONTAINED IN SECTION 390.8, LICENSE APPLICATIONS OR OTHER AUTHORIZATIONS FOR THE U.S.S.R. WILL BE RETURNED WITHOUT ACTION. FURTHER, BECAUSE OF THE RISK THAT ITEMS DESTINED FOR POLAND THAT ARE CONTROLLED FOR NATIONAL SECURITY OR NUCLEAR NON-PROLIFERATION REASONS WILL BE DIVERTED TO UNAPPROVED USERS OR TO THE U.S.S.R. CONTRARY TO U.S. NATIONAL SECURITY INTERESTS, APPLICATIONS FOR EXPORT TO POLAND OF SUCH ITEMS WILL NOT BE AUTHORIZED.

- B. SECTION 385.2 (C) IS REVISED TO READ:

(C) (1) AS AUTHORIZED BY SECTION 6 OF THE EXPORT ADMINISTRATION ACT OF 1979, PRIOR WRITTEN AUTHORIZATION BY THE OFFICE OF EXPORT ADMINISTRATION IS REQUIRED FOR FOREIGN POLICY REASONS FOR THE EXPORT OR REEXPORT TO

THE U.S.S.R. OF OIL AND GAS EXPLORATION, PRODUCTION, TRANSMISSION OR REFINEMENT GOODS OF U.S. ORIGIN AS DEFINED IN CCL ENTRIES 6098F, 6191F, 6388F, 6389F, 6390F, 6391F, 6431F, 6491F, 6598F, 6685F, 6779F, AND 6780F. ALSO INCLUDED IN THE SCOPE OF THIS CONTROL ARE TECHNICAL DATA OF U.S. ORIGIN (OTHER THAN THAT AUTHORIZED UNDER GENERAL LICENSE GTDA) RELATED TO OIL AND GAS EXPLORATION, PRODUCTION, TRANSMISSION AND REFINEMENT AND OTHER GOODS THAT REQUIRE A VALIDATED EXPORT LICENSE FOR SHIPMENT TO THE SOVIET UNION AND THAT ARE INTENDED FOR USE IN OIL OR GAS EXPLORATION, PRODUCTION, TRANSMISSION OR REFINEMENT. THE FOREIGN PRODUCT OF SUCH DATA IS ALSO CONTROLLED (SEC 379.8). THE TERM "REFINEMENT" INCLUDES REFINERY OPERATIONS DIRECTED TO ENERGY USAGE, BUT EXCLUDES PETROCHEMICAL FEEDSTOCK PROCESSES. IN ADDITION, PRIOR WRITTEN AUTHORIZATION IS REQUIRED FOR THE EXPORT TO THE U.S.S.R. OF NON-U.S. ORIGIN GOODS AND TECHNICAL DATA BY ANY PERSON SUBJECT TO THE JURISDICTION OF THE UNITED STATES.

(2) FOR THE PURPOSES OF THIS SECTION 385.2 (C) ONLY, THE TERM "PERSON SUBJECT TO THE JURISDICTION OF THE UNITED STATES" INCLUDES

(I) ANY PERSON, WHEREVER LOCATED, WHO IS A CITIZEN OR RESIDENT OF THE UNITED STATES;

(II) ANY PERSON ACTUALLY WITHIN THE UNITED STATES;

(III) ANY CORPORATION ORGANIZED UNDER THE LAWS OF THE UNITED STATES OR OF ANY STATE, TERRITORY, POSSESSION, OR DISTRICT OF THE UNITED STATES; OR

UNCLASSIFIED

UNCLASSIFIED

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 04 OF 04 SECSTATE WASHDC 4622 DTG: 232321Z JUN 82 PSN: 032158

- (IV) ANY PARTNERSHIP, ASSOCIATION, CORPORATION, OR OTHER ORGANIZATION, WHEREVER ORGANIZED OR DOING BUSINESS, THAT IS OWNED OR CONTROLLED BY PERSONS SPECIFIED IN PARAGRAPHS (I), (II), OR (III) OF THIS SECTION.

AUTHORITY: SECTIONS 4, 5, 6, 13, 15, 16, AND 21, PUB. L. 96-72, 93 STAT. 503, 50 U.S.C. APP. 2401 ET SEQ., AS AMENDED; EXECUTIVE ORDER NO. 12002 (42 FR 35623, JULY 11, 1977); AND EXECUTIVE ORDER NO. 12214 (45 FR 29783, MAY 6, 1980).

DATED: JUNE 21, 1982

BOHDAN DENYSYK, DEPUTY ASSISTANT SECRETARY FOR EXPORT ADMINISTRATION

END QUOTE.

3. BACKGROUND ON THE JUNE 22 REGULATION FOLLOWS:

A) THIS REGULATION IS INTERIM IN ORDER TO PROVIDE A PERIOD FOR PUBLIC COMMENT BEFORE IT IS PUT IN FINAL FORM. HOWEVER, IT IS EFFECTIVE 5:00 PM (EDT) JUNE 22.

B) THE DEFINITION OF PERSON SUBJECT TO THE JURISDICTION OF THE UNITED STATES, IN SECTION 385.2 (C) (2), IS PATTERNED AFTER TREASURY REGULATIONS CONTROLLING EXPORTS BY US-CONTROLLED FIRMS TO NORTH KOREA, VIETNAM, KAMPUCHEA AND CUBA. (FYI: THE APPROACH DIFFERS FROM THE FORMULATION IN COMMERCE REGULATIONS CONCERNING EXPORTS BY U.S. CONTROLLED FIRMS TO THE USSR IN CONNECTION WITH THE MOSCOW 1980 SUMMER OLYMPICS. THE NEW

REGULATIONS APPLY DIRECTLY TO U.S.-CONTROLLED FIRMS ABROAD (385.2 (C) (2) (IV); THE OLYMPICS REGULATIONS REACH TRANSACTIONS BY SUCH FOREIGN FIRMS ONLY INDIRECTLY WHERE THE CONTROLLING U.S. PERSON PARTICIPATES IN THE TRANSACTION IN SOME WAY. END FYI).

C) THE FIRST OF THE THREE SITUATIONS LISTED IN SECTION 379.8 (A) (4) (I) IN WHICH PRIOR USG AUTHORIZATION IS REQUIRED FOR EXPORT OR REEXPORT OF FOREIGN PRODUCTS OF U.S. OIL AND GAS TECHNOLOGY TO THE USSR FOR WHICH A WRITTEN ASSURANCE WAS REQUIRED IS NOT NEW. THE SECOND AND THIRD SITUATIONS, IN SECTION 379.8 (A) (4) (II) AND (III), ARE NEW.

D) THE ONLY NEW ELEMENTS IN SECTION 385.2 (A) ARE TO ADD " (OTHER THAN THE USSR AND POLAND) " IN PARAGRAPH (1) AND TO ADD A NEW PARAGRAPH (5). THE REFERENCE TO "NATIONAL SECURITY OR NUCLEAR NON-PROLIFERATION" CONTROLS DISTINGUISHES THE POLISH ACTION FROM THE SOVIET ACTION, SINCE SPECIAL FOREIGN POLICY CONTROLS WHICH APPLY TO THE USSR DO NOT APPLY TO POLAND (I.E. OIL AND GAS EQUIPMENT AND TECHNOLOGY, MOSCOW 1980 SUMMER OLYMPICS, AND KAMA RIVER AND ZIL TRUCK PLANTS). REGIONAL STABILITY FOREIGN POLICY CONTROLS DO APPLY TO POLAND, AS WELL AS TO MOST OTHER COUNTRIES IN THE WORLD, BUT THESE INVOLVE ONLY NATIONAL SECURITY ITEMS. HUMAN RIGHTS FOREIGN POLICY CONTROLS AFFECTING CRIME CONTROL EQUIPMENT ALSO APPLY TO POLAND. THIS EQUIPMENT INCLUDES A NUMBER OF NATIONAL SECURITY ITEMS. THE NON-SECURITY CRIME CONTROL ITEMS ARE UNLIKELY TO BE APPROVED AT THIS TIME. HAIG

