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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
86241	TRANSMITTAL SHEET		1	11/4/1981	B1 B3
86242	PAPER	SOVIET OIL PRODUCTION	1	ND	B1 B3
86243	MEMO	BAILEY TO ALLEN RE REPORT ON TRIP TO LONDON AND PARIS	3	11/9/1981	B1
86245	REPORT	USSR ENERGY LINKS TO THE WEST	10	11/13/1981	B1 B2 B3
86246	PAPER	SUMMARY REPORT OF CONSULTATIONS RE PIPELINE	8	ND	B1

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UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

November 4, 1981

MEMORANDUM FOR Martin Anderson
Assistant to the President
for Policy Development

From: Lawrence J. Brady LJB
Assistant Secretary
for Trade Administration

Subject: US Companies Engaged in Business with the Soviet Union

Attached is the list of US companies legally engaged in business with the Soviet Union, which you requested through Al Lenz.

As a caveat to use of this information, Section 12(c) of the Export Administration Act (confidentiality provision) states that information obtained in confidence from shippers shall not be disclosed unless its release is deemed to be in the national interests. Under that provision, the information is provided to you as a representative of the President acting in your official capacity. The statute requires that the Secretary of Commerce make a determination that release of the information is in the national interest before it can be made public. I suggest that the information be clearly labeled with such a warning.

