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File Folder EAST-WEST TRADE (09/16/1981-09/30/1981)

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
45631	MEMO	NORMAN BAILEY TO RICHARD ALLEN RE CATERPILLAR PIPELAYER SALES	1	9/25/1981	B1
45632	MEMO	ALLEN LENZ TO RICHARD ALLEN RE CATERPILLAR PIPELAYER SALES	1	9/24/1981	B1
45633	MEMO	NORMAN BAILEY TO RICHARD ALLEN RE CATERPILLAR PIPELAYER SALES	1	9/24/1981	B1
45634	MEMO	NORMAN BAILEY TO MYER RASHISH RE PIPELINE COMMENTS	1	9/25/1981	B1
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MEMORANDUM

EYES ONLY

THE WHITE HOUSE
WASHINGTON

For: Norman Bailey L-W^T
From: Gus Weiss
Subject: Gas Pipeline Compressors

The Rolls-Royce RB 211 engine when used for industrial pumping is not COCOM restricted. It is embargoed for aircraft use, under "IL 1460" of the COCOM regulations. Having a Presidential directive putting this equipment under security controls would affect only US suppliers. A "48-hour action plan" would be premised on an approach to the UK through State; to get this done properly would require interagency agreement.

Indicators of East-West Economic Strength, 1980



United States Department of State
Bureau of Public Affairs
Washington, D.C.

E - W T.

Following is a report prepared by Lucie Kornei, Office of Analysis for Western Europe, Bureau of Intelligence and Research, October 26, 1981.

This annual report consists of tables showing the relative importance of selected countries in terms of gross national product (GNP); population; foreign trade; trade balance; exports as a percentage of GNP; and the production of coal, crude steel, electric power, crude petroleum, primary aluminum, and motor vehicles. Defense expenditures are also provided, but it should be noted that reliable figures in that category are available only for the West.

For the purpose of this report, "East" includes the European CEMA (also called CMEA or COMECON) members—Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania, and the U.S.S.R.—and Cuba. "West" includes the United States, Canada, Japan, Australia, New Zealand, the European OECD countries, and Yugoslavia. Yugoslavia, although a Communist country, is included with the West because of its special status in the OECD. China is listed separately.

Extensive use was made of material from the Organization for Economic Cooperation and Development (OECD), the United Nations, the International Monetary Fund, and official government sources. Some figures for the East are estimates. Where necessary—and as far as possible—data were adjusted for statistical comparability.

In interpreting the absolute levels of GNP and per capita GNP for the countries of the West, it should be noted that market exchange rates used in converting national currencies to U.S. dollars do not necessarily reflect the relative purchasing power of the various currencies. In 1980, market exchange rates were strongly influenced by balance-of-payments disequilibria, which may be presumed to be temporary, and by market expectations of future changes in purchasing power.

In terms of actual 1980 purchasing power, the U.S. dollar was still undervalued in comparison with the "strong" European currencies and the Japanese yen, despite its stronger performance against most European currencies. (At present, because the dollar is still stronger against all currencies, calculations would show entirely different results from those for 1980.) The same was true of the British pound despite its recovery. The Swiss franc was overvalued in comparison with all currencies. As a consequence, it should not be concluded, for instance, that Switzerland's standard of living was 40% higher than that of the United States, or that the United Kingdom's was 19% lower, as the statistics may imply.

Published by the United States Department of State • Bureau of Public Affairs • Office of Public Communication • Editorial Division • Washington, D.C. • March 1982 • Editor: Harriet P. Culley • This material is in the public domain and may be reproduced without permission; citation of this source would be appreciated.

Table 1. Indicators of Comparative East-West Economic Strength, 1980

Item	Unit	European OECD	US	Canada	Japan	Australia and New Zealand	Yugoslavia	Total West	USSR	Other Eastern Europe ^{a/}	Cuba	Total Europ. CEMA and Cuba	China	Rest of World ^{b/}
Population (mid-1980)	Millions	395	228	24	117	18	22	804	266	109	9.7	385	1,027	2,269
GNP, total ^{c/}	Billion dollars	3,491	2,626	246	1,040	161	72	7,636	1,393	627	13.3	2,033	552	1,979
Per capita GNP ^{c/}	Dollars	8,843	11,536	10,288	8,905	9,108	3,236	9,508	5,245	5,731	1,371	5,285	537	872
Foreign trade														
Imports (c.i.f.)	Billion dollars	911.0	^{d/} 241.2	^{d/} 59.0	141.1	^{d/} 26.7	16.6	1,394.5	^{d/} 68.5	^{d/} 85.2	6.0	159.7	19.4	487.5
Exports (f.o.b.)	Billion dollars	807.5	220.7	64.9	129.6	27.4	9.8	1,269.9	76.5	80.5	5.6	162.5	19.8	562.4
Trade balance	Billion dollars	-103.5	-20.5	+5.9	-11.5	+1.7	-6.7	-134.6	+8.0	-4.7	-0.4	+2.9	+0.4	+74.9
Exports as percentage of GNP	Percentages	23.1	8.4	26.4	12.5	17.0	13.6	16.5	5.5	12.8	42.1	8.0	3.6	28.4
Production														
Coal ^{e/}	Million MT	322	724	33	18	97	23	1,217	575	415	none	990	620	804
Crude steel	Million MT	157	101	16	111	8	2	395	148	62	0.3	210	37	97
Electric power	Billion KWH	1,715	2,509	367	519	120	59	5,289	1,295	419	10.0	1,814	301	590
Crude petroleum	Million MT	119	424	70	insig.	19	4	636	583	14	0.3	597	106	1,636
Primary aluminum	Thousand MT	3,690	4,654	1,068	1,092	460	185	11,149	2,530	507	none	3,037	415	768
Motor vehicles, total	Thousands	12,502	^{f/} 8,067	1,375	10,382	^{g/} 316	251	32,893	2,199	1,012	none	3,211	220	2,036
of which:														
Passenger cars	Thousands	10,721	^{f/} 6,400	847	6,378	^{g/} 263	167	24,796	1,327	793	none	2,120	none	1,579
Commercial vehicles	Thousands	1,781	^{f/} 1,667	528	4,004	^{g/} 53	64	8,097	872	219	none	1,091	220	457

NOTES:

1. Data shown are latest available at time of publication but are subject to revisions.
2. Some data represent new estimates and therefore are not comparable with data published in the 1980 edition of the "Indicators."
3. All figures are rounded, but computations for per capita data and percentages are based on unrounded data.