BT

UNCLASSIFIED

~~SECRET~~

10760

26

NATIONAL SECURITY COUNCIL MESSAGE CENTER

PAGE 01 OF 02 SECSTATE WASHDC 4954 DTG: 240214Z JUN 82 PSN: 032380
EOB159 AN005215 TOR: 175/0403Z CSN: HCE226

DISTRIBUTION: RYE-01 DEGR-01 MYER-01 KRAM-01 LORD-01 PIPE-01
RENT-01 RUSS-01 LINH-01 /009 A3

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

DECLASSIFIED

OP IMMEDIATE /ROUTINE
DE RUEHC #4954 1750353
O R 240214Z JUN 82
FM SECSTATE WASHDC

NLRRFOG-114/9 #10760

BY KML NARA DATE 4/7/2011

TO USMISSION USNATO IMMEDIATE 0000

INFO AMEMBASSY LONDON 0000
AMEMBASSY BONN 0000
USDEL MBFR VIENNA 0000
USNMR SHAPE
USCINCEUR VAHINGEN GE

~~SECRET~~ STATE 174954

E.O. 12065: RDS-3 6/23/92 (BOHLEN, A.)
TAGS: PARM, NATO, MBFR
SUBJECT: MBFR: ANNEX II

REFS: A. USNATO 3962 (DTG 181724Z JUN 82); B. STATE
148964 (DTG 292218Z MAY 82)

1. ~~S~~-ENTIRE TEXT).

2. FOR PURPOSE OF EXPEDITING AGREEMENT ON ANNEX II, WE BELIEVE WE SHOULD REFRAIN FROM SUBSTANTIVE CHANGES TO TEXT OF 1979 GUIDANCE. IF ANY ALLY WISHES TO RAISE A SUBSTANTIVE QUESTION, WE WOULD SUGGEST THAT A LIST BE MADE OF ALL SUCH SUGGESTIONS FOR FUTURE SPC OR WORKING GROUP CONSIDERATION. AS NOTED IN PARA 5, REF B, THE US MAY WISH TO RAISE SOME SUBSTANTIVE POINTS. WITH THIS BASIC APPROACH IN MIND, WE HAVE THE FOLLOWING COMMENTS ON THE SUGGESTED UK CHANGES (PARA 12, REF A):

-- ARTICLE I.1.A.2. THE 1979 GUIDANCE DOES NOT DEFINE THE WORD "SCALE," BUT GIVES EXAMPLES ("E.G., ONE DIVISION LEVEL EXERCISE; ONE ARMY/CORPS LEVEL EXERCISE WITH THREE DIVISIONS"). OUR LAWYERS ADVISED US THAT THE WORD "SCALE" IS AMBIGUOUS AND SHOULD BE DEFINED. BECAUSE THE EXAMPLES

OF WHAT WAS MEANT BY "SCALE" RELATED TO NUMBERS AND TYPES OF UNITS, WE USED THAT PHRASE INSTEAD OF THE AMBIGUOUS SINGLE WORD. WE NOTE THAT THIS IS COMPATIBLE WITH THE INFORMATION REQUIREMENT IN CSCE, SO WE DON'T BELIEVE THIS IS ASKING TOO MUCH. IF OTHERS AGREE WITH UK THAT THIS IS NOT NECESSARILY THE INTENT OF THE GUIDANCE, AND THAT THIS IS AN OPEN ISSUE, WE WOULD SUGGEST THAT THIS ARTICLE REPEAT THE LANGUAGE OF THE GUIDANCE, WITH THE PARENTHETICAL EXAMPLES. THE SUBSTANTIVE ISSUE COULD BE REFERRED TO THE WORKING GROUP FOR CONSIDERATION.

-- ARTICLE I.1.B.2. IF UK SEES THIS AS A SUBSTANTIVE ISSUE (AS THEY INDICATED THEY DO), WE WOULD PREFER TO RETAIN THE FORMULATION OF THE 1979 GUIDANCE ("MAJOR FORMATIONS/UNITS") AND REFER THE ISSUE TO THE WG.

-- ARTICLE III.2. IT IS OUR INTERPRETATION OF THE 1979 GUIDANCE THAT THE LAST SENTENCE ("NO OTHER CHANGE WOULD BE PERMITTED") MEANS THAT A CHANGE ONLY IN TERMINATION DATE WOULD NOT BE PERMITTED. IN OUR UNDERSTANDING, THIS WAS OUT OF CONCERN THAT THE EAST MIGHT EXTEND THE LENGTH OF THE MOVEMENT INDEFINITELY OR REPEATEDLY. ACCORDING TO THE GUIDANCE, THE ONLY THING PERMITTED IS A CHANGE IN THE STARTING AND ENDING DATES IN TANDEM. THIS IS, IN OUR VIEW, ALSO THE INTENTION OF ARTICLE I.2, EVEN THOUGH THE WORD "AND" INSTEAD OF "CONSEQUENTLY" IS USED. IF THIS INTERPRETATION OF THIS PARAGRAPH IS AT ISSUE, THEN CURRENT GUIDANCE SHOULD BE USED PENDING WG DISCUSSION.

-- ARTICLE IV.3. THERE WAS NO INTENTION TO GO BEYOND THE GUIDANCE AND WE DO NOT THINK THIS FORMULATION DOES. WE DEVELOPED THIS LANGUAGE ON THE ADVICE OF OUR LAWYERS WHO INDICATED THAT PHRASES SUCH AS "NORMALLY BE MET" AND "HOST OBLIGATIONS" ARE AMBIGUOUS AND OPEN TO INTERPRETATION. DEFINITION IS DESIRED SO ALL PARTIES UNDERSTAND THEIR OBLIGATIONS. WE BELIEVE THE SUBSTANCE OF FOOTNOTE 8 OF THE GUIDANCE SHOULD BE INCORPORATED INTO THE AGREEMENT SINCE IT PROVIDES EXPLICIT MEANING TO THE GENERAL WORDS OF PARA 35. IF OTHER ALLIES AGREE WITH UK THAT THIS DOES GO BEYOND THE GUIDANCE, WE COULD ACCEPT UK WORDING, BUT WOULD SUGGEST THAT THE SUBSTANCE OF THE ISSUE BE REFERRED TO THE WORKING GROUP.

-- ARTICLE IV.12. UK SUGGESTION CHANGES THE GUIDANCE (ALTHOUGH WE WOULD NOT NECESSARILY OPPOSE SUCH A CHANGE). WE SUGGEST THAT THIS BE REFERRED TO THE WG FOR DISCUSSION.

-- ARTICLE VIII. WE COULD ACCEPT UK CHANGES IF SPC DECIDES TO INCLUDE THE BRACKETED PARAGRAPHS IN THE TEXT TO BE TABLED (SEE PARA 3B, REF B). WE ARE BASICALLY NEUTRAL ON THIS QUESTION, THOUGH WE NOTE THAT DOING SO MIGHT RAISE EASTERN QUESTIONS WE DON'T WANT TO ANSWER, ESPECIALLY SINCE WE ARE NOT PLANNING TO DEFINE SUCH WORDS IN THE NEAR FUTURE.

3. ALL OTHER UK SUGGESTIONS ARE ACCEPTABLE.

4. WE APPRECIATE MISSION'S IDENTIFICATION OF PROBLEM WITH ARTICLE III.1 (PARA 15A, REF A). WE SUGGEST CHANGING "MOVEMENT BY THE PARTIES" TO "MOVEMENT BY ANY ONE PARTY" OR "MOVEMENT BY ANY INDIVIDUAL PARTY."

