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# WITHDRAWAL SHEET

## Ronald Reagan Library

Collection: BAILEY, NORMAN: FILES

Archivist: cas

FOIA ID: F99-078 Zuber

File Folder: East - West (Sep 82 - Sep 83) (9/9) Box 5

Date: 9/12/2000

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	Richard Pipes to Wm. Clark re CDU statement (6583) 1 p. R 5/30/06 F99-078/1 #149	9/21/82	P1, F1
2. minutes	9/22/82 NSC meeting (90752) 5 p. R " " #150	9/22/82	P1, F1
3. memo	Roger Robinson, Blair to Clark re follow up to NSC meeting (90756) 2 p. R 9/25/02 F99-078/1 #151	9/23/82	P1, F1
4. memo	Clark to Malcolm Baldridge re your memorandum to 9/21/82 1 p. R " " #152	nd	P1, F1
5. memo	Clark to George Shultz re NSC meeting 1 p. R 5/30/06 F99-078/1 #153	nd	P1, F1
6. paper	attachment to item # 5 3 p. R " " #154	9/15/82	P1, F1
7. minutes	same text as item # 2 5 p. R " " #155	9/22/82	P1, F1
8. report	re West - East Germany 1 p. D 3/11/02 F99-078/1 #156	nd	P1, F1, B3
9. memo	Baldridge to the President thru APNSA re sanctions against the Soviet Union 3 p. D 3/22/02 F99-078/1 #157	9/21/82	P1, F1 B2, B7(c)
10. memo	Donald Reagan to Clark re 9/16 meeting of the SIG-IEP 2 p. R 8/6/01 F99-078/1 #158	9/21/82	P1, F1
11. minutes	of the 9/16/82 SIG-IEP 3 p. PART 5/30/06 F99-078/1 #159	9/16/82	P1, F1 B3

### RESTRICTIONS

P-1 National security classified information [(a)(1) of the PRA].  
P-2 Relating to appointment to Federal office [(a)(2) of the PRA].

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

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

F-1 National security classified information [(b)(1) of the FOIA].  
F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].  
F-3 Release would violate a Federal statute [(b)(3) of the FOIA].  
F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].  
F-5 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(5) of the FOIA].  
F-6 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].  
F-7 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].  
F-8 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

# WITHDRAWAL SHEET

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Collection: BAILEY, NORMAN: FILES

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File Folder: East - West (Sep 82 - Sep 83) (9/9) Box 5

Date: 9/12/2000

ITEM	SUBJECT	DATE	RESTRICTIONS
12. memo	same text as item #9 3 p. D 3/22/01 F99-078/1 #160	9/21/82	P1, F1 BZ, b7c)
13. memo	Bailey to Clark re embargo 1 p. (6281) R 5/30/06 F99-078/1 #161	9/17/82	P1, F1
14. memo	Clark to the President re embargo 1 p. R " " " #162	nd	P1, F1
15. memo	Bailey to Clark re embargo 1 p. R " " " #163	9/9/82	P1, F1

### RESTRICTIONS

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Bailey

## MEMORANDUM

## NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

September 21, 1982

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.

*mb* Norman Bailey, Dennis Blair and Roger *Robinson* concur.

## Attachment:

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

~~CONFIDENTIAL~~

Declassify on: OADR

DECLASSIFIED

NLS F99-078/1 #149BY WJ NARA, DATE 5/30/06

## 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.

~~CONFIDENTIAL~~

*Bailey*

MW

MEMORANDUM

System II  
90752

NATIONAL SECURITY COUNCIL

September 23, 1982

~~CONFIDENTIAL~~  
~~with SECRET ATTACHMENT~~

INFORMATION

NOTED

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NB*

SUBJECT: Minutes of the September 22, 1982 NSC Meeting  
on Pipeline Sanctions

Attached at Tab I are the minutes of the NSC meeting of September 22, 1982 on pipeline sanctions.

Attachment  
Tab I Minutes

cc: Roger Robinson  
Richard Pipes  
Dennis Blair  
Henry Nau

DECLASSIFIED

White House Guidelines, August 29, 1997  
By CAS NARA, Date 9/12/00

~~CONFIDENTIAL~~  
~~with SECRET ATTACHMENT~~

~~CONFIDENTIAL~~

~~SECRET~~

~~SECRET~~

System II  
90752

NATIONAL SECURITY COUNCIL MEETING

DATE, TIME

AND PLACE:

September 22, 1982, 10:30  
Cabinet Room

SUBJECT:

Pipeline Sanctions

PARTICIPANTS:

The President

State

Secretary George P. Shultz

OPD

Mr. Roger Porter

OSD

Secretary Caspar W. Weinberger  
Deputy Secretary Frank C. Carlucci

CEA

Mr. William Niskanen

Treasury

Secretary Donald T. Regan  
Mr. Marc E. Leland

JCS

General Jerome F. O'Malley

Commerce

Secretary Malcolm Baldrige

White House

Mr. Edwin Meese III  
Mr. James A. Baker III  
Mr. Richard G. Darman  
Judge William P. Clark  
Mr. Robert C. McFarlane  
Admiral John M. Poindexter

CIA

Mr. John McMahon

The Vice President's Office

Mr. Donald Gregg

USUN

Ambassador Jeane J. Kirkpatrick

NSC

Mr. Norman Bailey

USTR

Ambassador William E. Brock

OMB

Dr. Alton Keel

Minutes

Deputy Secretary Carlucci reported on Senate action on missile basing. At this point, we have the basing decisions we want in committee. Senator Stevens has been recalcitrant and will create problems on the floor.

Judge Clark presented the agenda items.

Secretary Baldrige reported on the rules being followed in connection with sanction violations. Temporary denial orders (TDO's) are being

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Classified by William P. Clark

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NLS F99-078/1 #150

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BY

LOT, NARA, DATE 5/30/06

issued against alleged violators, whether the violation was a company decision or taken under governmental duress. They are also applied to subsidiaries and affiliates where appropriate. TDO's do not extend to non-oil and gas related items. We are getting many requests for exceptions on hardship grounds, such as the Sensor case where a Dutch court has ordered the company to ship. Unintended effects cases are also coming in, such as a case preventing supply for an Australian pipeline. He said there should not be any exceptions at this time -- it would represent opening Pandora's box. But after Secretary Shultz has had his meetings in New York, we should consider refining the rules. If equipment or technology is for free world projects, if significant hardships are being imposed on innocent third parties and if the project involved reduces energy dependency on the Soviet Union, we should examine a change in rules.

Secretary Regan mentioned that there will be political fallout because of lost jobs in the U.S. Many of the products involved are interchangeable so that effects are mainly on U.S. companies. He agreed with Secretary Baldrige's recommendation, but the domestic implications should not be overlooked.

The President: We want to hurt the Soviets. Are we stopping an Australian pipeline?

Secretary Baldrige: It might be delayed. But we should not make exceptions now. One exception leads to another.