FOOTNOTES:

- a. Includes Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
- b. Data for "Rest of World" are based on UN and US Government estimates.

c. For the Western countries, data are not adjusted for the purchasing power equivalents of the dollar. Currencies were converted into dollars at average 1980 trade conversion factors, as published by OECD. Please see introduction and table 3. Values for Communist countries are estimates.

d. Imports f.o.b. except for New Zealand and Hungary, which are c.i.f.

e. Hard coal and lignite in terms of hard-coal equivalents.

f. Factory sales.

g. Including assembly.

Table 2. Indicators of Economic Strength of Western Europe, US, Canada, Japan, Australia, and New Zealand, 1980

Country or Area	Item	Population mid-1980 (millions)	Gross National Product ^{a/} ^{b/}		Defense Expenditures ^{b/} ^{c/}		Foreign Trade ^{b/}			
			Total (billion dollars)	Per capita (dollars)	Total (billion dollars)	As percentage of GNP	Imports (c.i.f.)	Exports (f.o.b.)	Balance	Exports as percentage of GNP
							(billion dollars)			
Belgium		9.86	117.9	11,957	3.9	3.3	71.7	64.5	-7.2	52.7
Luxembourg		0.36	(GDP) 4.4	12,139	insig.	1.1				
Denmark		5.12	65.1	12,715	1.4	2.2	19.3	16.7	-2.6	25.7
France		53.71	653.4	12,165	26.1	4.0	134.9	111.3	-23.6	17.0
Federal Republic of Germany		61.56	823.2	13,372	26.7	3.2	189.1	194.9	5.8	23.7
Ireland		3.43	17.3	5,044	d/0.3	1.7	11.2	8.5	-2.7	49.1
Italy		57.04	394.4	6,914	8.7	2.2	99.7	77.9	-21.8	19.8
Netherlands		14.14	159.6	11,287	5.2	3.3	76.9	73.8	-3.1	46.3
UK		55.89	519.1	9,288	26.3	5.1	120.2	115.2	-5.0	22.2
Total EC of Nine ^{a/}		281.11	2,754.4	10,549	98.6	3.6	723.0	662.8	-60.2	24.1
Greece		9.60	41.8	4,354	2.1	5.1	10.6	5.2	-5.4	12.4
Iceland		0.23	2.8	11,957	none	none	1.0	0.9	-0.1	33.8
Norway		4.09	55.2	13,498	1.7	3.0	17.0	18.5	1.5	33.5
Portugal		9.93	23.6	2,377	8.4	3.6	9.3	4.6	-4.7	19.7
Turkey		45.38	52.8	1,164	2.2	4.2	6.3	2.6	-3.7	4.9
Total European NATO ^{1/}		326.89	2,913.3	8,912	112.7	3.9	756.0	686.1	-69.9	23.6
Austria		7.51	75.2	10,013	1.0	1.3	24.3	17.4	-6.9	23.1
Finland		4.78	48.8	10,209	0.7	1.4	15.6	14.2	-1.4	29.0
Spain		37.43	211.6	5,653	6.7	3.1	34.2	20.8	-13.4	9.8
Sweden		8.31	121.3	14,597	d/3.8	3.1	33.4	30.9	-2.5	25.5
Switzerland		6.37	103.1	16,185	2.1	2.0	36.3	29.6	-6.7	28.7
Total European OECD		394.72	3,490.6	8,843	127.3	3.7	911.0	807.5	-103.5	23.1
Yugoslavia		22.34	72.3	3,236	n.a.	n.a.	16.5	9.8	-6.7	13.6
Total		417.06	3,562.9	8,543	127.3	3.7	927.5	817.3	-110.2	22.9
US		227.64	2,626.1	11,636	144.0	5.5	g/241.2	220.7	-20.5	8.4
Canada		23.94	246.3	10,288	4.4	1.8	g/59.0	64.9	5.9	26.4
Total NATO ^{h/}		578.47	5,785.7	10,002	261.1	4.5	1,056.2	971.7	-84.5	16.8
Japan		116.78	1,039.9	8,905	d/9.9	1.0	141.1	129.6	-11.5	12.5
Australia		14.62	137.4	9,398	d/4.0	2.9	g/20.2	22.1	1.9	16.1
New Zealand		3.10	24.0	7,742	d/0.4	1.8	5.5	5.3	-0.2	21.9
Total		803.14	7,636.6	9,508	290.0	3.8	1,394.5	1,259.9	-134.6	16.5

Table 2. Indicators of Economic Strength of Western Europe, US, Canada, Japan, Australia, and New Zealand, 1980 - Continued