5. WE ACCEPT MISSION'S RECOMMENDED CHANGE TO ARTICLE IV.4 (PARA 15B, REF A).

6. MISSION REPORTED IN STRAND/YOUNG TELCON OF 6/1 THAT "PARTIES TO THE PROTOCOL" WOULD BE ADDED AS NECESSARY TO ARTICLE I.5 BEFORE DISTRIBUTION OF THE ANNEX IN ORDER TO HAVE A COMPLETE DEFINITION OF THE AREA OF APPLICATION, BUT THAT A PROBLEM OF CONSTRUCTION WAS RAISED IN THE LATTER PART OF THE FIRST SENTENCE. THERE APPEARS TO BE NO NEAT WAY TO COVER THE EXTRA-EUROPEAN TERRITORY OF BOTH THE USSR AND TURKEY, UNLESS THE ALLIES WOULD BE WILLING TO STATE EXPLICITLY "AND IN THE EXTRA-EUROPEAN TERRITORY OF THE USSR AND TURKEY." SHORT OF THAT SOLUTION, WE RECOMMEND THAT THIS SENTENCE READ: "THIS ARTICLE SHALL APPLY TO THE GROUND FORCE PERSONNEL OF ALL THE PARTIES AND PARTIES TO THE PROTOCOL IN THE EUROPEAN TERRITORY OF ALL THE PARTIES AND PARTIES TO THE PROTOCOL, AND IN THE EXTRA-EUROPEAN TERRITORY OF THOSE PARTIES OR PARTIES TO THE PROTOCOL WHICH HAVE COMMON LAND BOUNDARIES WITH THE PARTIES OF THE OTHER SIDE OR PARTIES TO THE PROTOCOL." (NOTE: THE WORD "LAND" HAS BEEN INCLUDED TO AVOID POSSIBLE INCLUSION OF THE BERING

~~SECRET~~

~~SECRET~~

27

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 SECSTATE WASHDC 4954 DTG: 240214Z JUN 82 PSN: 032380

SEA BOUNDARY OF THE US AND USSR.). HAIG
BT

~~SECRET~~

TO PRESIDENT NSC 2. DOCDATE 17 JUN 82

DECLASSIFIED
White House Guidelines, August 28, 1987
By CS NARA, Date 7/24/02

DUBERSTEIN, K 22 JUN 82
ARMSTRONG, WILLIAM L 18 JUN 82

KEYWORDS: USSR EAST WEST ECONOMICS
GAS SANCTIONS
HUMAN RIGHTS CO

SUBJECT: LTR TO PRES RE EXTENSION OF SANCTIONS RE YAMAL PIPELINE

ACTION: ANY FURTHER ACTION REQUIRED DUE: 26 JUN 82 STATUS S FILES

FOR ACTION	FOR CONCURRENCE	FOR INFO
PIPES	BAILEY MARTIN	KIMMITT NAU MYER MCGAFFIGAN DOBRIANSKY LORD (<i>Human Rights</i>)

*No action required
OBE
R*

COMMENTS

REF# 083875 LOG NSCIFID (L /)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<i>NSC/S</i>	<i>C</i>	<i>25 Jun</i>	<i>OBE/NFAR per RP₂</i>	

DISPATCH _____ W/ATTCH FILE _____ (C)

29
June 22, 1982

Dear Senator Armstrong:

President Reagan has asked me to thank you very much for your letters of June 17 and June 18 on the need to extend the sanctions on the Yamal pipeline project, and the President's recent decision in this regard.

The President sincerely appreciated the timely presentation of your views on this important subject, and I am sharing with the appropriate national security advisers the testimony and evidence you forwarded regarding the slave labor implications of the pipeline. I assure you that your concerns will continue to receive careful scrutiny and evaluation.

Again, many thanks for keeping us apprised of your efforts with respect to these vital issues.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable William L. Armstrong
United States Senate
Washington, D.C. 20510

KMD:CMP:nap

cc: w/copy of incoming letters and ORIGINAL back-up -- NSC
Secretariat -- for appropriate action

✓ cc: Pam Turner - FYI

WH RECORDS MANAGEMENT WILL RETAIN ORIGINAL INCOMING LETTERS ONLY

United States Senate

WASHINGTON, D.C. 20510

June 17, 1982

083875

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I read with great concern a report in Thursday's Washington Post that you are giving consideration to lifting the restrictions you imposed on the participation of American firms in the construction of the Yamal pipeline.

I cannot believe this report is true. There has been no relaxation of the Soviet-inspired repression in Poland. Lech Walesa is still in jail. The soldiers are still in the streets. The Polish people are still in chains. If anything, you should be giving consideration to expanding the sanctions already imposed to include the foreign subsidiaries, manufacturing associates and licensees of U.S. firms as well as the U.S. firms themselves. To lift now the few sanctions you so far have applied would strike a savage blow at the world crusade for democracy you announced in London before that crusade has even begun.

I know I need not remind you of the grave strategic and economic consequences for the West if the pipeline is built. But there is another dimension to the pipeline which is equally alarming. There is mounting evidence that the Soviet Union plans to make massive use of what is, for all practical purposes, slave labor in the construction of the pipeline. I've enclosed translations of three letters I obtained from the Vietnamese emigre community which lend credence to reports that up to half a million Vietnamese will be sent to Siberia and elsewhere in Eastern Europe against their will. In addition, there is evidence that the hard, dirty, dangerous work involved in the pipeline construction will be done by the inmates of the more than 2,000 concentration camps in the Gulag Archipelago.

The Yamal pipeline cannot be built without Western capital and Western technology. But if U.S. firms participate in the pipeline project, are we not, in effect, condoning the massive violation of human rights that seems likely to occur in its construction?

The International Finance subcommittee of the Senate Committee on Banking, Housing and Urban Affairs will hold a hearing on Friday, June 18, to explore the evidence behind these charges. I urge you to defer any decision on the lifting of sanctions until after that evidence is in.

Best regards.

Sincerely,


William L. Armstrong

WLA:jke
Enclosures



~~48433~~

ID # 083875

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

TAD001

- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) 82106118

Name of Correspondent: William Armstrong

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Expresses grave concern over reports in the Washington Post that you are giving consideration to lifting the restrictions you imposed on the participation of American firms in the construction of the Yamal pipeline, Urges you to defer any decision the lifting of sanctions until evidence is in concerning the allegation that massive violations of human rights are likely to occur in the construction of the pipeline.

ROUTE TO: _____ ACTION _____ DISPOSITION _____

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>LA DUBE</u>	<u>ORIGINATOR</u>	<u>82106118</u>	<u>KD</u>	<u>A</u>	<u>820622</u>
<u>NSC/secretariat</u>	<u>Referral Note:</u>	<u>A</u>	<u>820623</u>		<u>1 1</u>
	<u>Referral Note:</u>				<u>1 1</u>
	<u>Referral Note:</u>				<u>1 1</u>
	<u>Referral Note:</u>				<u>1 1</u>
	<u>Referral Note:</u>				<u>1 1</u>

- ACTION CODES:**
- A - Appropriate Action
 - C - Comment/Recommendation
 - D - Draft Response
 - F - Furnish Fact Sheet to be used as Enclosure
 - I - Info Copy Only/No Action Necessary
 - R - Direct Reply w/Copy
 - S - For Signature
 - X - Interim Reply
- DISPOSITION CODES:**
- A - Answered
 - B - Non-Special Referral
 - C - Completed
 - S - Suspended

FOR OUTGOING CORRESPONDENCE:
Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: See also 084157

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

(Handwritten mark)

NYM VISIT

Pipes

Pipeline 33

**National Security Council
The White House**

292

RECEIVED

Package # 5506

82 AUG 4 P 9: 33

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

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

Send to VP
(Signature)

Since item is so highly
classified & sensitive, I
recommend a dib from you
to Dyke.

Yours

Foreign Opinion Note

International Communication Agency, United States of America
Washington, D. C. 20547



Office of Research

28
↓ FICE
August 11, 1982

WIDE DISAPPROVAL IN EUROPE OF U.S. PIPELINE DECISION

Public opinion surveys in four European countries in July found the West Germans most aware and most disapproving of the U.S. decision to prohibit the sale of U.S.-licensed equipment for the Soviet gas pipeline.

West Germans and Dutch Most Knowledgeable

In mid-July, two-thirds of the general public in West Germany (68%) and The Netherlands (63%) knew about the U.S. decision. Half of the British public (52%), but only a third of the French (37%), knew as well.

Disapproval Widespread, But Affected by U.S. Reasons

Of those aware of the U.S. decision, the margin of disapproval ranged from nearly three-to-one in the U.K. (65% to 23%) and France (64% to 24%) to about four-to-one in the FRG (74% to 17%) and The Netherlands (67% to 17%).