Judge Clark: Ambassador Hermes (of West Germany) said last night that they don't agree with the sanctions, but you (the President) should not show vacillation now.

Ambassador Brock: A number of Europeans have told me that if all of this leads to greater allied unity, it was worth doing. But we are on extremely weak legal grounds if our actions are seen as punitive rather than deterrent. How is a pipeline in Australia a deterrent? We must be very precise about the standards on which we make our decisions.

The President: Can't we buy from Caterpillar and others?

Secretary Weinberger: We do. We even have increased purchases from John Brown. But I'm disturbed at Europeans being unwilling to meet. I support Secretary Baldrige's recommendation.

Secretary Shultz: Procedurally, you authorized discussions with the Europeans if they wanted to have a meeting. Foreign Secretary Pym asked for a meeting. I accepted. Since then they have had trouble getting together -- the British, Germans and Italians want to have a meeting. The French believe if they wait we will fold. We have maintained the posture that we will meet, but they shouldn't believe we're looking for a way out. We're looking for a better

approach to East-West economic relations. The British, Germans and Italians understand this. The French don't yet. I have meetings set up in New York. The first is with Cheysson next Sunday. At some point, they will probably decide on a joint meeting. They will have to take the initiative. If we move from the pipeline to the broader issues of East-West economic relations, we must involve the Japanese and perhaps also the Canadians, at least on a parallel track. I have to play with the situation as it emerges. There must be room for maneuvering and exploration.

We should aspire to a strengthening of COCOM controls, a list revision and a firming of the process of policing. The question of insufficient funds must be addressed.

Secondly, credit restraints on the Soviet Union must be addressed. It is easier to persuade people now not to be too liberal on international lending. It is difficult to police and define. We need to emphasize both substance and procedure. The deals are very complex.

Thirdly, we must try to get agreement on not selling certain key oil and gas technologies and equipment to the USSR. U.S. companies control a major portion of this material, so the Europeans can't say we're being unfair. One possibility might be no government guaranteed credit for this material.

Finally, there is concern over the Soviets taking a bigger share of market than implied by the first pipeline. The temptation is there to go ahead and gain a much higher percent of the European market. We must reserve space in the market for additional Norwegian North Sea gas. There have been changes in attitude in Norway due to changed market conditions. We are considering an interesting combination of Dutch/Norwegian gas in the future.

The British don't want to discuss this without discussing food exports to the USSR. We should reply that our policy is no subsidized sales of American grain. There is no all-out trade war planned -- we're talking about European vulnerability. The Europeans are out of their minds to put themselves in the position of reliance on Soviet energy they are moving towards.

As I told Geoffrey Howe, they're not offering us something. This is an alliance -- we see Soviet behavior, technology transfer and other unacceptable actions. Let's get together and decide what to do about it. The whole atmosphere is cockeyed now.

Secretary Weinberger: We are in full and total agreement on this matter. We are not trying to wriggle out of the sanctions.

The President: I have no quarrel with this exposition.

Secretary Regan: What if something happens in Poland -- have we come to grips with this problem?

The President: Our pipeline position has to do with European exposure. Poland gave us a reason to act. There is more at stake here than Poland.

Secretary Shultz: The political, strategic and economic factors are related. We will not alter the sanctions until we see moves by the USSR. We will stick to our positions. We can't fall off on COCOM and other things. We must move to a strategic posture not necessarily related to Poland.

Ambassador Brock: We must separate what we hope to achieve strategically from the sanctions per se which are related to Poland.

Secretary Baldrige (to the President): You have said that if the three conditions were met we would lift sanctions.

The President: Yes.

Secretary Shultz: Even if the conditions are fulfilled and we lift sanctions, we still want to do these things.

Mr. Baker: But by agreement, not unilateral sanctions.

Secretary Shultz: Any measure will be much stronger if taken with allied agreement.

Ambassador Kirkpatrick: We hope for improvement in Poland. I was in France and the French press thinks our legal position is stronger and our companies' licensing contracts more important than we do. But there is confusion on our motivations. Our policy must be made clear.

Judge Clark: We were opposed to the pipeline before the declaration of martial law. Favorable developments in Poland would lead to a review of the sanctions, but the issue is broader.

Secretary Regan (to Secretary Shultz): Be careful. The OECD consensus rates are now at the top of the range and may have to be negotiated downwards.

Secretary Shultz: We must move with the market.

Secretary Baldrige: The sanctions were imposed because of Poland. We must not be ambiguous. We want other things, of course. But we are giving the allies leadership on high moral grounds on Poland, not to force our allies to do things they don't want to do. Sanctions

are a means to an end, not an objective in and of themselves.

The President: This is what we indicated at the Summit. The Europeans should go quietly to the USSR and put on the pressure. But they did not agree. We must stick to our position that the sanctions are related to Poland.

Judge Clark: Please review the press guidance.

Secretary Weinberger: "No" movement, not "sufficient" movement (the text was changed).

Secretary Bladrige: Just a final word to emphasize that the measures we have taken are preventive, not punitive. If asked why they are not effective, we should say they represent only the tip of the iceberg so far.

The President: President Roosevelt called for a quarantine on Germany in 1939. He had his brains kicked out. What would history have been like if he had been listened to?

Judge Clark: Thank you, Mr. President.

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MEMORANDUM

System II  
90756

NATIONAL SECURITY COUNCIL

September 23, 1982

~~SECRET~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER W. ROBINSON/DENNIS BLAIR

SUBJECT: Follow-up to NSC Meeting on  
September 22, 1981

It is essential that we take advantage of the positive consensus developed in the NSC meeting of September 22 to consolidate the Administration's positions on the two issues addressed: (1) guidelines and timing of potential exceptions to our temporary denial orders and (2) prioritized U.S. positions for UNGA discussions with the Europeans to respond to expected allied questions concerning U.S. objectives. As you know, over the past month, we have had to exercise continuous "last minute" efforts to preserve the integrity and direction of this policy in order to ensure a success for the President. The proposed Buckley mission to Europe earlier this month and the mandate given Commerce at the SIG-IEP on September 16 to immediately take action on exceptions (three computer-service companies were actually telephoned that evening) are examples of two narrowly averted problems of extremely serious proportion. We now have an opportunity to put this delicate stage of our policy on a solid footing and anticipate and preempt the next unnecessary interagency debates of this kind.

The proposed memo from you to Secretary Baldrige (Tab I) clearly sets forth the specific juncture of negotiations with the Europeans when the President would deem consideration of exceptions appropriate. Establishing a specific "stage" of discussions could be used by Secretary Shultz as a significant lever in bringing the concerned countries to the table, including the French. This approach also avoids the expected confusion at Commerce over whether the mere fact of the discussions that Secretary Shultz is scheduled to have in New York constitute "sufficient" grounds to go forward with exceptions. In our view, these discussions are preliminary and not sufficient.