Country or Area	Item	PRODUCTION						Motor Vehicles	
		General ^{1/} Index 1975 = 100	Coal ^{1/} (million MT)	Crude Steel (million MT)	Electric Power (billion KWH)	Crude Petroleum (million MT)	Primary Aluminum (thousand MT)	Passenger Cars	Commercial Vehicles
								(thousands)	
Belgium	115	6.3	12.3	53.6	none	none	none	none	none
Luxembourg	108	none	4.6	1.1	none	none	none	none	none
Denmark	119	none	0.7	25.2	0.3	none	none	none	none
France	118	19.8	23.1	243.3	1.4	432.0	3,487.2	505.2	
Federal Republic of Germany	117	126.1	43.8	368.8	4.6	730.8	3,512.4	380.4	
Ireland	134	0.1	insig.	10.9	none	none	none	none	none
Italy	128	0.9	26.5	185.0	1.8	271.2	1,445.2	166.6	
Netherlands	112	none	5.3	64.8	1.3	312.0	80.4	16.8	
UK	107	130.1	11.3	285.0	80.5	374.4	924.0	489.6	
Total EC of Nine ^{e/}	118	283.3	127.6	1,237.7	89.9	2,120.4	9,449.2	1,558.6	
Greece	129	7.8	1.2	21.1	none	145.6	none	none	
Iceland	n.a.	none	none	3.1	none	74.8	none	none	
Norway	132	0.3	0.9	84.0	24.4	651.6	none	none	
Portugal	141	0.2	0.4	14.3	none	none	none	none	
Turkey	n.a.	8.1	1.7	23.3	2.3	34.2	none	none	
Total European NATO ^{f/}	117	299.6	131.8	1,372.6	116.3	3,026.6	9,449.2	1,558.6	
Austria	128	1.4	5.0	42.0	1.5	94.8	7.2	7.2	
Finland	127	none	2.5	38.5	none	none	none	none	
Spain	117	20.7	12.6	110.3	1.2	386.5	1,028.8	152.0	
Sweden	100	none	4.2	93.6	none	96.0	235.3	63.1	
Switzerland	114	none	0.9	46.6	none	86.3	none	none	
Total European OECD	117	321.8	157.0	1,714.5	119.3	3,690.2	10,720.5	1,780.9	
Yugoslavia	139	23.1	2.4	59.3	4.2	184.8	187.2	63.6	
Total	117	344.9	159.4	1,773.8	123.5	3,875.0	10,907.7	1,844.5	
US	125	724.3	100.8	2,509.4	424.0	4,653.9	^{k/} 6,400.0	^{k/} 1,067.0	
Canada	116	32.5	15.9	366.7	70.4	1,068.2	847.2	528.0	
Total NATO ^{h/}	121	1,056.4	248.5	4,248.7	610.7	8,748.7	16,696.4	3,753.6	
Japan	142	18.4	111.4	519.4	0.4	1,092.0	6,378.0	4,004.4	
Australia	114	95.1	7.6	98.1	18.5	303.6	^{l/} 262.8	^{l/} 52.8	
New Zealand	n.a.	2.0	0.2	22.0	0.3	156.2	none	none	
Total	123	1,217.2	395.3	5,289.4	637.1	11,148.9	24,795.7	8,096.7	

NOTES:

1. Data shown are latest available at time of publication but are subject to revisions.
2. Some data represent estimates and, therefore, are not comparable with data published in the 1980 edition of the "Indicators."
3. All figures are rounded, but computations for per capita data and percentages are based on unrounded data.

FOOTNOTES:

- a. Data are not adjusted for the purchasing power equivalent of the dollar. Please see Introduction.
- b. Currencies were converted into dollars at average 1980 trade conversion factors, as published by OECD. Please see table 3.
- c. Defense expenditures are according to NATO definitions for NATO countries except Denmark. Generally, budget data were used for other countries. Totals do not include Yugoslavia.

d. Fiscal years: For Japan and New Zealand ending March 31, 1981; for Australia, Ireland, Sweden, ending June 30, 1981.

e. EC of Nine; Greece joined in January 1981.

f. Total of countries listed above, except Ireland.

g. F.o.b.

h. European NATO plus US and Canada.

i. Totals are based on UN weights. Totals only for countries for which information was available.

j. Hard coal and lignite in terms of hard-coal equivalents.

k. Factory sales.

l. Including assembly.

Table 3. Exchange Rates Used
(Currency units per US dollar)

Country	Conversion rate	National unit	GNP, defense expenditures, trade
			OECD average 1980 trade conversion factor
European OECD			
Austria		Schilling	13.02
Belgium-Luxembourg		Franc	29.24
Denmark		Krone	5.636
Finland		Markka	3.73
France		Franc	4.226
Federal Republic of Germany		DM	1.82
Greece		Drachma	42.61
Iceland		Krona	479.76
Ireland		Pound	0.486
Italy		Lira	856.45
Netherlands		Gulden	1.99
Norway		Krone	4.94
Portugal		Escudo	50.06
Spain		Peseta	71.71
Sweden		Krona	4.23
Switzerland		Franc	1.675
Turkey		Lira	76.04
UK		Pound	0.430
Rest of OECD			
Australia		Dollar	0.8776
Canada		Dollar	1.169
Japan		Yen	226.744
New Zealand		Dollar	1.0274 (IMF)

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East-West Trade Relations

September 16, 1981



United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following is a statement by Myer Rashish, Under Secretary for Economic Affairs, before the Subcommittee on International Economic Policy of the Senate Foreign Relations Committee on September 16, 1981.

The Administration's trade policy toward the Eastern bloc—indeed our overall economic relationship with the East—cannot be divorced from our broad political-security objectives vis-a-vis these countries. As a result, our trade policy contains some basic and significant aspects which do not characterize our trade policies toward other countries. Essentially this is due to the political-military situation in which we find ourselves today.

In the first instance and most importantly, the Soviet Union and its Warsaw Pact allies remain the principal threat to Western security. This prevents us from being able to deal with the Soviet Union and Eastern Europe as we can deal with most other countries in the world. Our economic policies must support our key objectives of deterring Soviet adventurism, redressing the military balance between the West and the Warsaw Pact, and strengthening the Western alliance. Economic relations must reflect and reinforce our political goals of influencing the behavior of Communist governments in ways which serve the vital interests of the United States and its allies.