However, disapproval dropped by roughly 10 points when people were told that reasons for the U.S. action included Poland-related sanctions, concern for European dependence on Soviet energy, and concern for increased Soviet military strength as a result of pipeline revenues:

<u>Country:</u>	<u>% Disapproval When:</u>	
	<u>Not told</u> <u>Reasons</u>	<u>Told</u> <u>Reasons</u>
West Germany	74	62
The Netherlands	67	57
Britain	65	48
France	64	53

On the last point, a survey taken before the Versailles economic summit showed that one-half to two-thirds of those who approved of the pipeline would change their minds if they were persuaded that the hard-currency earnings would be used to strengthen the Soviets militarily.

Publics Skeptical of Economic Impact on USSR

Only minorities (from 11% to 25%) believed the U.S. decision would "mainly hurt" the Soviet economy. In fact, more people thought the impact would mainly affect West Europe's economy. This was the view of a majority (58%) in West Germany and of appreciable numbers (from 32% to 40%) in the other countries.

Around the World

Spadolini's efforts to form a new government.

In remarks at a meeting of the party leadership, Mr. Craxi said he was satisfied with Mr. Spadolini's plan for changes.

The Socialists have apparently been placated by a 10-point program that includes changes in the secret ballot system in Parliament and calls for the Prime Minister to be able to pick ministers without pressure from political parties.

Mr. Spadolini's previous coalition collapsed on Aug. 7 after the Socialists had withdrawn from the Government, accusing their Christian Democratic partners of sabotaging an austerity program in a vote in Parliament.

Soviet Concedes Delays In Gas Pipeline Building

MOSCOW, Aug. 17 (UPI) — The Communist Party newspaper Pravda indi-

cated today that construction of the natural gas pipeline from Siberia to West Europe might be running into some difficulties.

Reporting on a meeting of party members from the Ministry for Construction of Oil and Gas Enterprises and the Gas Industry Ministry, Pravda said the rate of production of compressor stations, as well as pipeline construction, should be 100 to 150 percent higher than it was.

"More attention should be given to supplying the workers with equipment and building materials and to providing accommodations," the newspaper said.

"Greater coordination is needed between the contractor and the customer. There are some procurement problems and deliveries are sometimes delayed."

The Soviet Union has promised to complete the 2,760-mile pipeline on time despite a United States boycott on construction materials.

Attack by Afghan Rebels On Embassy Is Reported

ISLAMABAD, Pakistan, Aug. 17 (UPI) — A Western diplomat said today that Afghan rebels attacked the Soviet Embassy in Kabul last week, wounding two Afghan soldiers and capturing two others.

The fighting, which lasted an hour, occurred last Wednesday night, the diplomat said.

A day before the attack, an attended Soviet truck in a market was blown up.

10757
6583
Pipes 41

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

September 21, 1982

Appointments

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: RICHARD PIPES *RP*

SUBJECT: CDU Statement on Soviet Sanctions

The Deputy Chairman of the CDU (and the potential next Defense Minister), Manfred Woerner, issued on the 15th, in the name of the CDU/CSU factions, an important statement (Tab I) on economic policy toward the USSR. This statement, which may well represent the official policy of the next German government, goes a long way toward meeting our own stated objectives and may pave the way toward a reconciliation. (You will note particularly that the statement contains no criticism of U.S. sanctions on pipeline equipment.)

In view of this, it seems especially important that nothing be done for the time being that could provide the least grounds for suspicion in Europe that we are backing off. If we were to soften our sanctions at this time in any way we would, in effect, be pulling the rug from under our German friends and supporters who are sticking their necks out on our behalf.

Norman Bailey, *nb* Dennis Blair *DB* and Roger Robinson *RR* concur.

Attachment:

Tab I Rough translation of the CDU Statement issued on September 15, 1982

~~CONFIDENTIAL~~
Declassify on: OADR

DECLASSIFIED
NLRRF06-114/9#10757
BY KML NARA DATE 4/7/2011

42

CDU Statement

The Deputy Party Chairman, Dr. Manfred Woerner [on September 15], issued the following statement on behalf of the CDU/CSU parliamentary factions:

Concerning East-West relations, Dr. Woerner, Chairman of the CDU/CSU faction, stated:

The tensions and differences between Europe and the United States of America over the gas pipeline and East-West trade must be overcome by forward-looking initiatives. The Federal Republic must make a contribution to the discovery of a way out of the dilemma posed by economic relations with the Soviet Bloc. The West also must finally unite, in the economic system, upon a common and reliable strategy of flexible responses. We ask that the Federal Government develop such an initiative without delay. Its purpose should be:

- To give strong recognition to the justified political and security interests of all Alliance partners.
- To make possible concerted and decisive coordination of common East-West economic policies; and
- To clarify the special role which our economic relations to the Soviet Union and its East European allies play in the development of an East-West relationship compatible with the necessities of an active maintenance of peace.

A five-point comprehensive proposal should be addressed to the United States concerning future common behavior in East-West trade:

1. On the condition that the Soviet Union
 - is prepared to behave in a responsible, conflict-limiting fashion in world affairs;
 - is prepared to observe international human rights agreements;
 - is prepared for strengthened cooperation in efforts toward effective and verifiable arms control and disarmament;
 - is prepared to accept step-by-step dismantling of the economic barriers in Europe, and to display fundamental willingness to build economic relations with the Soviet Union and the East European state-trading countries.
2. There should be responsible political and economic treatment of guarantees and credits, especially the issuance of credits according to market terms only.

3. There should be further limitations on the transfer of highly developed technology in the context of COCOM negotiations, especially reliable controls on second-party transfers of technologies having military uses.

4. There should be established permanent consultative and information organs concerning questions of East-West trade in the Atlantic Alliance context.

5. There should be a common reaffirmation of the NATO Council decision of January 11, 1982, concerning economic measures of alliance partners against the use of force in Afghanistan and Poland.

Such a five-point initiative should be discussed by the Foreign Ministers of the European Community as well as at the informal meeting of NATO Foreign Ministers in Canada on October 2 - 3. Through such guidelines and unequivocal decisions, the resolutions of the Council of Europe, the Versailles Economic Summit and the Bonn and NATO Summits can be given concrete content and can be supported by all Atlantic partners.

ITEM RETURNED
TO NISC

SECRETARIAT

IN APRIL 1987

Log # TCS 2922/82 22sep82

109512-17

~~109512-17~~

~~SECRET~~

FILE - ~~SAUNCTIONS~~
ALLIES
[PIPELINE]
10762

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02 SECSTATE WASHDC 1552 DTG: 251312Z SEP 82 PSN: 047252
EOB497 AN008119 TOR: 268/1324Z CSN: EHA890

DISTRIBUTION: BALLY-01 BLAR-01 STER-01 GAFF-01 SIGU-01 GUHN-01
KRAM-01 LEVN-01 LAUX-01 NAU-01 PIPE-01 TYSN-01
WEIS-01 ROBN-01 MUER-01 BOV-01 /016 A2

WHSR COMMENT: NODIS

WHTS ASSIGNED DISTRIBUTION:
SIT: MCF WHLR JP VP SIT EOB
EOB:

OP IMMEDIATE /PRIORITY
DE RUEHC #1552/01 2681323
O P 251312Z SEP 82 ZFF6
FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE 2943
AMEMBASSY ROME IMMEDIATE 8599
AMEMBASSY BONN IMMEDIATE 5613
AMEMBASSY BRUSSELS IMMEDIATE 2906

INFO AMEMBASSY TOKYO PRIORITY 0170
WHITE HOUSE PRIORITY 8087

~~SECRET~~ SECTION 01 OF 02 STATE 271552

NODIS
BRUSSELS ALSO FOR USEC
E. O. 12356: DECL: OARD
TAGS: EEWT
SUBJECT: MEETINGS WITH THE FIVE ON SANCTIONS-RELATED
ISSUES

REF: STATE 263795

1. ~~SECRET~~ ENTIRE TEXT.