The second proposed memo from you to Secretary Shultz (Tab II) was recommended by John Poindexter as the most suitable way to provide the President's thinking on U.S. objectives and the

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NLS F99-078/1 #151

~~SECRET~~

BY

NARA, DATE 9/25/02

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priority of those objectives while still providing the Secretary with the necessary latitude to conduct negotiations in the fashion which he deems appropriate. By this memo, with copies to other Cabinet players, we minimize the chances of continuing to offer different opinions to the Europeans concerning "what the U.S. wants" leading to hardened European positions which do not measure up to U.S. expectations.

RECOMMENDATION:

That you sign the memos at Tabs I and II to Secretaries Baldrige and Shultz, respectively,

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Henry Nau and Norman <sup>W</sup>Bailey concur.

Attachments

Tab I      Memo to Baldrige  
Tab II     Memo to Shultz

~~SECRET~~

DECLASSIFIED  
NLS F99-0781 #152  
BY CLS NARA, DATE 9/25/02 THE WHITE HOUSE  
WASHINGTON

~~SECRET~~

MEMORANDUM FOR THE HONORABLE MALCOLM BALDRIGE  
The Secretary of Commerce

SUBJECT: Your Memorandum of September 21, 1982, on  
Sanctions Against the USSR

The President appreciated your review of the exceptions issue in the NSC meeting on September 22. I think all agencies are in agreement with your assessment that no exceptions should be considered until we have achieved substantial progress in negotiations with our Allies. For example, after discussions have taken place with the concerned countries and agreement is reached to work toward unified positions on the key areas of East-West economic relations of interest to the United States, we can then consider taking the kind of actions outlined in your September 21 correspondence. We would want to ensure that these exceptions are related to our effort to forge consensus positions with the allies on an alternative package of East-West economic policies.

FOR THE PRESIDENT:

William P. Clark

cc: The Secretary of State  
The Secretary of the Treasury  
The Secretary of Defense  
The Director of Central Intelligence  
The United States Trade Representative

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THE WHITE HOUSE  
WASHINGTON

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~~CONFIDENTIAL~~

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ  
The Secretary of State

SUBJECT: NSC Meeting on Poland-Related Sanctions

Pursuant to the NSC meeting held on September 22, I am forwarding the attached paper outlining in general terms a U.S. approach to upcoming discussions with European officials concerning Poland-related sanctions. I believe this paper captures the emerging interagency consensus, which you summarized at the NSC meeting, on a multilateral, enduring East-West economic policy which is in line with the President's thinking. It is provided for your reference in discussions with your European colleagues, as you explore their proposals concerning our Poland-related sanctions.

William P. Clark

Attachment

cc: The Secretary of the Treasury  
The Secretary of Defense  
The Secretary of Commerce  
The Director of Central Intelligence  
The United States Trade Representative

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NLS F99-078/1 #153  
BY LNT, NARA, DATE 5/30/06

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

~~CONFIDENTIAL~~

September 15, 1982

Comments on State SIG-IEP Papers

Conceptual Transition

The repression in Poland is both a tragedy for the Poles which the Western world cannot disregard and a manifestation of the repressive nature of the Soviet system which requires an enduring response from the West. In upcoming discussions with the allies, the U.S. should seek to construct unified Western positions which will both penalize the Soviet Union for their actions in Poland and establish a new basis for the conduct of East-West economic relations which protects Western security and economic interests.

The current Poland-related sanctions against the USSR are far from ideal, both in their impact on the American business community and relations with European allies. However, the sanctions do punish the Soviet Union economically and draw attention to its egregious behavior in Poland in a significant and necessary way. The U.S. is willing to replace these sanctions with a set of equivalent or firmer measures agreed to by all the Western allies and Japan that not only maintain pressure on the Soviet Union and Poland but accomplish the fundamental shift to more enduring and unified East-West economic policies. This new sanctions package toward the USSR would no longer be entirely tied directly to events in Poland. A portion would be of a short-term nature linked to events in Poland: a highly selective embargo on any new Soviet purchases of specific types of oil and gas equipment; the sanctions of all Western countries directed against Poland.

Equivalent Sanctions Package

The proposed substitute measures would include the following elements:

A. Short-term measures linked to events in Poland:

1. A highly selective embargo on oil and gas equipment and technologies, with a commitment that preferred suppliers of this equipment will not be undercut by other Western countries. Burden-sharing should be emphasized in the selection process as this competitive sector of U.S. industry should not be unilaterally curtailed.

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BY LAT NARA DATE 5/30/06

## B. Longer-term measures

1. An agreement that Western countries will not commit to any incremental deliveries of Soviet gas beyond the amounts presently contracted for and cooperate in the accelerated development of alternative Western energy resources, principally Norwegian gas reserves. In this connection, we should seek assurances from Western Europe that they will not take deliveries beyond those currently envisioned from the first strand and will not participate in the construction of, or purchase of gas from, a second strand of the Siberian gas pipeline project.
2. An agreement that builds on the recent OECD agreements substantially raising interest rates to the USSR to achieve a "cap" on officially-backed credits (can only offset maturing loans), higher downpayments, shortened maturities and an established framework to monitor this process.
3. An agreement to harmonize national licensing procedures for COCOM and improve the coordination and effectiveness of international enforcement efforts. Selective "critical" oil and gas equipment may be added to the COCOM list.

## Approach to the Allies

The September 26 meeting of Secretary Shultz with the Quint foreign ministers is envisioned as an initial exchange of views, rather than a lengthy bargaining session. We have made it clear to the Europeans that we expect them to come to us with proposals. However, when the discussion turns to U.S. expectations for a solution of the present impasse, Secretary Shultz could "as an illustrative example" outline the package described above, and as an illustrative example, say that in exchange for this package the United States would be willing to drop the specific aspects of the current sanctions package which are most harmful to European economic interests: the temporary denial orders, the extraterritorial applications of the oil and gas sanctions, and the retroactive application of the oil and gas sanctions. It would be clear that failing an agreement of this type, the United States would continue the current package of sanctions and denial orders, and the same package would remain available, in case there were any backsliding on any agreement, once completed. The U.S. and European sanctions directed against the Polish government would remain in force.

## Public Affairs Program

Although it is premature to establish a public affairs strategy to address this potential "transition" in our Poland-related

sanctions, it may be useful for illustrative purposes only to demonstrate how such a transition could be presented:

-- The recent increased repression in Poland has catalyzed a fundamental reappraisal of East-West economic relations by the allies. The events in Poland are symptomatic of the repressive nature of the Soviet Union and require a more enduring Western response than embodied in the present sanctions.

-- As a result of high-level consultations with the allies, it was agreed that the character of our reaction to egregious Soviet behavior in Poland would be adjusted to reflect the need for longer-term unified allied positions on East-West economic relations, although some of our measures will remain tied to developments in Poland.

-- These new measures are consistent with our objective of advancing reconciliation in Poland and demonstrate the unwillingness of the West to conduct normal or preferential trade relations which enhance the USSR's ability to sustain its unprecedented military buildup or aggressive geopolitical behavior of which Poland is a primary example.