In formulating our economic policies, we must also keep in mind that trade may enhance Soviet military capabilities directly and transfer technology not otherwise available which may make a significant contribution to the military. East-West trade also contributes more broadly to Soviet ability to support military programs at levels that Western countries find increasingly difficult to match. Furthermore, certain economic relations with the East may lead to levels of dependence which increase Western vulnerability to political influence and coercion by the Soviet Union.

On the other hand, our trade ties offer certain opportunities. There are, of course, the obvious benefits to our economy from increased exports. In addition, we must always keep in mind that our economic relations may offer an opportunity to influence future Soviet and Eastern European economic and political behavior. Keeping these considerations in mind, it is very important that the United States systematically review our policies regarding economic relations with the Soviet Union and Eastern Europe.

We will work closely with our allies to insure, in the words of the Ottawa summit declaration, that "... in the field of East-West relations, our economic policies continue to be compatible with our political and security objectives." It is extremely difficult to carry out an effective East-West trade policy unilaterally. We cannot allow East-West trade to become a source of dissension and division in the alliance.

In undertaking our review, we are seeking to develop a prudent and careful approach which would, at the same time, improve our ability to deny the Soviet Union equipment and technology to further its military objectives while allowing us to broaden certain economic ties that will permit us to exercise greater leverage and influence on Soviet behavior.

U.S.S.R.

In reviewing East-West trade policy, the Administration has given priority attention to our relations with the Soviet Union. One of our major goals has been to eliminate the transfer of Western equipment and technology which contributes significantly to Soviet military capabilities. There is a need to strengthen multilateral controls on the transfer of technology. At the July Ottawa summit meeting we agreed to hold a special high-level meeting of the Coordinating Committee for East-West Trade Policy (COCOM) to discuss how to improve the effectiveness of controls on trade with the East. We are now developing our position for this important session.

An additional area of concern has been the increasing importance of Soviet raw materials—particularly energy—for the economies of many allied countries. We continue to have serious reservations about the west Siberian pipeline project which, if completed, would substantially increase the share of Soviet gas as a proportion of Western Europe's gas consumption and has the potential for significantly increased Soviet political leverage as a result. We plan to meet with European leaders in the coming months to discuss alternatives and ways to reduce vulnerability to possible Soviet pressure.

If the Soviets act responsibly and with restraint in the international arena, we are prepared to continue and expand our trade in nonstrategic areas on the basis of mutual advantage. The removal of the partial grains embargo and the 1-year extension of the U.S.-Soviet grains agreement is a clear indication of our readiness in this respect. However, even in the area of nonstrategic trade we cannot divorce our policies from overall Soviet behavior. While it is the Reagan Administration's goal to reduce foreign policy trade controls, we are not prepared to forswear the use of these controls as part of an overall response to future Soviet aggressive action.

Eastern Europe

In developing U.S. policy toward the countries of Eastern Europe we must take into account the distinctive character of each country in the area and the fact that each of these nations has its own internal dynamic. Our goal is to encourage evolutionary change, increased assertion of national self-interest, and greater respect for the rights of individual citizens by East European governments. Throughout Eastern Europe our economic and trade ties constitute a key component of our bilateral relationship. However, we must continue to deny equipment and technology that would contribute significantly to the Warsaw Pact's warmaking capabilities or could otherwise be diverted to the Soviet military.

The state of our bilateral relations varies from country to country. Yugoslavia, Poland, Romania, and Hungary receive nondiscriminatory or most-favored-nation (MFN) tariff treatment and are eligible for government-supported credits from the Export-Import Bank and the Commodity Credit Corporation. This summer the Administration renewed bilateral trade agreements with Hungary and Romania and proposed to the Congress that MFN for these countries be extended for 1 additional year in accordance with the provisions of Section 402 of the 1974 Trade Act. (No such extensions are required in the case of Poland and Yugoslavia, to which MFN treatment had been extended before enactment of the 1974 act.)

In each instance the granting of MFN has been an important stimulus to an improved bilateral relationship. In the case of Poland, Yugoslavia, and Romania our relationship has grown to the point that our bilateral trade exceeds \$1 billion per year and the exchange of presidential visits has become a frequent phenomenon. We have consulted particularly closely with Poland during its current economic difficulties and have granted debt relief and emergency credits for the purchase of agricultural commodities.

While Czechoslovakia, Bulgaria, and the German Democratic Republic do not receive MFN tariff treatment and are not eligible for U.S. Government-supported credits, our trade relations with each of these countries have continued to expand in recent years. These countries are becoming more important markets for U.S. exports and particularly for agricultural commodities. We are currently involved in intensive negotiations with Czechoslovakia to settle outstanding claims of American

citizens against that country. We are encouraged by the constructive attitude which the Czechs have shown in these negotiations and are hopeful that a final agreement can be reached in the near future.

China

The 1979 trade agreement with the People's Republic of China, extension of MFN, and the granting of government-supported credits have helped to fuel an expansion of our economic relations which has made China our most important trading partner among the centrally planned economy countries. Our total trade with China reached \$4.8 billion in 1980. U.S. exports to China were \$3.7 billion or approximately half the total of all U.S. exports to Communist countries.

We have a strategic interest in a secure, stable, and friendly China which is able to resist Soviet pressures. To advance this interest, we have eased—but not eliminated—restrictions on the sale of advanced equipment and high technology to China. Nevertheless, we will continue to operate on a case-by-case basis taking into account our security interests. We will also consult with Congress and will seek appropriate congressional action to end economic discrimination against China no longer consistent with our relationship. In this connection we are considering recommending amendments to the Foreign Assistance Act of 1961, the Agricultural Trade Development and Assistance Act (PL 480), and the Trade Agreements Extension Act (which prohibits imports of seven categories of furs from China and the U.S.S.R.). We have also proposed to the Chinese the establishment of a new joint commission on commerce and trade.