2. WHETHER OR NOT A MULTILATERAL MEETING WITH THE ALLIES ON SANCTIONS-RELATED AND OTHER EAST/WEST ISSUES MATERIALIZES, THESE WILL BE KEY TOPICS FOR THE SECRETARY'S --- BILATERAL AND OTHER MEETINGS AT THE MARGINS OF THE UNGA. AN NSC MEETING, SEPTEMBER 22, APPROVED THE APPROACH TO BE TAKEN BY THE SECRETARY. COUNSELOR BUCKLEY SEPARATELY CALLED IN, SEPTEMBER 23, WASHINGTON AMBASSADORS (U.K., FRG, FRANCE, ITALY) IN ORDER TO PREPARE THE GROUND FOR THE NEW YORK BILATERALS. THIS CABLE REPORTS ON THOSE CALLS.

3. THE COUNSELOR INFORMED EACH AMBASSADOR THAT THE PRESIDENT REAFFIRMED, IN THE NSC MEETING, HIS STRONG CONCERN THAT PRESSURE BE MAINTAINED ON THE SOVIETS, AND HIS WILLINGNESS TO CONSIDER ALTERNATIVE TACTICS THAT WOULD PRODUCE EQUAL OR GREATER PRESSURE, SHOULD THE ALLIES SO PROPOSE. MR. BUCKLEY TRACED THE ORIGIN OF U. S. OIL-AND GAS-RELATED SANCTIONS FROM THE 1978 SOVIET DISSIDENT INCIDENTS, THROUGH THE INVASION OF AFGHANISTAN, INTO THE PRESENT POLISH SITUATION. AFTER ASKING THE AMBASSADORS FOR THEIR PERSPECTIVE ON NEW YORK, THE COUNSELOR OUTLINED U. S. VIEWS ON SANCTIONS AND LONGER-TERM SOVIET ECONOMIC ISSUES:

-- MULTILATERAL ACTION TO DEPRIVE THE SOVIETS OF SELECTED, HIGH-TECHNOLOGY OIL AND GAS ITEMS WOULD MAKE IT EASIER FOR THE U. S. TO LIFT RETROACTIVE ASPECTS OF ITS

DECLASSIFIED

NLRR E06-114/9 #10762
BY KML NARA DATE 4/7/2011

NODIS

NODIS

NODIS

NODIS

~~SECRET~~

~~SECRET~~

46

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 SECSTATE WASHDC 1552 DTG: 251312Z SEP 82 PSN: 047252

OWN SANCTIONS;

-- WORK ON RESTRAINING CREDIT TO THE SOVIETS HAS STALLED, AND SHOULD MOVE FORWARD, USING OUR PRE-VERSAILLES PROPOSALS AS A BASIS;

-- COCOM NEEDS TIGHTENING AND, ESPECIALLY, IMPROVED ENFORCEMENT; AND

-- WE NEED TO AVOID FUTURE EUROPEAN CONTRACTS FOR SOVIET GAS WHICH COULD DISPLACE NON-SOVIET SUPPLIERS FROM THE 1990'S MARKET.

4. U.K. AMBASSADOR WRIGHT OBSERVED THAT MRS. THATCHER TOOK "NO PLEASURE" FROM THE PRESENT "SPAT IN THE ALLIANCE." THE AMBASSADOR SAW DETENTE AS FOUNDED ON GERMAN AND BERLIN AGREEMENTS, AND THE HELSINKI FINAL ACT. HE SAID THE U.S. SHOULD CONVEY STRONGLY TO EUROPEAN PUBLICS ITS "SERIOUSNESS OF PURPOSE" IN ARMS CONTROL TALKS. WRIGHT CHARACTERIZED THE U.K. AS "ON THE SIDELINES" ON FUTURE ENERGY SOURCING, DUE TO NATIONAL SELF-SUFFICIENCY. WRIGHT QUESTIONED WHETHER SUCH WEIGHTY ISSUES CAN BE AIRED FULLY IN THE TIME AVAILABLE IN NEW YORK.

5. FRG AMBASSADOR HERMES OBSERVED THAT, REGARDLESS OF THE OUTCOME OF THE GERMAN DEMOCRATIC PROCESS, FRG FOREIGN POLICY WOULD REMAIN CONSTANT IN ITS BROAD LINES. IN NEW YORK, HOWEVER, THE FRG REPRESENTATIVE COULD NOT "SPEAK UP AS A FOREIGN MINISTER." THE AMBASSADOR STRONGLY CRITICIZED A RECENT CONGRESSIONAL COMMITTEE ACTION SEEKING TO PARE U.S. TROOP STRENGTH IN THE FRG, EMPHASIZING THAT IT SENT THE "WRONG SIGNAL" TO THE USSR, EUROPEANS AND THE BROADER U.S. PUBLIC. ON FUTURE AVOIDANCE OF SOVIET ENERGY SOURCING, HERMES SAID THE FRG NEEDS "COMPETITIVE SUPPLIERS" AS WELL AS THE AVAILABILITY

OF PRACTICAL ALTERNATIVES. HE RAISED THE "BROADENING CONSEQUENCES" OF U.S. SANCTIONS ENFORCEMENT, INCLUDING IMPACT ON THIRD-COUNTRY FIRMS AND U.S. BUSINESS. THE FRG'S FRAU STEEG HAD BEEN HELPFUL IN TALKS ON CREDIT RESTRAINTS, ALTHOUGH THE FRG DOES NOT ITSELF GIVE "CREDITS." HERMES CLOSED WITH THE OBSERVATION THAT SANCTIONS SHOULD BE "REVERSIBLE" AND, IN THE FRG VIEW, LINKED TO FULLFILMENT OF THE NATO THREE CONDITIONS CONCERNING POLAND.

6. FRENCH AMBASSADOR VERNIER-PALLIEZ,

ATTEMPTED A REBUTTAL OF COUNSELOR BUCKLEY'S POINTS. HE QUESTIONED THE AVAILABILITY OF VIABLE ENERGY
BT

NO
DIS

NO
DIS

NO
DIS

NO
DIS

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02 SECSTATE WASHDC 1552 DTG: 251312Z SEP 82 PSN: 047253
EOB498 AN008120 TOR: 268/1325Z CSN: EHA891

DISTRIBUTION: BALY-01 RYE-01 BLAR-01 STER-01 DEGR-01 GAFF-01
MYER-01 SIGU-01 GUHN-01 KRAM-01 LEVN-01 LAUX-01
NAU-01 PIPE-01 TYSN-01 WEIS-01 LINH-01 ROBN-01
BOV-01 /019 A2

WHTS ASSIGNED DISTRIBUTION:
SIT: MCF WHLR JP VP SIT EOB
EOB:

OP IMMED /PRIORITY
DE RUEHC #1552/02 2681323
O P 251312Z SEP 82 ZFF6
FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE 2944
AMEMBASSY ROME IMMEDIATE 8600
AMEMBASSY BONN IMMEDIATE 5614
AMEMBASSY BRUSSELS IMMEDIATE 2907

INFO AMEMBASSY TOKYO PRIORITY 0171
WHITE HOUSE PRIORITY 8088

~~SECRET~~ SECTION 02 OF 02 STATE 271552

NODIS

BRUSSELS ALSO FOR USEC
ALTERNATIVES, INCLUDING NORWEGIAN GAS, AND SUGGESTED THE
U. S. DEREGULATE ITS OWN NATURAL GAS PRICING TO ELIMINATE
A "BASIC PROBLEM." FRANCE HAS TROUBLE WITH CREDIT
RESTRAINT, BECAUSE OTHER NATIONS CAN OFFER BETTER
NON-SUBSIDIZED INTEREST RATES DUE TO LOWER DOMESTIC RATES
OF INFLATION. WHILE ACCEPTING THAT A REVIEW OF ITEMS ON
THE COCOM CONTROL LIST IS USEFUL, HE CAUTIONED AGAINST
ANY USE OF COCOM FOR A FOREIGN POLICY PURPOSE.
VERNIER-PALLIEZ SAID THE U. S. SHOULD RECOGNIZE IT HAS NO
"REAL LEADERSHIP" IN OIL AND GAS TECHNOLOGIES, EXCEPT
PERHAPS IN THE SHORT TERM OF 3-4 YEARS. (COUNSELOR
BUCKLEY RESPONDED THAT THE U. S. HOPED THE POLISH
SITUATION WOULD BE RESOLVED BY THAT TIME.)