-- These new measures represent a "victory" for both halves of the Atlantic Alliance.

~~CONFIDENTIAL~~

MEMORANDUM

System II  
90752

NATIONAL SECURITY COUNCIL

September 23, 1982

~~CONFIDENTIAL~~  
with SECRET ATTACHMENT

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *MB*  
SUBJECT: Minutes of the September 22, 1982 NSC Meeting  
on Pipeline Sanctions

Attached at Tab I are the minutes of the NSC meeting of September 22, 1982 on pipeline sanctions.

Attachment  
Tab I Minutes

cc: Roger Robinson  
Richard Pipes  
Dennis Blair  
Henry Nau

DECLASSIFIED  
White House Guidelines, August 28, 1997  
By C+S NARA, Date 9/12/06

~~CONFIDENTIAL~~  
with SECRET ATTACHMENT

~~CONFIDENTIAL~~

~~SECRET~~

~~SECRET~~

System II  
90752

NATIONAL SECURITY COUNCIL MEETING

DATE, TIME  
AND PLACE:

September 22, 1982, 10:30  
Cabinet Room

SUBJECT: Pipeline Sanctions

PARTICIPANTS:

The President

State

Secretary George P. Shultz

OPD

Mr. Roger Porter

OSD

Secretary Caspar W. Weinberger  
Deputy Secretary Frank C. Carlucci

CEA

Mr. William Niskanen

Treasury

Secretary Donald T. Regan  
Mr. Marc E. Leland

JCS

General Jerome F. O'Malley

Commerce

Secretary Malcolm Baldrige

White House

Mr. Edwin Meese III  
Mr. James A. Baker III  
Mr. Richard G. Darman  
Judge William P. Clark  
Mr. Robert C. McFarlane  
Admiral John M. Poindexter

CIA

Mr. John McMahon

USUN

Ambassador Jeane J. Kirkpatrick

The Vice President's Office

Mr. Donald Gregg

USTR

Ambassador William E. Brock

NSC

Mr. Norman Bailey

OMB

Dr. Alton Keel

Minutes

Deputy Secretary Carlucci reported on Senate action on missile basing. At this point, we have the basing decisions we want in committee. Senator Stevens has been recalcitrant and will create problems on the floor.

Judge Clark presented the agenda items.

Secretary Baldrige reported on the rules being followed in connection with sanction violations. Temporary denial orders (TDO's) are being

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DECLASSIFY ON: OADR  
Classified by William P. Clark

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BY LDS NARA, DATE 5/30/06

issued against alleged violators, whether the violation was a company decision or taken under governmental duress. They are also applied to subsidiaries and affiliates where appropriate. TDO's do not extend to non-oil and gas related items. We are getting many requests for exceptions on hardship grounds, such as the Sensor case where a Dutch court has ordered the company to ship. Unintended effects cases are also coming in, such as a case preventing supply for an Australian pipeline. He said there should not be any exceptions at this time -- it would represent opening Pandora's box. But after Secretary Shultz has had his meetings in New York, we should consider refining the rules. If equipment or technology is for free world projects, if significant hardships are being imposed on innocent third parties and if the project involved reduces energy dependency on the Soviet Union, we should examine a change in rules.

Secretary Regan mentioned that there will be political fallout because of lost jobs in the U.S. Many of the products involved are interchangeable so that effects are mainly on U.S. companies. He agreed with Secretary Baldrige's recommendation, but the domestic implications should not be overlooked.

The President: We want to hurt the Soviets. Are we stopping an Australian pipeline?

Secretary Baldrige: It might be delayed. But we should not make exceptions now. One exception leads to another.

Judge Clark: Ambassador Hermes (of West Germany) said last night that they don't agree with the sanctions, but you (the President) should not show vacillation now.

Ambassador Brock: A number of Europeans have told me that if all of this leads to greater allied unity, it was worth doing. But we are on extremely weak legal grounds if our actions are seen as punitive rather than deterrent. How is a pipeline in Australia a deterrent? We must be very precise about the standards on which we make our decisions.

The President: Can't we buy from Caterpillar and others?

Secretary Weinberger: We do. We even have increased purchases from John Brown. But I'm disturbed at Europeans being unwilling to meet. I support Secretary Baldrige's recommendation.

Secretary Shultz: Procedurally, you authorized discussions with the Europeans if they wanted to have a meeting. Foreign Secretary Pym asked for a meeting. I accepted. Since then they have had trouble getting together -- the British, Germans and Italians want to have a meeting. The French believe if they wait we will fold. We have maintained the posture that we will meet, but they shouldn't believe we're looking for a way out. We're looking for a better

approach to East-West economic relations. The British, Germans and Italians understand this. The French don't yet. I have meetings set up in New York. The first is with Cheysson next Sunday. At some point, they will probably decide on a joint meeting. They will have to take the initiative. If we move from the pipeline to the broader issues of East-West economic relations, we must involve the Japanese and perhaps also the Canadians, at least on a parallel track. I have to play with the situation as it emerges. There must be room for maneuvering and exploration.

We should aspire to a strengthening of COCOM controls, a list revision and a firming of the process of policing. The question of insufficient funds must be addressed.

Secondly, credit restraints on the Soviet Union must be addressed. It is easier to persuade people now not to be too liberal on international lending. It is difficult to police and define. We need to emphasize both substance and procedure. The deals are very complex.

Thirdly, we must try to get agreement on not selling certain key oil and gas technologies and equipment to the USSR. U.S. companies control a major portion of this material, so the Europeans can't say we're being unfair. One possibility might be no government guaranteed credit for this material.

Finally, there is concern over the Soviets taking a bigger share of market than implied by the first pipeline. The temptation is there to go ahead and gain a much higher percent of the European market. We must reserve space in the market for additional Norwegian North Sea gas. There have been changes in attitude in Norway due to changed market conditions. We are considering an interesting combination of Dutch/Norwegian gas in the future.

The British don't want to discuss this without discussing food exports to the USSR. We should reply that our policy is no subsidized sales of American grain. There is no all-out trade war planned -- we're talking about European vulnerability. The Europeans are out of their minds to put themselves in the position of reliance on Soviet energy they are moving towards.

As I told Geoffrey Howe, they're not offering us something. This is an alliance -- we see Soviet behavior, technology transfer and other unacceptable actions. Let's get together and decide what to do about it. The whole atmosphere is cockeyed now.

Secretary Weinberger: We are in full and total agreement on this matter. We are not trying to wriggle out of the sanctions.

The President: I have no quarrel with this exposition.

Secretary Regan: What if something happens in Poland -- have we come to grips with this problem?

The President: Our pipeline position has to do with European exposure. Poland gave us a reason to act. There is more at stake here than Poland.

Secretary Shultz: The political, strategic and economic factors are related. We will not alter the sanctions until we see moves by the USSR. We will stick to our positions. We can't fall off on COCOM and other things. We must move to a strategic posture not necessarily related to Poland.