Cuba, Vietnam, North Korea, and Kampuchea

Very tight controls remain on trade with Cuba, Vietnam, North Korea, and Kampuchea. Export licenses for these countries are issued only in exceptional circumstances, particularly when humanitarian concerns are involved. We will be reviewing these controls in the near future as part of a general review of all foreign policy trade controls. Given Cuba's increasingly adventurist military activities in support of Soviet expansionism, Vietnam's continued military occupation of Kampuchea, and extreme North Korean truculence, any liberalization of these controls is unlikely.

Benefits for U.S. Economy

I have previously noted the important noneconomic benefits which accrue to us as a result of our trade relations with many Communist countries. However, we must not lose sight of the fact that the principal returns on our East-West trade relationships are those which accrue to the U.S. economy. Our exports to the centrally planned economies (excluding Yugoslavia) totaled \$7.6 billion in 1980 or roughly 3.4% of total exports. For the American farmer this trade was especially significant; agricultural sales were \$5.05 billion or 14.4% of our total agricultural exports. The \$5.1 billion surplus we enjoyed in our trade with the Communist world last year made a significant contribution toward improving the overall U.S. balance of payments. Exports to the centrally planned economies generate approximately 300,000 American jobs.

Most of the U.S. restrictions on trade with the Communist world are imposed for reasons of national security. I don't believe that I need to elaborate on the need to have national security controls on trade with these countries. Foreign policy controls imposed in the East-West trade area are relatively few. The most important of these are the controls pertaining to the sale of oil and gas exploration and production technology and equipment to the U.S.S.R. Other foreign policy controls include restrictions on the sale of crime control equipment (controlled for export to all countries other than NATO members, Japan, Australia, and New Zealand) and our very tight controls on trade with Cuba, Vietnam, North Korea, and Kampuchea. If all these controls were to be suddenly eliminated, the effect on U.S. exporters and our economy would be modest.

We maintain foreign policy controls to make clear to Communist governments that we will not completely insulate our economic relations from their behavior in other areas. When Communist governments take actions that are particularly repugnant to us, it is important that we react, preferably with the cooperation of our allies, in an area which will hurt them. While economic actions of this sort will invariably have costs, to us as well as to them, failure to take action when provoked may have a far higher price tag in the long run. Our readiness to take strong retaliatory action, including measures in the economic sphere, has helped to discourage inclinations to try to resolve the current situation in Poland by the use of outside military intervention.

It is critical that our export control policies be consistent and predictable. We are very much aware of how important these factors are for our exporters and for foreign customers for U.S. products. There have been difficulties in this regard in the past which this Administration will try very hard to remedy. Our objectives are to make export controls less burdensome to the businessman by speeding up the processing of export license applications and loosening controls of equipment not critical to defense-related industries.

Attitudes of U.S. Allies

Let me now turn to the attitudes of our major allies. Our NATO allies and Japan share our general political objectives in dealing with the Soviet Union, the other Warsaw Pact countries in Eastern Europe, and China. However, we do not always see eye-to-eye with our allies on the use of restrictive trade policies to promote these political objectives. There are several reasons for these differences. Geographic proximity, the need for raw materials, and marketing possibilities have turned Western Europe and Japan naturally toward trading with the COMECON [Council of Mutual Economic Assistance] countries and China. Many of our NATO allies have more extensive commercial links with the Soviet Union and Eastern Europe than does the United States, partly because of the belief that strong economic ties can moderate political attitudes and behavior among the Communist states. Unfortunately, in the case of the U.S.S.R., such moderation has not occurred and the era of detente has been a period of unprecedented growth of the Soviet military coupled with increased adventurism worldwide.

The Japanese and the West Europeans provide extensive government-supported export credits and/or insurance to promote their exports worldwide including to Communist countries. The Federal Republic of Germany has a special trading relationship with the German Democratic Republic. Our allies, in general, extend non-discriminatory (most-favored-nation) tariff treatment to exports of Communist countries. For purely commercial reasons the European Community maintains quantitative restrictions against a fairly narrow range of Communist country products.

Our NATO allies have cooperated with the United States to control the export of strategic equipment and technologies to the Communist countries in Europe and Asia for over 30 years. Agreed controls are negotiated in the informal multilateral organization, COCOM. The COCOM embargo does not extend to oil and gas equipment and associated technology for the U.S.S.R. except to the extent that items embargoed for other reasons might also have oil and gas applications, for example, computers to process seismic data.

Our experience has demonstrated that export controls are more effective if supported by collective action. This was illustrated clearly by the U.S. economic sanctions imposed on the Soviet Union following that country's invasion of Afghanistan. Our major allies supported some, but by no means all, of those measures. It seems clear that those actions would have been more effective had the support for the U.S. efforts been greater. Because of that experience the United States, as well as our allies, are convinced of the need for contingency planning for future Soviet aggression. We have already worked with our allies on contingency planning in NATO and bilaterally. The Ottawa summit underscored the determination to continue such consultations.

There are relatively few areas where unilateral action by the United States without similar actions by other important suppliers can seriously limit the Communist countries' access to major products or technologies. This is true even with regard to many advanced products and technologies, where a U.S. monopoly or supremacy has diminished over the years. For this reason we will continue in our effort to coordinate our own export controls with those of our major allies in COCOM and in other fora.

I have stressed the need to consult with our allies on coordinating our export controls. I should add, however, that the Administration is prepared, if necessary, to consider unilateral controls either to protect our national security or to further overriding national objectives. I do not believe that either Congress or the American public would want us to adopt any other policy.