7. ITALIAN AMBASSADOR PETRIGNANI PUT ON DISPLAY AN
IMPRESSIVE UNDERSTANDING OF THE ISSUES, AND CONVEYED
ACCEPTANCE OR OPENMINDEDNESS ON ALL POINTS RAISED BY MR.
BUCKLEY. MOREOVER, PETRIGNANI STRESSED THAT FOREIGN
MINISTER COLOMBO IS MOST ANXIOUS THAT THE PROPOSED
FIVE-FOREIGN MINISTER MEETING IN NEW YORK BE HELD.
COLOMBO WILL BEND HIS SCHEDULE, WITH THESE TALKS HAVING
THE HIGHEST PRIORITY. THERE SHOULD BE NO PRECONDITIONS
FOR TALKS. PETRIGNANI HEARD A "RUMOR" THAT THE EC
COUNCIL OF FOREIGN MINISTERS, SEPTEMBER 20-21 IN
BRUSSELS, AGREED TO THE MULTILATERAL. HE WOULD CHECK
THAT OFFICIALLY WITH ROME, AND GET BACK TO MR. BUCKLEY.
PETRIGNANI CONFIRMED HIS UNDERSTANDING THAT AN
UNDERTAKING OF ALLIED "REVIEW" OF SELECTED OIL AND GAS
ITEMS WOULD MAKE IT EASIER FOR THE U. S. TO MODIFY ASPECTS
OF ITS OWN MEASURES. THE AMBASSADOR VIEWED IT IS "PROPER"
THAT THE EUROPEANS MAKE PROPOSALS, BUT ALSO "PRACTICAL"
TO UNDERSTAND THE U. S. IDEAS. PETRIGNANI WONDERED
WHETHER THERE WOULD BE ENOUGH TIME AVAILABLE IN NEW YORK,
AND OPINED THAT COLOMBO MIGHT WISH ALSO TO DISCUSS
LEBANON, BROADER RELATIONS WITH THE SOVIET UNION, ARMS
CONTROL INCLUDING INF, AND THE NATO MINISTERIAL IN CANADA.

~~SECRET~~

NODIS

NODIS

NODIS

NODIS

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 SECSTATE WASHDC 1552 DTG: 251312Z SEP 82 PSN: 047253

8. COMMENT: IT SEEMED TO US THAT PETRIGNANI WAS NOT ONLY MORE FORTHCOMING, BUT ALSO THE MOST RESPONSIVE TO THE POINTS RAISED BY COUNSELOR BUCKLEY. HE MAY WELL HAVE BEEN THE ONLY AMBASSADOR SPEAKING FROM INSTRUCTIONS, AND THEREFORE HIS REMARKS SEEM MORE SIGNIFICANT. END COMMENT.

9. THE SECRETARY BEGINS HIS DISCUSSIONS THIS WEEKEND AND, THEREFORE, YOU ARE NOT BEING REQUESTED TO DISCUSS THE ABOVE WITH YOUR HOST GOVERNMENTS. WE WOULD, OF COURSE WELCOME ANY INFORMATION YOU CAN PROVIDE REGARDING REACTION OF HOST GOVERNMENTS TO SEPTEMBER 23 BUCKLEY BRIEFINGS. SHULTZ
BT

N
O
D
I
S

N
O
D
I
S

N
O
D
I
S

N
O
D
I
S

~~SECRET~~

~~CONFIDENTIAL~~

PIPELINE 41

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

10763

PAGE 01 OF 02 OSLO 5009 DTG: 011524Z OCT 82 PSN: 055847
EOB833 AN010732 TOR: 274/2100Z CSN: HCE188

DISTRIBUTION: BALY-01 BLAR-01 MYER-01 NAU-01 PIPE-01 WEIS-01
ROBN-01 /007 A3
WHSR COMMENT: CHECKLIST

WHTS ASSIGNED DISTRIBUTION:
SIT: CKLS
EOB:

OP IMMED /ROUTINE
UTS9713
DE RUDKSNQ #5009 2741600
O R 011524Z OCT 82
FM AMEMBASSY OSLO

TO SECSTATE WASHDC IMMEDIATE 5015

INFO AMEMBASSY BONN 3680
AMEMBASSY LONDON 5606
AMEMBASSY PARIS 3181
AMEMBASSY ROME 1729
AMEMBASSY THE HAGUE 1889

DECLASSIFIED

NLRR FOI-114/9 # 10763

BY KML NARA DATE 4/7/2011

~~CONFIDENTIAL~~ OSLO 5009

EXDIS
STATE FOR COUNSELOR JAMES BUCKLEY AND UNDERSECRETARY
EAGELBURGER, FROM AMBASSADOR AUSTAD
E. O.: 12356; DECL: 2/30/12
TAGS: ENRG, UR, NO
SUBJ: THE THREAT TO NORWEGIAN GAS DEVELOPMENT
REFS: (A) OSLO 4691; (B) STATE 272279; (C) PARIS 33072

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. SUMMARY: OUR SOUNDINGS HERE CONTINUE TO SUPPORT THE CONCLUSION THAT CONCERN IS WARRANTED WHETHER NORWAY WILL RECEIVE A HIGH ENOUGH PRICE FOR GAS FROM THE TROLL FIELD TO DEVELOP IT IN TIME TO HAVE IT ON STREAM BY THE MID 1990'S. IF NOT, THIS COULD LEAD TO EVEN GREATER PENETRATION OF THE WESTERN EUROPEAN GAS MARKET BY THE SOVIETS, OVER AND ABOVE THE FIRST STAND OF THE WEST SIBERIAN PIPELINE. SINCE THE TROLL DECISION IS MORE THAN A YEAR OFF, WHAT IS NEEDED NOW IS A CLEAR POLITICAL SIGNAL FROM THE GOVERNMENTS OF THE MAJOR PURCHASING COUNTRIES IN WESTERN EUROPE; THEY SHOULD ACKNOWLEDGE THE NORWEGIAN GOVERNMENT'S RECENT ASSURANCES THAT IT IS WILLING TO BE A MAJOR SUPPLIER OF GAS FOR WESTERN EUROPE IN THE 1990'S, ON COMMERCIAL TERMS, AND THEY SHOULD URGE THEIR COMPANIES TO CONTACT FOR NORWEGIAN GAS TO THE EXTENT IT IS COMMERCIALY FEASIBLE TO DO SO. FURTHERMORE, THESE COMMERCIAL CALCULATIONS SHOULD INCLUDE AN (UNDETERMINED) PREMIUM FOR THE SECURITY OF NORWEGIAN GAS. THIS PUBLIC ACKNOWLEDGMENT, OF WHAT IS PROBABLY THE CASE ANYWAY, COULD SERVE TO: 1) PUT THE SOVIETS ON NOTICE THAT THE ALLIANCE RECOGNIZES ITS SECURITY INTERESTS ARE PARAMOUNT; 2) BOOST NORWEGIAN CONFIDENCE IN THE FACE OF SOFT MARKET PREDICTIONS AND CURRENT UNCERTAINTIES IN MARKETING SLEIPNER GAS (AND SOME GAS FROM MORE MARGINAL FIELDS); AND 3) MAKE AT LEAST A SMALL CONTRIBUTION TO TRANSATLANTIC UNITY AND COOPERATION ON THIS SUBJECT WHEN IT SEEMS MOST NEEDED. ADMITTEDLY, MY PERSPECTIVE HERE IS DIFFERENT, AND I WELCOME COMMENTS FROM MY COLLEAGUES AND THE DEPARTMENT'S VIEWS. END SUMMARY.