81.308 NOV 04 15.27.25

PAGE 1
APPROVED CASES BY COUNTRY FOR PERIOD 800930 TO 811001

FY 81

LIST I

COUNTRY: USSR

EXPORTER	CONSIGNEE	CCL	VALUE
CABOT CORP	PO VATRA	COBALT BASED ALLOYS	40000
GARNAC GRAIN CO INC	VSESOJUZNOJE KHOZRASCHOTNOJE	AGRICULTURAL COMMODITIES	10509500
GARNAC GRAIN CO INC	VSESOJUZNOJE KHOZRASCHOTNOJE	AGRICULTURAL COMMODITIES	7955000
A M F TIRE	TECHMASHIMPORT	INTEGRATED CIRCUITS	3172
A M F TIRE	TECHMASHIMPORT	INTEGRATED CIRCUITS	6344
LOUIS DREYFUS CORPORATION	VESESOJUZNOJE EXPORTINO IMPORTNOE	AGRICULTURAL COMMODITIES	24888
LOUIS DREYFUS CORPORATION	VESESOJUZNOJE EXPORTINO IMPORTNOE	AGRICULTURAL COMMODITIES	9450000
LOUIS DREYFUS CORPORATION	VESESOJUZNOJE EXPORTINO IMPORTNOE	AGRICULTURAL COMMODITIES	9450
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	9847500
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	9862500
LOUIS DREYFUS CORPORATION	VESESOJUZNOJE EXPORTINO IMPORTNOE	AGRICULTURAL COMMODITIES	9992500
LOUIS DREYFUS CORPORATION	VESESOJUZNOJE EXPORTINO IMPORTNOE	AGRICULTURAL COMMODITIES	9977500
BUNGE CORP	EXPORTKHLEB/SMOLENSKAJA SENNAJA	AGRICULTURAL COMMODITIES	23725000
BUNGE CORP	EXPORTKHLEB/SMOLENSKAJA SENNAJA	AGRICULTURAL COMMODITIES	31450
BJ-HUGHES INC	SUDOIMPORT	OTHER MACHINERY & EQUIP INCL TOOLS/FIXTU	150897
BJ-HUGHES INC	SUDOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	150897
ALLEN BRADLEY CO	PRODUCTION ASSOC OF CITY OF MINSK F/AUTO	MAGNETIC RECORDER AND PARTS	539
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	318900000
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	15920000
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	15850000
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	1985000
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	14637700
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	10520000
PILLSBURY COMPANY	EXPORTKHLEB/SMOLENSKAJA SENNAJA	AGRICULTURAL COMMODITIES	3789000
FARMERS EXPORT CO	VSESOJUZNOJE KHOZRASCHOTNOJE	AGRICULTURAL COMMODITIES	3943000
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	10450000
CATERPILLAR OVERSEAS SA	TRAKTOREXPORT	OTHER MACHINERY AND EQUIPMENT	405000
VARIAN EXPORT CORP	GEOLOGY EXHIBITION C/O RANK HILGER	ELECTRONIC TEST EQUIPMENT	19850
CLARK EQUIPMENT COMPANY	MACHINOIMPORT	TECHNICAL MODELS	1
CARGILL INC	VESEOJUZNOJE EXPORTNO-IMPORTNOJE	AGRICULTURAL COMMODITIES	4717499
CARGILL INC	VESEOJUZNOJE EXPORTNO-IMPORTNOJE	AGRICULTURAL COMMODITIES	3144999
CARGILL INC	VESEOJUZNOJE EXPORTNO-IMPORTNOJE	AGRICULTURAL COMMODITIES	3853143
CARGILL INC	VESEOJUZNOJE EXPORTNO-IMPORTNOJE	AGRICULTURAL COMMODITIES	7724002
CARGILL INC	VESEOJUZNOJE EXPORTNO-IMPORTNOJE	AGRICULTURAL COMMODITIES	7991523
CARGILL INC	VESEOJUZNOJE EXPORTNO-IMPORTNOJE	AGRICULTURAL COMMODITIES	4696500
CARGILL INC	VESEOJUZNOJE EXPORTNO-IMPORTNOJE	AGRICULTURAL COMMODITIES	3131000
CARGILL INC	VESEOJUZNOJE EXPORTNO-IMPORTNOJE	AGRICULTURAL COMMODITIES	3956248
FARMERS EXPORT CO	EXPORTKHLEB/SMOLENSKAJA SENNAJA	AGRICULTURAL COMMODITIES	15475
FARMERS EXPORT CO	EXPORTKHLEB/SMOLENSKAJA SENNAJA	AGRICULTURAL COMMODITIES	40477500
NICOLET INSTRUMENT CORP	GEOLOGY EXHIBITION C/O RANK HILGER	ELECTRONIC TEST EQUIPMENT	70000
R C COMPUTER AS	INSTITUTE OF ELECTRONICS & COMPUTER SCIE	ELECTRONIC COMPUTING EQUIPMENT	145828
R C COMPUTER AS	INSTITUTE OF ELECTRONICS & COMPUTER SCIE	ELECTRONIC COMPUTING EQUIPMENT	150103
BUNGE CORP	EXPORTKHLEB/SMOLENSKAJA SENNAJA	AGRICULTURAL COMMODITIES	10200000
PHILLIP BROTHERS GRAIN CORP	VSESOJUZHOJE EXPORTINO IMPORTNOJE	AGRICULTURAL COMMODITIES	20400000
AMPEX CORP	STATE COMMITTE FOR TV & RADIO	MAGNETIC RECORDER AND PARTS	300200
ARISTO GRAPHIC SYSTEME GMBH & CO KG	MONTAGE LEHRANSTALT WORONEZH	ELECTRONIC COMPUTING EQUIPMENT	7029125
TIDEWATER GRAIN CO	EXPORTKHLEB/SMOLENSKAJA SENNAJA	AGRICULTURAL COMMODITIES	3978750
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	15275000
LOUIS DREYFUS CORPORATION	VSESOJUZNOE EXPORTNO-IMPRTNOJE	AGRICULTURAL COMMODITIES	7530000