Application of U.S. Export Controls Abroad

Let me say just a few remarks about the problems caused by the application of U.S. export control regulations and law outside the United States. Our export control regulations apply not only to

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direct export from the United States but also to reexports from third countries of U.S.-origin items, exports of the products of U.S.-origin technologies, and exports of non-U.S.-origin items by U.S. subsidiaries. But we must approach the extraterritorial application of U.S. export control regulations in foreign jurisdictions with considerable caution. Many of our closest allies have shown that they are extremely sensitive to our attempts to apply U.S. laws to conduct of persons within their territories, though in many instances they do cooperate with us. For example, the British alert their firms to the possible need for U.S. re-export licenses for certain types of embargoed equipment. Overzealous efforts on our part to apply our regulations abroad, forcing a showdown over conflicting interpretations of inter-

national law and sovereign rights, could end this kind of cooperation. It would certainly cause friction in our bilateral relations, with detrimental effects on the operations of U.S. firms overseas.

Conclusion

Thank you for giving me and my colleagues from the other agencies the opportunity to appear before you today and provide an overview of our current thinking on East-West economic policy. Our economic policies are and will likely remain an important factor in our relationships with Communist governments. Where trade is pursued on the basis of mutual advantage with appropriate national security precautions, it can

bring important benefits to our domestic economy as well as serve our overall foreign policy goals. We must not forget that the effectiveness of our East-West economic policies will be greatly enhanced by close consultation and cooperation with our allies. The development of mutually compatible policies will be one of our major goals as we proceed in the months ahead.■

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9/21^x

NATIONAL SECURITY COUNCIL

Director of Economic Planning
Dr. John Edozien

0112341

683-002 Lagos
Call #1

-
1. Interested
 2. Figures look possible
- Contact Myer Raskish

MEMORANDUM

NATIONAL SECURITY COUNCIL

9/17

Sept. 15

WT

For: Norm Bailey

From: Gus W.

Subject: Details on the Gas Pipeline

- 1) Delivered quantity: 2.9 billion cubic feet per day
- 2) Time period: 20 years
- 3) Price: \$4.00 per mc ^F, unit cost b.o.b. FRG,
in 1980.
- 4) Project cost: \$8 billion external financing
15 billion Soviet financing
\$23 billion total

FRG is now committed to \$1.7 billion for compressors, but this will likely increase to \$3 bill. to compensate for cost growth and for an increased markup to overcome concessionary finance. The pipeline delivery is to be negotiated annually.

Japan may provide \$3 billion of the external financing.

MEMORANDUM

NATIONAL SECURITY COUNCIL

The Pipeline

- p. 2 -

5) Countries : FRG, France, Italy, Belgium, Austria, Netherlands.

6) Firms:

a) Competing for the general contractor -

{ MANNESMANN, FRG
CREUSOT-LOIRE, France

b) Others -

RUHRGAS, the recipient utility and distributor, and a lobbyist in the negotiations

KANIS, FRG - compressors

TELEFUNKEN, FRG - compressors, communications equipment

Rolls-Royce - compressors

NEUVO-Pigone, Italy

KAMATSU - pipe

(MANNESMAN is also a competitor to supply 56-inch Arctic pipe)

S-W T.

Soviet Seeks Gas Line Loan

TOKYO, Sept. 21 (Reuters) — The Soviet Union wants to buy about \$7.4 billion worth of equipment from industrialized nations to build a natural gas pipeline from a western area of Siberia to supply Western Europe, Japanese Export-Import Bank officials said today.

Soviet officials mentioned the figure during negotiations with the bank on a loan for financing the \$14.8 billion project, the bank officials added.

The bank officials quoted the Soviet team as saying any loan would be used for a pipeline stretching from Uren-goy, in the western part of Siberia, to Uzhgorod, near the Czechoslovak border.

The United States had expressed concern that an earlier plan — the Yamburg project — for a 3,000-mile pipeline starting in north Siberia could

be a strategic threat to Europe. The bank officials said the Soviet team had given no reason for the project change, but had said agreement had been reached with European countries such as West Germany and France on financing part of the new project.

The bank officials said Viktor Ivanov, Soviet Deputy Trade Minister, had told the bank that Moscow was negotiating to buy Japanese gas compressor stations and related equipment. This included a cooling system worth \$1.5 billion, they added.



SEP 24 1981

- Subject: I. Applications Approved or Denied (Other Than Temporary Exports) to USSR, Eastern Europe and Far Eastern Communist Countries.
- II. Applications Approved or Denied for Temporary Exports to USSR, Eastern Europe and Far Eastern Communist Countries.
- III. Applications Denied for All Countries Except USSR, Eastern Europe and Far Eastern Communist Countries.

Period Covered Week Ending July 10, 1981

- Table I. Action Basis for Applications Approved or Denied for USSR, Eastern Europe and Far Eastern Communist Countries
- II. (Table I-Other Than Temporary Exports: Table II Temporary Exports)
- (1) International Embargo
 - (2) Processed Pursuant to Specific ACEP License Determinations
 - (3) Processed Pursuant to ACEP Policy Determinations
 - (a) Small Value; Administrative Exception
 - (b) Servicing Procedure
 - (c) Division Delegation of Authority
 - (d) Other
- Table III. Action Basis for Applications Denied for All Countries Except USSR, Eastern Europe and Far Eastern Communist Countries.