3. NORWEGIAN OFFICIALS CONTINUE TO REPEAT -- AND EVEN EXPAND UPON -- WILLOCH'S ASSURANCES (IN AUGUST) THAT NORWAY IS CAPABLE AND WILLING TO BE A MAJOR SUPPLIER OF GAS TO WESTERN EUROPE IN THE 1990'S, ON COMMERCIAL TERMS. HE AND HIS FOREIGN

~~CONFIDENTIAL~~

EXDIS

EXDIS

EXDIS

EXDIS

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 OSLO 5009

DTG: 011524Z OCT 82 PSN: 055847

EXDIS

POLICY ADVISOR, KJELL COLDING, HAVE POINTED OUT THIS WILL MEAN LESS DEPENDENCE BY WESTERN EUROPE ON OUTSIDE SUPPLIERS. STATE SECRETARY FOR FOREIGN AFFAIRS EIVINN BERG HAS PUT THE CASE EVEN STRONGER. IN ADDITION, THE EUROPEAN MOVEMENT (A CONSERVATIVE, PRO-EC GROUP FAVORING CLOSER POLITICAL TIES) HAS NOW PUBLISHED A REPORT WHICH URGES USING GAS AND OIL AS A TOOL FOR CLOSER POLITICAL COOPERATION WITH THE EC, AND CONCLUDES THAT FOREIGN AND SECURITY INTERESTS SHOULD BE MORE IMPORTANT FACTORS IN ENERGY POLICY THAN THEY HAVE BEEN. FOREIGN MINISTER SVENN STRAY, FORMER CHAIRMAN OF THE MOVEMENT, AGREES. AND FINN SOLLIE, DIRECTOR OF THE FRIDTJOF NANSEN (ARCTIC RESEARCH) INSTITUTE, REITERATED THESE THOUGHTS TO THE ATLANTIC ASSEMBLY HERE LAST WEEK.

EXDIS

4. WE ARE TOLD THAT THE FRG EMBASSY HERE REPORTED THE SIGNIFICANCE OF WILLOCH'S SPEECH TO BONN, AND ITALIAN FORMIN COLOMBO MUST HAVE BEEN BRIEFED ON IT BEFORE HIS VISIT. FROM MY PERSPECTIVE HERE IN OSLO, IT SEEMS THAT IT IS NOW TIME FOR THE WESTERN EUROPEAN CONSUMING COUNTRIES TO INDICATE PUBLICLY THAT THEIR SECURITY INTERESTS WILL WEIGH HEAVILY IN THEIR DECISIONS ON GAS SUPPLIES.

5. I RECOGNIZE THAT WEST EUROPEAN GAS PURCHASES ARE MADE BY COMPANIES WHICH OPERATE, IN VARYING DEGREES, AT ARMS LENGTH FROM THEIR GOVERNMENTS. FURTHERMORE, THE NORWEGIANS ARE REMEMBERED FOR HAVING STRUCK A VERY HARD BARGAIN FOR STATFJORD GAS: THEY WILL UNDOUBTEDLY TRY TO GET TOP PRICE FOR SUPPLIES FROM TROLL.

EXDIS

6. NEVERTHELSS, I BELIEVE IT MIGHT BE USEFUL IF THE MAJOR CONSUMER GOVERNMENTS COULD, AT AN APPROPRIATE TIME IN THE NEAR FUTURE, EXPRESS THEIR DESIRE TO PURCHASE GAS FROM NORWAY WHENEVER COMMERCIALY FEASIBLE. EVERYONE WE HAVE TALKED TO, INCLUDING THE FRG EMBASSY, TELLS US RUHRGAS WILL PAY A PREMIUM FOR NORWEGIAN GAS. THE ONLY QUESTION IS THE AMOUNT. IT SEEMS

TO ME THAT GOVERNMENTS SHOULD ALSO ACKNOWLEDGE THIS PREMIUM, WITHOUT ANY ATTEMPT TO QUANTIFY IT. BY SO DOING, WE WILL HAVE THE SOVIETS WORKING AGAINST SOME ODDS TO SELL THEIR GAS, NOT THE NORWEGIANS. IF THE REFERENCES TO NORWEGIAN GAS ARE APPROPRIATELY FORMULATED, WE COULD PERHAPS BOOST NORWEGIAN CONFIDENCE IN MARKETING TROLL GAS (AND SPEED UP DEVELOPMENT DECISIONS), BUT AVOID MAKING NORWAY OVERCONFIDENT ABOUT HOW MUCH IT CAN OBTAIN FOR THE "SECURITY FACTOR."

EXDIS

7. MOST IMPORTANTLY, AT A TIME WHEN TRANS-ATLANTIC TIES ARE STRAINED OVER THE SUBJECT OF WESTERN EUROPEAN GAS SUPPLIES, ANY EXPRESSION OF AGREEMENT ON THE TOPIC BY THE FOUR EUROPEAN COUNTRIES MOST INVOLVED COULD GO FAR IN CONVEYING TO THE MEDIA AND TO OUR PUBLICS THAT WE IN THE ALLIANCE ARE LOOKING TO THE FUTURE, NOT THE PAST. AUSTAD
BT

~~CONFIDENTIAL~~

PIPELINE 51
10764

DECLASSIFIED

~~SECRET~~

NLRR F06-114/a #10764

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

BY KML NARA DATE 4/7/2011

PAGE 01 OF 02 AMCONSUL MARSEILLE 0823 DTG: 071530Z OCT 82 PSN: 008552
EOB221 AN001723 TOR: 281/1416Z CSN: HCE424

DISTRIBUTION: BALY-01 BLAR-01 MYER-01 NAU-01 PIPE-01 WEIS-01
ROBN-01 /007 A3

DISTRIBUTION: ISEC-01 WEIS-00 ROBN-00 YAMA-00 /001 A3

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

EXDIS

OP IMMED
UTS8070
DE RUFHFRM #0823/01 2801600
O 071530Z OCT 82 (ON SVC BY WHCOMCEN)
FM AMCONSUL MARSEILLE

TO SECSTATE WASHDC IMMEDIATE 3001

INFO AMEMBASSY PARIS IMMEDIATE 3792
AMEMBASSY LONDON IMMEDIATE 389
AMEMBASSY MOSCOW IMMEDIATE 22

EXDIS

~~SECRET~~ SECTION 1 OF 2 MARSEILLE 823

EXDIS
PARIS ONLY FOR AMB, DCM, POL COUNS, ECON COUNS, OSA
E.O. 12356: DECL: OADR
TAGS: PEPR, PINS, FR, UK, UR
SUBJ: WEST-SIBERIAN GAS PIPELINE

EXDIS

1. ~~(S-ENTIRE~~ ENTIRE TEXT).
2. CONGEN PRIVY TO FOLLOWING INSTRUCTIONS, OBTAINED FROM RELIABLE LOCAL SOURCE, WHICH WERE CABLED ON OCTOBER 6 TO CERTAIN POSTS BY HER MAJESTY'S GOVERNMENT. INSTRUCTIONS REFLECT U.K. VIEWS ON WEST SIBERIAN GAS PIPELINE ISSUE AND RECEIVED MORNING OF OCTOBER 7 BY UK CONGEN MARSEILLE (PROTECTED SOURCE).
BEGIN VERBATIM TEXT
WEST-SIBERIAN GAS PIPELINE

EXDIS

3. ON 29 DECEMBER 1981, IN RESPONSE TO THE IMPOSITION OF MARTIAL LAW IN POLAND, THE US ADMINISTRATION ANNOUNCED SELECTED ECONOMIC MEASURES TOWARDS THE USSR, INCLUDING WIDER EXPORT CONTROLS ON US ORIGIN OIL AND GAS EQUIPMENT AND TECHNOLOGY. ON 18 JUNE 1982, THE US ADMINISTRATION EXTENDED THESE MEASURES TO COVER EXPORTS BY OVERSEAS LICENCEES AND SUBSIDIARIES OF US COMPANIES. THE MAIN PROJECT IMMEDIATELY AFFECTED IS THE WEST-SIBERIAN GAS PIPELINE FOR WHICH FIRMS, INCLUDING US SUBSIDIARIES IN THE UK, WEST GERMANY, ITALY AND FRANCE ARE SUPPLYING, SOME USING US COMPONENTS, TECHNOLOGY OR LICENCES. THE UNILATERAL, RETROACTIVE, AND EXTRATERRITORIAL NATURE OF THE ACTION TAKEN BY THE US ADMINISTRATION HAS CAUSED CONCERN IN THE EUROPEAN COMMUNITY AS A WHOLE.
LINE TO TAKE

4. HMG BELIEVE THAT THE DISPUTE MUST BE RESOLVED AS SOON AS POSSIBLE BECAUSE OF THE DAMAGE IT IS CAUSING TO BRITISH AND EUROPEAN COMPANIES AND THE WESTERN ALLIANCE. THE GOVERNMENTS INVOLVED SHOULD DO THEIR BEST NOT TO AGGRAVATE THE PROBLEM, BUT TO HANDLE IT IN A MEASURED WAY. AT SOME STAGE A MEETING OF THE FIVE FOREIGN MINISTERS MOST IMMEDIATELY INVOLVED WOULD BE USEFUL. BUT THIS CAN HAPPEN ONLY WHEN ALL FIVE AGREE THAT IT IS TIMELY. WE BELIEVE THAT WE SHOULD WORK ON TWO LEVELS IN SEEKING TO DEFUSE THE PROBLEM:

- (1) WE SHOULD SEEK A CLEARER CONCLUSION ABOUT HOW EAST/WEST

~~SECRET~~

52

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 AMCONSUL MARSEILLE 0823 DTG: 071530Z OCT 82 PSN: 008552

ECONOMIC RELATIONS SHOULD BE HANDLED IN THE WEST'S OVERALL APPROACH TO THE EAST,

(II) AGAINST THIS BACKGROUND THERE SHOULD BE A DETAILED EXAMINATION IN THE APPROPRIATE FORA OF HOW THE DIFFERENT ELEMENTS OF EAST/WEST ECONOMIC RELATIONS BEST SERVE THAT STRATEGY.