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PAGE 2
APPROVED CASES BY COUNTRY FOR PERIOD 800930 TO 811001

LUMMUS CO	MINISTRY OF CHEMICAL INDUSTRY	INTEGRATED CIRCUITS	20
LUMMUS CO	MINISTRY OF CHEMICAL INDUSTRY	TRANSISTORS	60
PERKIN ELMER CORP	PERKIN ELMER CORP USA C/O LENINGRAD POLY	ELECTRONIC TEST EQUIPMENT	46000
PERKIN ELMER CORP	USSR ACADEMY OF SCIENCES	ELECTRONIC TEST EQUIPMENT	37380
PERKIN ELMER CORP	MOSCOW STATE UNIVERSITY	ELECTRONIC TEST EQUIPMENT	15000
MINNESOTA MINING & MANUFACTURING COMPANY	GOSTELERADIO	MAGNETIC RECORDER AND PARTS	4589
M GOLODETZ & CO INC	PRODINTORG	AGRICULTURAL COMMODITIES	4392000
WANG LABORATORIES, INC	GOSPLAN USSR	ELECTRONIC COMPUTING EQUIPMENT	96537
WANG LABORATORIES, INC	GOSSNAB USSR	ELECTRONIC COMPUTING EQUIPMENT	103779
WANG LABORATORIES, INC	CEMI AN SSSR	ELECTRONIC COMPUTING EQUIPMENT	23284
AIR PRODUCTS & CHEMICALS INC	MINISTRY OF CHEMICAL INDUSTRY	TECHNICAL MODELS	1
HUGHES TOOL CO	SUDOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	569718
HONEYWELL INFORMATION SYSTEM	ELECTRONORGTECHNICA	ELECTRONIC COMPUTING EQUIPMENT	45000
MAI INTL SALES CORP	CITIBANK NA	ELECTRONIC COMPUTING EQUIPMENT	266365
GEOSOURCE INC	U S S R MINISTRY OF GEOLOGY	ELECTRONIC COMPUTING EQUIPMENT	1
B B H INTL INC	INSTITUTE OF CARDIOLOGY	ELECTRONIC TEST EQUIPMENT	172945
RCA CORP	ZAVOD ELEKTROVAKUMNYH PRIBOROR	MAGNETIC RECORDER AND PARTS	1
PERKIN ELMER CORP	PIGMENT	ELECTRONIC TEST EQUIPMENT	22500
LOUIS DREYFUS CORPORATION	VSESOJUJNOE EXPORTNO-IMPORTNOTE	AGRICULTURAL COMMODITIES	334700
B B H INTL INC	BBH INTL INC C/O MOSCOW AIRPORT (SHEREME	ELECTRONIC COMPUTING EQUIPMENT	176000
KEVEX INTL CORP	KAZAN UNIVERSITY	ELECTRONIC TEST EQUIPMENT	46110
N C R CORPOPRATION	INTOURIST USSR CO FOR FOREIGN TRAVEL	ELECTRONIC COMPUTING EQUIPMENT	249036
B B H INTL INC	USSR ACADEMY OF MEDICAL SCIENCES	ELECTRONIC TEST EQUIPMENT	198600
B B H INTL INC	INSTITUTE OF GEODESY AND CARTOGRAPHY	ELECTRONIC TEST EQUIPMENT	186423
VIDELCOM INC	INSTITUTE OF REHABILITATION & PHYSIOTHER	ELECTRONIC TEST EQUIPMENT	98250
MAGNAVOX OVERSEAS LIMITED	MINISTRY OF MERCHANT MARINE	MAGNETIC RECORDER AND PARTS	150
PERKIN ELMER CORP	SOJUZPOLIGRAPHPROM	ELECTRONIC TEST EQUIPMENT	21630
MITSUBISHI INTL CORP	PRODINTORG	AGRICULTURAL COMMODITIES	5120000
BARNES ENGINEERING CO	ALL UNION SCIENTIFIC RES INST OF PULMONO	COMMUNICATIONS EQUIPMENT	14414
CARGILL INC	PRODINTORG	AGRICULTURAL COMMODITIES	7350000
SACKMAN ASSOCIATION	FIRST MEDICAL INSTITUTE	ELECTRONIC COMPUTING EQUIPMENT	6600
SACKMAN ASSOCIATION	SECOND MEDICAL INSTITUTE	ELECTRONIC COMPUTING EQUIPMENT	6600
SACKMAN ASSOCIATION	MOSCOW REGIONAL CLINICAL INSTITUTE	ELECTRONIC COMPUTING EQUIPMENT	6600
SACKMAN ASSOCIATION	ALL UNION SCIENTIFIC RES INST OF PULMONO	ELECTRONIC COMPUTING EQUIPMENT	6600
SACKMAN ASSOCIATION	LENINGRAD SCIENTIFIC RES INST OF BLOOD T	ELECTRONIC COMPUTING EQUIPMENT	6600
PERKIN ELMER CORP	P O ELECTRONICA	ELECTRONIC TEST EQUIPMENT	17500
DIGITAL EQUIPMENT CORPORATION	GINZVETMET	ELECTRONIC COMPUTING EQUIPMENT	17935
GRAY TOOL CO	MACHINOIMPORT	OTHER MACHINERY & EQUIP INCL TOOLS/FIXTU	4228780
GRAY TOOL CO	MACHINOIMPORT	OTHER MACHINERY & EQUIP INCL TOOLS/FIXTU	4822343
GRAY TOOL CO	MACHINOIMPORT	OTHER MACHINERY & EQUIP INCL TOOLS/FIXTU	400200