Ambassador Brock: We must separate what we hope to achieve strategically from the sanctions per se which are related to Poland.

Secretary Baldrige (to the President): You have said that if the three conditions were met we would lift sanctions.

The President: Yes.

Secretary Shultz: Even if the conditions are fulfilled and we lift sanctions, we still want to do these things.

Mr. Baker: But by agreement, not unilateral sanctions.

Secretary Shultz: Any measure will be much stronger if taken with allied agreement.

Ambassador Kirkpatrick: We hope for improvement in Poland. I was in France and the French press thinks our legal position is stronger and our companies' licensing contracts more important than we do. But there is confusion on our motivations. Our policy must be made clear.

Judge Clark: We were opposed to the pipeline before the declaration of martial law. Favorable developments in Poland would lead to a review of the sanctions, but the issue is broader.

Secretary Regan (to Secretary Shultz): Be careful. The OECD consensus rates are now at the top of the range and may have to be negotiated downwards.

Secretary Shultz: We must move with the market.

Secretary Baldrige: The sanctions were imposed because of Poland. We must not be ambiguous. We want other things, of course. But we are giving the allies leadership on high moral grounds on Poland, not to force our allies to do things they don't want to do. Sanctions

are a means to an end, not an objective in and of themselves.

The President: This is what we indicated at the Summit. The Europeans should go quietly to the USSR and put on the pressure. But they did not agree. We must stick to our position that the sanctions are related to Poland.

Judge Clark: Please review the press guidance.

Secretary Weinberger: "No" movement, not "sufficient" movement (the text was changed).

Secretary Bladrige: Just a final word to emphasize that the measures we have taken are preventive, not punitive. If asked why they are not effective, we should say they represent only the tip of the iceberg so far.

The President: President Roosevelt called for a quarantine on Germany in 1939. He had his brains kicked out. What would history have been like if he had been listened to?

Judge Clark: Thank you, Mr. President.

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 78 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

RECEIVED 22 SEP 82 15

TO PRES

FROM BALDRIGE, M

DOCDATE 21 SEP 82

**URGENT**

KEYWORDS: IEP

SANCTIONS

USSR

POLAND

SIG

CM

*E-W.T.*

SUBJECT: COMMERCE RPT ON SANCTIONS AGAINST SOVIET UNION / ( TDO )

ACTION: PREPARE MEMO FOR CLARK

DUE: 23 SEP 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

NAU

BAILEY

ROBINSON

MYER

PIPES

DOBRIANSKY

WHEELER

BOVERIE

DECLASSIFIED

White House Guidelines, August 28, 1997

By CTS NARA, Date 9/12/00 *OBE*

COMMENTS

REF# LOG 8206516 8206047 NSCIFID ( H / )

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WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

TABLE I

U.S. Companies Seeking Exceptions to Temporary Denial Order (TDO)

<u>Category</u>	<u>U.S. Company</u>	<u>Denied Company</u>	<u>Final Destination</u>	<u>Product</u>	<u>Potential Loss</u>
<u>Oil and Gas for Free World Projects</u>	General Electric	Dresser/France	Australia	Gas Turbines	\$25 million
	General Electric	Dresser/France	Saudi Arabia	Turbine parts	\$6 million
	Chromalloy Company	Nuovo Pignone	Italy	Repair Nozzles	\$1 million
	Koppers Company	Dresser/France	France	Compressor Parts	\$300,000

TABLE II

Possible New Temporary Denial Orders

<u>Affected Company</u>	<u>U.S. Subsidiary</u>	<u>Country</u>	<u>Circumstances</u>	<u>Product</u>	<u>Loss</u>
ABG/KANIS	No	Germany	Government "Guidance" to ship	Gas turbines	\$300 million
MANNESMANN	No	Germany	Government "Guidance" to ship	Gas turbines/misc.	\$10 million
DEMAG	No	Germany	Government "Guidance" to ship	Compressors	\$15 million
ANDREW CORPORATION	Yes	UK	Government Order to Disregard Regulation	Communication equipment for Pipeline	\$2-3 million
WALTER KIDDE	Yes	UK	Government Order to Disregard Regulation	Fire Extinguisher	unknown
GEOSOURCE, INC. (SENSOR)	Yes	Netherlands	Court Order to Ship	Seismic Equipment	\$1 million
JAPAN STEEL WORKS	No	Japan	No Government Action	Oil and Gas Valves	unknown
CAMERON/GERMANY	Yes	Germany	Government "Guidance" to ship	Oil and Gas Equipment	\$100 million
SMITH	Yes	UK	Government Order to Disregard Regulation	Oil Tools	\$2 million
PETROLITE	Yes	UK	Possible deal-government reportedly unaware of contract	Oil Chemicals	\$600,000
BAKER TOOL	Yes	UK	Government Order to Disregard Regulation	Oil Tools	\$26 million

TABLE III

ECONOMIC COSTS OF SANCTIONS AND TDOs

<u>Category</u>	<u>U.S. Companies Affected*</u>	<u>Foreign Companies/ Governments Affected</u>	<u>Products</u>	<u>Loss (Annual)</u>
<u>December 1981</u>				
<u>Oil and Gas</u>	General Electric	UK, France, Italy, FRG	Gas turbines rotors	\$100M
	Howmet	UK, France, Italy, FRG	Blades	\$ 25M
	Caterpillar	USSR	Pipelayers	\$ 90M
	Cameron	USSR	Blow out preventers	\$ 65M
	Others*	USSR		\$ 30M
 Non-Oil and Gas	 Fiat-Allis	 USSR	 Technology and kits for crawler tractors	 \$100M
	Deere	USSR	Tractor technology	\$ 1M
	Dayco	USSR	Rubber printing	\$ 1M
	CRC-Bethany	USSR	Programs for communication communication equipment	\$ 1M
	Others*	USSR		\$ 50M
			Subtotal	\$463M
 <u>June, 1982</u>	 Dresser Industries	 France	 21 compressors	 \$ 15M
	Cameron	FRG	oil tools, ball valves, forged steel products	\$ 50M
	Wetherford	FRG	Blow Out Preventers	\$ 4M
	Cooper	UK, France	Turbine components	\$ 50M
	Geosource	Netherlands	Geophones/cables	\$ 1M
	Baker Tools	UK	oil field equipment	\$ 26M
	McDermott	Japan	engineering technical data	\$ 40M
	Others (including Kidder, and Andrew)*	UK, FRG, France, Italy		\$ 50M
			Subtotal	\$236M
 <u>Temporary Denial Orders</u>				
 Free World Projects	 Dresser France	 Saudi Arabia, Australia	 compressors	 \$ 30M
	Chromalloy	Italy	Repair nozzles	\$ 1M
	Others (including Koppers)*	UK, France, Italy	Compressors	\$140M

\*Estimate

\*\*Expect similar losses for Companies in 1983

TOTALS (1982) \$870M\*\*

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National Security Council Meeting

September 22, 1982, 10:30 a.m.