WE BELIEVE THAT THIS APPROACH IS GENERALLY SHARED BY ALL THE GOVERNMENTS CONCERNED. THERE WILL NEED TO BE FURTHER REFLECTION IN CAPITALS, AND FURTHER OPPORTUNITIES FOR INFORMAL DISCUSSION AT VARIOUS MEETINGS, FOR PROGRESS TO BE MADE.

5. THE SIGNIFICANCE OF THE DISPUTE SHOULD NOT BE OVERSTRESSED. THE DIFFERENCE BETWEEN THE AMERICANS AND THE EUROPEANS OVER THE PIPELINE IS FUNDAMENTALLY A DIFFERENCE OF PERCEPTION ABOUT HOW BEST TO ACHIEVE A MUTUALLY AGREED END. WE FEEL AS STRONGLY AS THE AMERICANS ABOUT SOVIET COMPLICITY IN THE IMPOSITION OF MARTIAL LAW IN POLAND. BUT THE US ATTEMPT TO SHOW DISPLEASURE ABOUT THE POLISH SITUATION BY PREVENTING THE EXPORT OF OIL AND GAS TECHNOLOGY TO THE SOVIET UNION IS MORE DAMAGING TO THE WEST EUROPEAN ALLIES THAN TO THE RUSSIANS, PARTICULARLY SINCE THE RUSSIANS WOULD ALMOST CERTAINLY FIND WAYS OF COMPLETING THE PIPELINE IF ALL WESTERN SUPPLIES STOPPED NOW.
BT

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL MESSAGE CENTER

PAGE 01 OF 02 AMCONSUL MARSEILLE 0823 DTG: 071530Z OCT 82 PSN: 008543
EOB217 AN001724 TOR: 281/1417Z CSN: HCE425

DISTRIBUTION: BALY-01 BLAR-01 MYER-01 NAU-01 PIPE-01 WEIS-01
ROBN-01 /007 A3

DISTRIBUTION: ISEC-01 /001 A3

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

OP IMMED
STU6526
DE RUFHFRM #0823/02 2801600
O 071530Z OCT 82
FM AMCONSUL MARSEILLE

TO SECSTATE WASHDC IMMEDIATE 0000

INFO AMEMBASSY PARIS IMMEDIATE 3793
AMEMBASSY LONDON IMMEDIATE 390
AMEMBASSY MOSCOW IMMEDIATE 23

~~SECRET~~ SECTION 2 OF 2 MARSEILLE 823

EXDIS
PARIS ONLY FOR AMB, DCM, POL COUNS, ECON COUNS, OSA
BACKGROUND

6. WE HAVE FOUND THE US MEASURES OF BOTH DECEMBER AND JUNE OBJECTIONABLE ON TWO QUITE SEPARATE COUNTS. FIRST, THEY PURPORT TO EXTEND US JURISDICTION BEYOND THE BORDERS OF THE UNITED STATES TO CONTROL DIRECTLY THE ACTIVITIES OF COMPANIES IN OTHER COUNTRIES, EITHER ON THE GROUNDS THAT THOSE COMPANIES ARE CONTROLLED BY US INTERESTS, OR BECAUSE THEY ARE USING US COMPONENTS OR TECHNOLOGY. THE UK HAS FOR MANY YEARS TAKEN THE LEAD IN ARGUING AGAINST US ATTEMPTS TO EXERCISE JURISDICTION EXTRATERRITORIALLY AND THIS CASE IS THE LATEST IN A LONG LINE, ALTHOUGH ONE OF THE MOST SERIOUS. SECOND, BOTH SETS OF MEASURES HAVE RETROACTIVE EFFECT AND INTERFERE WITH EXISTING CONTRACTS WHICH WERE ENTERED INTO IN GOOD FAITH WITH THE SOVIET UNION BY BRITISH AND EUROPEAN COMPANIES. HMG AND THE GOVERNMENTS OF FRANCE, WEST GERMANY AND ITALY, HAVE FOUND BOTH THESE CONSEQUENCES UNACCEPTABLE. THERE IS NO BASIS IN INTERNATIONAL LAW FOR THE US CLAIM TO BE ABLE TO EXERCISE EXTRATERRITORIAL JURISDICTION IN THIS CASE. EQUALLY WE BELIEVE THAT EXISTING CONTRACTS SHOULD BE EXEMPTED FROM SANCTIONS (EXCEPT AGAINST THE BACKGROUND OF ACTUAL HOSTILITIES) AS AGREED IN NATO LAST YEAR. OTHER OBJECTIONS ARE THAT THE US MEASURES ARE:

- UNILATERAL: THE ALLIES SHOULD CONSULT AND ACT TOGETHER,
- INEFFECTIVE: THE PIPELINE WILL BE BUILT ANYWAY FROM NON-NATO SOURCES (THE RUSSIANS ARE USED TO IMPROVISING). THE MEASURES WILL NOT ADVANCE RECONCILIATION IN POLAND,
- MORE DAMAGING TO ALLIES THAN RUSSIANS: THE POLITICAL RIFT IN THE ALLIANCE HAS ONLY BENEFITTED MOSCOW.

7. FOLLOWING THE US ACTION, THE BRITISH AND EUROPEAN GOVERNMENTS TOOK STEPS WHERE POSSIBLE TO ENSURE THAT THEIR COMPANIES COULD COMPLY WITH EXISTING AND LEGALLY BINDING CONTRACTUAL OBLIGATIONS. SECTION 1 OF THE PROTECTION OF TRADING INTERESTS ACT 1980 PROVIDES HMS WITH SUCH POWERS. THE SECRETARY OF STATE FOR TRADE HAS GIVEN DIRECTIONS UNDER SECTION 1 (3) OF THE ACT TO SPECIFIC COMPANIES CONCERNED NOT TO COMPLY WITH THE US MEASURES. TO DATE SIX COMPANIES HAVE BEEN SO DIRECTED, INCLUDING JOHN BROWN ENGINEERING.

8 THE US ADMINISTRATION HAS REACTED TO THESE STEPS BY ANNOUNCING 'TEMPORARY DENIAL' ORDERS PROHIBITING THE EXPORT OF ALL US OIL AND GAS EQUIPMENT, SERVICES AND RELATED TECHNOLOGY TO

~~SECRET~~

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 AMCONSUL MARSEILLE 0823 DTG: 071530Z OCT 82 PSN: 008543

JOHN BROWN ENGINEERING AND THREE OF ITS SUBSIDIARIES, AND TO THREE OF THE EUROPEAN COMPANIES INVOLVED. FURTHER SUCH ORDERS AGAINST OTHER COMPANIES SHIPPING FOR THE PIPELINE ARE EXPECTED. IT IS NOT KNOWN HOW DAMAGING THESE TEMPORARY DENIAL ORDERS WILL BE, BUT THE WORLD WIDE ACTIVITIES OF THE COMPANIES CONCERNED WILL CERTAINLY BE AFFECTED.

PYM
END VERBATIM TEXTSACCHET
BT

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~