- (A) Suspended party involved in transaction
- (B) Other diversion risk
- (C) Special country policy
- (D) For reason noted

Operations Division
Office of Export Administration

Attachments



APPLICATIONS APPROVED FOR EXPORT TO USSR,
EASTERN EUROPE, FAR EASTERN COMMUNIST COUNTRIES AND
APPLICATIONS DENIED FOR ALL DESTINATIONS FOR THE WEEK
ENDING July 10, 1981

CASE	ACTION	DESTINATION COMMODITY & REMARKS	CCL	VALUE APPROVED	VALUE DENIED
BULGARIA					
509693	(1) (3d)	Elect. Computing Equip. (Reex. from Austria)	1565	218,776	
546372	(1) (3a)	Elect. Computing Equip.	1565	206,110	
560784	(3a)	Elect. Test Equip.	4529	570	
CZECHOSLOAVKIA					
509694	(1) (3d)	Elect. Computing Equip. (Reex. from Austria)	1565	97,456	
535712	(1) (3a)	Magnetic Recorders & Pts.	1572	2,060	
537941	(1) (3a)	Elect. Computing Equip. (Reex. from Austria)	1565	4,590	
545653	(1) (3d)	Elect. Computing Equip.	1565	42,500	
552153	(1) (3a)	Elect. Computing Equip. (Reex. from W. Germany)	1565	10,993	
552686	(1) (3a)	Elect. Computing Equip. (Reex. from W. Germany)	1565	662	
553607	(1) (3a)	Elect. Computing Equip. (Reex. from W. Germany)	1565	153,613	
556709	(1) (3a)	Oscilloscopes (Reex. from Isle of Guernsey)	1584	1,680	
556710	(1) (3a)	Oscilloscopes (Reex. from Isle of Guernsey)	1584	1,680	
556711	(1) (3a)	Oscilloscopes (Reex. from Isle of Guernsey)	1584	1,680	
560677	(1) (3a)	Elect. Computing Equip. (Reex. from Austria)	1565	145	
560678	(1) (3a)	Elect. Computing Equip. (Reex. from Austria)	1565	145	
560680	(1) (3a)	Elect. Computing Equip. (Reex. from Austria)	1565	145	

APPLICATIONS APPROVED FOR EXPORT TO USSR,
EASTERN EUROPE, FAR EASTERN COMMUNIST COUNTRIES AND
APPLICATIONS DENIED FOR ALL DESTINATIONS FOR THE WEEK
ENDING July 10, 1981

CASE	ACTION	DESTINATION COMMODITY & REMARKS	CCL	VALUE APPROVED	VALUE DENIED
CZECHOSLOVAKIA (CONTIN.)					
560802	(1) (3a)	Elect. Computing Equip. (Reex. from Austria)	1565	580	
560803	(1) (3a)	Elect. Computing Equip. (Reex. from Austria)	1565	145	
560804	(1) (3a)	Elect. Computing Equip. (Reex. from Austria)	1565	145	
560806	(1) (3a)	Elect. Computing Equip. (Reex. from Austria)	1565	145	
445531	(1) (3d)	Machinery for Mfr. of Integrated Circuits	1355		220,000
520855	(1) (3d)	Terminal w/Access. (Reex. from Switzerland)	1565		3,250
526805	(1) (3d)	Laser Calibration System (Reex. from Austria)	1522		29,100
531243	(1) (3d)	Converters	1564		164
531244	(1) (3d)	Converters	1564		23
GER. DEM. REP.					
558068	(1) (3d)	Elect. Computing Equip. (Reex. from Netherland)	1565	75,000	
558069	(1) (3d)	Elect. Computing Equip. (Reex. from Netherland)	1565	20,000	
559852	(1) (3d)	Magnetic Recorders & Pts. (Reex. from United Kingdom)	1572	37,500	
508597	(1) (3d)	Board Test System (Reex. from Austria)	1355		188,620

APPLICATIONS APPROVED FOR EXPORT TO USSR,
EASTERN EUROPE, FAR EASTERN COMMUNIST COUNTRIES AND
APPLICATIONS DENIED FOR ALL DESTINATIONS FOR THE WEEK
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CASE	ACTION	DESTINATION COMMODITY & REMARKS	CCL	VALUE APPROVED	VALUE DENIED
HUNGARY					
509689	(1) (3d)	Elect. Computing Equip. (Reex. from Austria)	1565	146,184	
529521	(1) (3a)	Integrated Circuits	1564	697	
529522	(1) (3a)	Integrated Circuits	1564	697	
535915	(1) (3a)	Elect. Computing Equip.	1565	42,240	
535916	(1) (3a)	Elect. Computing Equip.	1565	63,360	
537121	(1) (3a)	Elect. Computing Equip.	1565	42,240	
560128	(1) (3a)	Oscilloscopes (Reex. from Isle of Guernsey)	1584	10,700	
447941	(1) (3d)	Elect. Computing Equip.	1565		2,633
447942	(1) (3d)	Elect. Computing Equip.	1565		3,690
PRC					
424312	(1) (3a)	Elect. Computing Equip.	1565	1,703,477	
442401	(1) (3d)	Elect. Tubes	1549	3,360	
442634	(1) (3d)	Elect. Computing Equip.	1565	300,000	
514123	(1) (3a)	Elect. Test Equip.	1529	280	
502755	(1) (3d)	Elect. Computing Equip.	1565	123,714	
520162	(1) (3d)	Elect. Test Equip.	1529	15,062	
521113	(1) (3a)	Elect. Computing Equip.	1565	4,320	
524877	(1) (3d)	Gallium Compounds	1757	2,900	
525171	(1) (3d)	Elect. Computing Equip.	1565	50,000	
526439	(1) (3d)	Elect. Computing Equip.	1565	172,570	
540740	(1) (3a)	Magnetic Recorders & Parts	1572	26,314	
543457	(3d)	Data re: Mfr. of Civil Aircraft Components		x	
543464	(3d)	General Industrial Equip.	5399	100,000	
545739	(1) (3a)	Communications Equip.	1519	224	
547899	(1) (3a)	Elect. Computing Equip.	1565	498	
553893	(1) (3a)	Elect. Computing Equip.	1565	97,500	
553894	(1) (3a)	Elect. Computing Equip.	1565	162,500	
556069	(1) (3a)	Oscilloscopes	1584	3,134	
559346	(3a)	Elect. Test Equip.	4529	35,490	