Poland-related Sanctions

E-WT.

AGENDA

Introduction

Clark

Discussion

Item I

Potential exceptions to  
temporary denial orders (TDO's)  
(Baldrige)

Item II

Discussions with Europeans  
(Shultz)

Item III

Press Guidance  
(Clark)

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White House Guidelines, August 28, 1997  
By 045 NARA, Date 9/12/00

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RECEIVED 21 SEP 82 14

TO CLARK

FROM REGAN, D

DOCDATE 21 SEP 82

DECLASSIFIED  
White House Guidelines, August 28, 1997  
By CAS NARA, Date 9/12/00

KEYWORDS: IEP

SANCTIONS

GAS

USSR

SIG

SUBJECT: PROPOSED TALKING POINTS SUMMARIZING RESULTS OF SEP 16 SIG IEP MTG

ACTION: PREPARE MEMO FOR CLARK

DUE: 22 SEP 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

NAU

BAILEY

BLAIR

ROBINSON

COMMENTS

REF#

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THE SECRETARY OF THE TREASURY  
WASHINGTON

September 21, 1982

DECLASSIFIED

NLS F99-078/1 #158

BY CJS, NARA, DATE 8/6/01

MEMORANDUM FOR THE HONORABLE  
WILLIAM P. CLARK  
ASSISTANT TO THE PRESIDENT  
FOR NATIONAL SECURITY AFFAIRS  
THE WHITE HOUSE

FROM: DONALD T. REGAN *DR*

SUBJECT: SEPTEMBER 16 MEETING OF THE SIG-IEP

I just learned that you would like some talking points to use in informing the President of the results of the September 16 meeting of the SIG-IEP on the pipeline issue. The highlights of the meeting were as follows.

The group reviewed elements that might be included in an alternative sanctions package. It reiterated that it was not the intent of the United States to make any proposals, and that it was important to make clear that the United States was not looking for a way out of the sanctions, but that since there were indications that the Europeans want to discuss alternatives, the U.S. Government needs to consider what these alternatives might be. The elements considered were:

1. Further restrictions on official credit to the Soviet Union, including an attempt to get agreement on concrete credit restrictions and a monitoring body to oversee these restrictions.

2. Restrictions by the United States, Europe and Japan on export of oil and gas technology in any future contracts with the Soviet Union. (This was the one element that the group felt could be dropped or modified in the event the President's three conditions for improvement of the situation in Poland are met.)

3. Allied agreement on confirming and expanding the COCOM list.

4. Agreement to aggressively pursue alternative energy sources so that the Europeans and Japan will buy only the minimum amount of energy they are required to buy from the Soviets under existing contracts.

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Declassify OADR

~~SECRET~~

- 2 -

The group concluded that Secretary Shultz should hold discussions with his allied counterparts with the broad instruction that any alternative package to the sanctions should cause at least as much pain to the Soviet Union as that currently being exerted by existing sanctions.

Secretary Baldrige then raised the problem of unintended effects of the sanctions. He is particularly concerned about the effects that the sanctions are having on energy projects which are totally unrelated to the Soviet Union, and are not causing substantial harm to the violators of the sanctions. The Commerce Department was to prepare recommendations to the President as to what exceptions might be made. (This paper was considered by an interagency group on Monday and is to be delivered to you on Tuesday.)

The State Department was instructed to prepare a paper summarizing possible alternatives to the sanctions and listing the procedures that might be followed for discussing these alternatives with the allies.

~~SECRET~~

SENIOR INTERDEPARTMENTAL GROUP--INTERNATIONAL ECONOMIC POLICY

September 16, 1982

4:30 p.m.

Old Executive Office Building (Room 305)

ATTENDEES:

Treasury

Secretary Regan (Chairman)  
Marc Leland

Office of the Vice President

Admiral Daniel Murphy  
Donald Gregg

State

Secretary Shultz  
James Buckley

USTR

Ambassador Brock

Defense

Secretary Weinberger  
Fred Ikle

OMB

David Stockman

Agriculture

Secretary Block

White House

Robert C. McFarlane

Commerce

Secretary Baldrige  
Lionel Olmer

OPD

Roger Porter

Justice

Jonathan Rose

CEA

Geoffrey Carliner

CIA

William J. Casey

NSC

Norman Bailey  
Roger Robinson  
Dennis Blair

FOIA(b)(3)

The Chairman stated the purpose of the meeting was to discuss possible sanctions that might be considered to be imposed by the United States and its allies in exchange for the current U.S. unilateral sanctions imposed in December 1981 and June 1982 in reaction to events in Poland. He stated that it was not the intent of the United States to make any proposals nor was the United States looking for a way out of the sanctions but that since there were indications that the Europeans wanted to discuss alternatives the U.S. Government needed to consider what these alternatives might be.

Secretary Shultz reviewed the overall objectives of the West toward the USSR and analyzed the sanctions that were intended as a reaction to the events in Poland and that were to be lifted in the event the President's conditions for

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DECLASSIFIED IN PART  
NLS 899-078/1#159  
10/1/82

improvement of the situation in Poland were met. He then reviewed the other unified allied actions toward the Soviet Union that might be considered as part of a long range economic relations with the Soviet Union. He stated that, as he was responsible for preparing for the talks with the Europeans, he needed to have a set of measures that would have clarity and would effect the Soviet Union, could be sustained, and could have broad Western support.

The group then reviewed elements that might be included in an alternative sanctions package. The first element was credit on which some work had begun before the Versailles Summit, and on which some progress had been made at Versailles, and on which more work was needed to get agreement on concrete credit restrictions and a monitoring body. The second item was confirming and expanding COCOM. The third area related to restriction of the export of oil and gas technology on any future contracts with the Soviet Union. The fourth area was alternative energy sources. If any alternative package is agreed to, it must be at least as painful to the Soviet Union as the current sanctions and must be broadly supported by Europe and Japan. There was then discussion as to which of the sanctions might have the most impact on the Soviet Union.

Secretary Baldrige raised the problem of specific hardship cases as well as unintended effects of the sanctions.

The group concluded that Secretary Shultz should hold discussions with his allied counterparts with the broad instruction that any alternative package should cause equal pain to the Soviet Union as that presently being inflicted by existing sanctions. If no European offer results from his discussions, the SIG-IEP would then re-evaluate the situation. Any questions about consultations with the Europeans would be referred for response to Secretary Shultz.

The group also decided that there should be an IG to consider the Department of Commerce's guidelines for exceptions to the denial order and come up with suggestions about where and when exceptions might be made.

The CIA was urged to proceed quickly with the intelligence estimate presently underway with the results of the pipeline sanctions.

All agreed that current sanctions will continue to be imposed but that the United States is prepared to listen to any allied proposals for alternative sanctions against the Soviet Union.

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-3-

The meeting concluded with the instruction that a status report for transmittal to the President should be prepared on the alternative package and on the methods for considering alternatives to existing sanctions.