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CASE	ACTION	DESTINATION COMMODITY & REMARKS	CCL	VALUE APPROVED	VALUE DENIED
PRC (CONTIN.)					
559351	(3a)	Elect. Test Equip.	4529	39,825	
560387	(1)(3a)	Oscilloscopes	1584	5,819	
560788	(1)(3a)	Elect. Computing Equip. (Reex. from Sweden)	1565	6,160	
POLAND					
509691	(1)(3d)	Elect. Computing Equip. (Reex. from Austria)	1565	49,728	
509692	(1)(3d)	Elect. Computing Equip. (Reex. from Austria)	1565	924,560	
541295	(3d)	Data re: TV Picture Tube Mfg. Equip.		x	
555188	(1)(3a)	Communications Equip.	1501	79,838	
509483	(1)(3a)	Wafer Inspection Station Access.	1355		71,000
522029	(1)(3d)	Microcircuits	1564		401
536620	(1)(3d)	Spectrum Analyzer w/Access. (Reex. from Austria)	1533		34,700
ROMANIA					
389806	(1)(3d)	Synchros and Resolvers	1568	2,493	
393839	(1)(3a)	Elect. Computing Equip.	1565	1,572,480	
446111	(1)(3d)	Elect. Computing Equip.	1565	467,400	
509709	(1)(3d)	Elect. Computing Equip.	1565	1,356,480	
389806	(1)(3d)	Integrated Circuits & Converters	1564/1568		2,122
USSR					
402993	(1)(3a)	Elect. Computing Equip.	1565	36,146	
535904	(3d)	Magnetic Recorders & Pts.	1572	150	
538290	(1)(3a)	Elect. Computing Equip. (Reex. from France)	1565	17,935	
539771	(3d)	Petroleum Equipment	6191	317,265	

APPLICATIONS FOR EXPORT TO THE USSR, EASTERN
EUROPE, FAR EASTERN COMMUNIST COUNTRIES AND DENIED
FOR ALL DESTINATIONS FOR THE WEEK ENDING July 10, 1981

	APPROVED			DENIED		
	<u>No. of</u> <u>Cases</u>	<u>Value</u>	<u>(Reexports)*</u>	<u>No. of</u> <u>Cases</u>	<u>Value</u>	<u>(Reexports)*</u>
Bulgaria	3	425,456	218,776	-	-	
Czechoslovakia	17	318,364	273,804	5	252,537	
Ger. Dem. Rep.	3	132,500	132,500	1	188,620	
Hungary	7	306,118	156,884	2	6,323	
PRC	22	2,853,147	6,160	-	-	
Poland	4	1,054,126	974,288	3	106,101	
Romania	4	3,398,853	-	1	2,122	
USSR	4	371,496	17,935	-	-	
	<u>64</u>	<u>\$ 8,860,060</u>	<u>\$ 1,780,347</u>	<u>12</u>	<u>\$ 552,703</u>	

*Included in total value.

APPLICATIONS APPROVED FOR TEMPORARY EXPORT TO USSR,
EASTERN EUROPE, FOR EASTERN COMMUNIST COUNTRIES AND
APPLICATIONS DENIED FOR ALL DESTINATIONS FOR THE WEEK
ENDING July 10, 1981

CASE	ACTION	DESTINATION COMMODITY & REMARKS	CCL	VALUE APPROVED	VALUE DENIED
PRC					
525007	(1) (3d) <u>2</u> /	Elect. Computing Equip. (Reex. from Hong Kong)	1565	1,441,026	
543412	(1) (3d) <u>1</u> /	Elect. Computing Equip.	1565	2,985	
550954	(1) (3d) <u>1</u> /	Acoustic/Ultrasonic System	1510	298,000	
550955	(1) (3d) <u>1</u> /	Magnetic Recording Equip.	1572/1519	512,800	
550956	(1) (3d) <u>1</u> /	Elect. Computing Equip.	1565	22,500	
USSR					
528754	(3d) <u>1</u> /	Petroleum Equipment	6391	149,213	
543340	(1) (3d) <u>2</u> /	Elect. Computing Equip. (Reex. from W. Germany)	1565	33,195	
557355	(1) (3d) <u>2</u> /	Elect. Computing Equip. (Reex. from United Kingdom)	1565	40,000	
MUL. E.E. DEST.					
511330	(1) (3d) <u>1</u> /	Oscilloscopes	1584		5,750
541793	(1) (3d) <u>1</u> /	Integrator w/Access.	1584		3,272

APPLICATIONS FOR TEMPORARY EXPORT TO THE USSR
EASTERN EUROPE, FAR EASTERN COMMUNIST COUNTRIES AND
DENIED FOR ALL DESTINATIONS FOR THE WEEK
ENDING July 10, 1981

	APPROVED			DENIED		
	<u>No. of Cases</u>	<u>Value</u>	<u>(Reexports)*</u>	<u>No. of Cases</u>	<u>Value</u>	<u>(Reexports)*</u>
PRC		2,277,311			-	
USSR		222,408			-	
Mul. E.E. Dest.		-			9,022	
		<u>2,499,719</u>			<u>\$ 9,022</u>	

- 1/ For demonstration and return to U.S.
- 2/ For demonstration and point of reexport.

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45631 MEMO

1 9/25/1981 B1

NORMAN BAILEY TO RICHARD ALLEN RE
CATERPILLAR PIPELAYER SALES

The above documents were not referred for declassification review at time of processing
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]

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

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

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45632	MEMO ALLEN LENZ TO RICHARD ALLEN RE CATERPILLAR PIPELAYER SALES	1	9/24/1981	B1

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45633 MEMO

1 9/24/1981 B1

NORMAN BAILEY TO RICHARD ALLEN RE
CATERPILLAR PIPELAYER SALES

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45634 MEMO

1 9/25/1981 B1

NORMAN BAILEY TO MYER RASHISH RE
PIPELINE COMMENTS

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45635	DRAFT CABLE TO TOKYO	1	ND	B1

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