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TABLE I

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<u>Temporary Denial Orders</u>				
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	Others (including Koppers)*	UK, France, Italy	Compressors	\$140M

TOTALS (1982) \$870M\*\*

\*Estimate  
 \*\*Expect similar losses for Companies in 1983

Statement by Manfred Woerner:

*in name of CDU/CSU faction!*

1. The tensions between the United States and Europe caused by the gas pipeline must be overcome. Germany must take the initiative. The West must at long last adopt a common economic policy. Such an initiative should:

- take into account the legitimate interests of all allies
- make possible a future coordinated action
- take into account the special role which is played by German commercial relations with the USSR and ~~xxxxxxx~~ Eastern Europe.

2. The United States should be presented with a 5-point program of action:

- Assuming the USSR is prepared to be restrained, realize human rights, cooperates in arms control, is prepared to reduce gradually European barriers, ~~then~~
- All credits will be given only on market terms *and credits must be politically responsible*
- There will be further restriction on COCOM material
- A standing information and consultation organ will be created on matters of East-West trade
- The allies will adhere to 11 January 1982 restrictions ~~on~~ ~~xxxxxxxxxxxx~~ related to Afghanistan and Poland.

3. Such a 5-point program should be presented by the ministers of EEC both at the ~~informal~~ meeting *and the meeting* of foreign ministers in Canada on October 2-3, but they must subsequently be ~~formally reatified~~ "filled with concrete content"

*E-W T.*

~~CONFIDENTIAL~~

EW

MEMORANDUM

6281 add on

NATIONAL SECURITY COUNCIL

September 17, 1982

~~CONFIDENTIAL~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *ms*

SUBJECT: Soviet Food Embargo

Following up on your favorable indication on my memo of September 9 (Tab II), I have prepared a memo from you to the President (Tab I) on the idea of proposing a food embargo on the Soviet Union.

Richard Pipes and Roger Robinson concur.

RECOMMENDATION:

That you sign the attached memorandum to the President (Tab I).

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Attachments

Tab I Memo to President  
Tab II My Memo of September 9

cc: Dennis Blair  
Gaston Sigur  
Roger Fontaine  
Al Sapia-Bosch

~~CONFIDENTIAL~~  
DECLASSIFY ON: OADR

DECLASSIFIED

NLS F99-078/1 #161

~~CONFIDENTIAL~~

BY LOT NARA, DATE 5/30/06

MEMORANDUM

DECLASSIFIED

NLS F99-078/1#162

THE WHITE HOUSE  
WASHINGTON

BY H01 NARA, DATE 5/30/06

~~CONFIDENTIAL~~

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: Total Food Embargo on the Soviet Union

Issue

We are perceived in Europe and Japan as being hypocritical on the Soviet sanctions question because we are attempting to prevent the export of oil and gas related technology and equipment to the Soviets while continuing to sell them grain.

Facts

In reality, the shoe is on the other foot. We are asking them to do exactly what we are forcing our own companies to do. We are not asking them to embargo food exports to the USSR (the EC is a major supplier of foodstuffs to the Soviet) nor do we.

Discussion

Nevertheless, it is true that there is no measure that the Western world could take in the economic sphere that would have greater impact on the Soviets than an embargo of food exports related to the Polish situation.

Recommendation

OK      No

\_\_\_\_\_ In order to lay to rest this false argument once and for all, you may wish to consider proposing that all major food suppliers to the Soviets (ourselves, the EC, Argentina, Canada, and Australia) declare a total food embargo on the Soviets and Poland until the Polish government releases its political prisoners, cancels martial law and resumes the dialogue with the Church and a newly-legalized Solidarity.

The proposal will not be accepted, in overwhelming likelihood, by any of the other exporters. It will definitely not be accepted by all of them. What it would do would be to bury once and for all this false argument.

If you approve, I will have my staff prepare an announcement and suggest the appropriate time and place.

~~CONFIDENTIAL~~  
DECLASSIFY ON: OADR

Prepared by:  
Norman A. Bailey

CONFIDENTIAL

BAILEY

MEMORANDUM

6281

NATIONAL SECURITY COUNCIL

September 9, 1982

~~CONFIDENTIAL~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NAB*

SUBJECT: Food Embargo on the Soviet Union

The hypocrisy level in international politics, always high, has reached new records on the question of our grain exports to the Soviet Union vs. the European pipeline project.

At a staff meeting while you were away, I half-facetiously suggested that in order to shut these people up the President should offer to declare a total food embargo on the Soviets related to the Polish situation if the other major Soviet food suppliers will do the same (the EC, Canada, Argentina, Australia and Brazil). Several staff members subsequently expressed support of the idea.

RECOMMENDATION:

Please indicate if you feel the issue has sufficient merit for me to draft a memo from you to the President.

OK ✓

No       

cc: Roger Robinson  
Dick Pipes  
Bill Stearman  
Paula Dobriansky

~~CONFIDENTIAL~~

DECLASSIFY ON: OADR

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NLS F99-078/1#163

BY LOI

NARA, DATE 5/30/06

## NATIONAL SECURITY COUNCIL

September 14, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *MB*

SUBJECT: Rationale for the December 1981 Sanctions

I have been struck recently by the extent to which the reason why sanctions were imposed on Poland and the Soviet Union following the imposition of martial law on December 13, 1982 has been forgotten in all the subsequent debate and confusion.

RECOMMENDATION:

That you sign the attached memo to Department heads (Tab I).

OK \_\_\_\_\_ No \_\_\_\_\_

*12*  
Richard Pipes, Paula Dobriansky, Roger Robinson, Dennis Blair  
and Carnes Lord concur. *CL*

cc: Robert Sims  
Henry Nau  
Bill Stearman  
Dick Boverie  
Walt Raymond

## Attachment

Tab I Memo to Department heads

WASHINGTON

MEMORANDUM FOR THE VICE PRESIDENT  
THE SECRETARY OF STATE  
THE SECRETARY OF THE TREASURY  
THE SECRETARY OF DEFENSE  
THE SECRETARY OF AGRICULTURE  
THE SECRETARY OF COMMERCE  
THE DIRECTOR OF CENTRAL INTELLIGENCE  
THE UNITED STATES TRADE REPRESENTATIVE

SUBJECT: Polish/Soviet Sanctions

In the course of the controversies that have developed following the imposition of sanctions on Poland and the Soviet Union as a result of the imposition of martial law in Poland on December 13, 1981, the reason for the imposition of those sanctions has tended to get lost or at least obscured.

The gradual liberalization of and the growth of pluralism in the Eastern European countries poses a grave threat to the expansion of the military and political power of the Soviet Union. It is for this reason that the U.S. Government has consistently supported internal liberalization in Hungary, relative foreign policy independence in Romania and the development of independent power bases in Poland (the Church and Solidarity).

The sanctions were designed to demonstrate to the Polish government and to the Soviet Union that they cannot with impunity crush these manifestations of pluralism in their sphere of influence. This is why the sanctions were imposed as a result of the events in Poland, why they were chosen to have maximum effect, why efforts to aid the Polish people as opposed to their government continue, and why the sanctions will be lifted if pre-December pluralism is restored in that country.

Incidentally, that is also why the Polish people support our sanctions.

FOR THE PRESIDENT:

William P. Clark

TO: BAILEY  
FROM: ROBINSON

For: ROGER ROBINSON, AM 373

## Gas pipeline: Soviets hint it'll be hard

It can be built on time —  
with some stress, strain

By Ned Temko  
Staff correspondent of  
The Christian Science Monitor

Moscow

The Soviet Union is beginning to signal snags and economic sacrifices in its bid to counter President Reagan's gas-pipeline sanctions.

Most diplomats and foreign business sources here still feel that Moscow's centrally run economy will ensure completion of some kind of new Siberia-Western Europe gas link by the current target date of January 1984.

Besides, these analysts say, the Soviets can almost certainly meet initial gas-delivery requirements by making use of excess capacity in a smaller export pipeline built in the 1960s.

A recent edition of the Soviet government newspaper Izvestia added that a planned Czechoslovakian pipeline to link the new Siberian export conduit with the West European gas grid would operate at "full capacity" only from 1988, but that this would not affect European deliveries contracted for earlier.

And on the political front, the men in the Kremlin can hardly be mourning the rancor within the Western alliance caused by Mr. Reagan's June 17 expansion of US sanctions against the gas-line project.

But the official Soviet news media have recently given a number of indications that building the new pipeline around the US trade restrictions will be trickier than initially suggested.

The first problem — and the one, in the view of foreign analysts, least complicated to counter — is the overall pace of work on the line. Although most Soviet accounts have included routine statements that work is going

★ Please turn to Page 6

## Gas pipeline: Soviets hint it will be

well, and that the pipe link will be done on or ahead of schedule, the Communist Party newspaper Pravda struck a discordant note in an article Aug. 18.

It said government officials had concluded that workers clearing the line's roughly 2,700-mile route — through some 450 miles of swampland, 90 miles of permafrost, over 561 rivers or streams, and across both the Ural and Carpathian mountains — would have to step up their pace by "two or two-and-one-half times" to stay on schedule. So, the newspaper said, would crews doing the rest of the pipeline project: constructing living quarters, laying pipe, and setting up 41 compressor stations.

The Pravda article seemed to imply that general snags in Soviet pipeline construction detailed in earlier accounts published here were hampering the Siberia-West Europe project as well. These include shortcomings in planning and management, in equipment, and in transportation.

The antidote, foreign diplomats assume, is to ensure top priority within the Soviet economy for the current pipeline project — something the Soviet authorities are clearly moving to do, in hopes of making the pipeline a dramatic symbol of Soviet immunity to American "diktat."

[A CIA analysis prepared in August concludes that the Soviets will be able to meet their gas delivery commitments to Western Europe "through the 1980s," despite the Reagan administration's sanctions.]

But if one strength of the Soviet economy is the prerogative to set such priorities centrally, one weakness appears in handling various "priority" projects at once. The Siberian pipeline is competing with other major works already encountering problems of infrastructure and equipment, for instance, the BAM trans-Siberian railway. That rail line is intended as a centerpiece for a new spurt in Siberian resource development later in this decade.

A second challenge for the Soviet economy, more directly linked to the Reagan administration sanctions, is to develop a domestic substitute for the General Electric turbine.

At first, the Soviets demonstratively shrugged off Washington's move to embargo the 25-megawatt machine, the unrivaled world-market leader in powering high-capacity pipelines. Within days of Mr. Reagan's June sanctions, the Soviets, whose domestic pipeline workhorse is a less reliable and efficient 10-megawatt turbine, announced the successful preliminary testing of a new 25-megawatt model by a factory in Leningrad.

Yet amid generally glowing reports of progress in the development and production of the turbine, which is deemed in some ways superior to the GE machine, there have been increasing indications of the sacrifices involved in building the Soviet competitor and of potential problems with the program.

At least 20 Leningrad factories, according to Soviet news media reports, have been

pooled into a "research and production association" to ensure sufficient quality and quantity in production of the new turbine. Some 10 Leningrad steel mills, according to one brief Soviet report, are included.

A "special gas pipeline" is even being laid on the floor of Leningrad's Neva River to allow for testing of the 25-megawatt prototypes.

Further Soviet reports said the Leningrad turbine would replace the planned GE unit in all the compressor stations along the new line. State television said the first Soviet replacement, in an initial batch of nine, would be delivered to its pipeline site sometime in October, several months ahead of schedule. A separate media report said the blueprints of the first compressor station for the line had been redrawn around the Leningrad prototype.

But foreign business sources here, including one who says he has seen factory diagrams of the Leningrad machine, remained skeptical that the Soviets would produce a turbine of GE standard and power in sufficient quantity to meet the pipeline construction schedule.

Soviet media reports, meanwhile, have reinforced this skepticism by mentioning production of at least three other Soviet turbines for the Siberia-West Europe pipeline. One of

## hard to beat sanctions

them is a 10-megawatt model. Five units are said already to have been delivered for use on the new line. A more powerful unit was being designed at the same factory, the report said, and would be produced starting in 1983.

The other new models mentioned are patterned on Soviet aircraft turbines, which, foreign analysts say, is likely to make them less powerful than the GE 25-megawatt model and less efficient for use in gas-compressor stations.

Further muddying the picture, a Soviet newspaper Sept. 9 reported that a group of unspecified factories had committed itself to speeding production of "16- and 25-megawatt" turbines for use on the new export pipeline.

"My guess," said a West European diplomat following the pipeline issue, "is that even the Soviets have not finally settled on what turbines will go where. . . ."

At present the crucial rotor blade for the GE turbine is produced only in the US. With current stocks of rotors in Europe, companies defying the Reagan sanctions could provide an estimated total of 40 or so completed turbines. The pipeline design calls for three 25-megawatt machines per compressor station, leaving a deficit of roughly two-thirds of the initial order of GE turbines for Moscow to

fill.

Given the Kremlin's record of commercial pragmatism, most diplomats suspect the Soviets will resist the political temptation to assemble all-domestic compressor stations and make use of any embargo-busting turbine deliveries that materialize.

For the rest, the Soviets presumably will rely on the most efficient mix from what is clearly a crash program to produce more powerful and efficient domestic turbines for the line.

A Soviet foreign-trade expert, interviewed by the Monitor Sept. 3, stressed that the West should have "no doubts" that Moscow has the technological and other resources to meet this challenge.

He argued that US economic pressure will not work — a statement with which virtually all diplomats here agree, in the sense that Reagan pipeline sanctions are not likely to secure the announced aim of loosening martial law next door in Poland.

Yet the Soviet analyst declared that Moscow, like any other commercial partner on any other project, had contracted for GE turbines to save "time and resources." As such, countering the Reagan sanctions on the turbines produces inescapable constraints on both fronts, he said.