APPROVED CASES BY COUNTRY FOR PERIOD 800930 TO 811001

COUNTRY: USSR

EXPORTER	CONSIGNEE	CCL	VALUE
N C R CORPOPRATION	LENINGRADSKY MOTORGPORT	ELECTRONIC COMPUTING EQUIPMENT	146018
APPLIED RESEARCH LABORATORIES	GINZVETMET	ELECTRONIC TEST EQUIPMENT	500000
VARCO DISC	MINISTRY OF GAS INDUSTRY	EQUIP USED FOR EXPLORATION PROD PETROLEU	317265
ARMCO INTL INC	MINISTRY OF GAS INDUSTRY	TECHNICAL MODELS	1
APPLIED RESEARCH LABORATORIES	SOUKHOLOJSKII ZAVOD VTORTSVETMET	ELECTRONIC TEST EQUIPMENT	700000
APPLIED RESEARCH LABORATORIES	GROUZINSKOIE OUPRAVLENIE VTORISVETMET	ELECTRONIC TEST EQUIPMENT	400000
FOREIGN TRANSACTIONS CORP	UNKNONW	EQUIP USED FOR EXPLORATION PROD PETROLEU	109470
APPLIED RESEARCH LABORATORIES	LENINGRADSKOYE OBIEDENIE LENVTORTSVETNET	ELECTRONIC TEST EQUIPMENT	400000
APPLIED RESEARCH LABORATORIES	PODOLSKI LAVOD TSUTNIKH METALLOU	ELECTRONIC TEST EQUIPMENT	700000
LUMMUS CO	MINISTRY FOR THE PRODUCTION OF MINERAL F	TECHNICAL MODELS	1
GULF OIL CHEMICALS CO	STATE COMMISSION F/CHEM CONTROL OF PLANT	TECHNICAL MODELS	1
AMERICAN TYPE CULTURE COLLECTION	MOSCOW STATE UNIVERSITY	BACTERIA	10
AMPEX CORP	STATE COMMITTE FOR TV & RADIO	MAGNETIC RECORDER AND PARTS	25000
A M F TIRE	PO BOBRUISKSHINA	ELECTRONIC COMPUTING EQUIPMENT	3259
EI DUPONT DE NEMOURS CO	UKRAINEAN ACADEMY OF SCIENCE	ELECTRONIC TEST EQUIPMENT	120000
APPLIED RESEARCH LABORATORIES	N P O TULA CHERMET	ELECTRONIC TEST EQUIPMENT	200000

HEWLETT PACKARD CO	MOGILEV PRODUCTION COMBINATION	ELECTRONIC COMPUTING EQUIPMENT	4100
I B M CORP	ELECTRONORGTECHNICA	ELECTRONIC COMPUTING EQUIPMENT	75
STEWARD WARNER ELECTRONICS	VARIOUS	NUMERICAL CONTROL EQUIPMENT	125000
AMPEX CORP	STATE COMMITTE FOR TV & RADIO	MAGNETIC RECORDER AND PARTS	9219
AMPEX CORP	STATE COMMITTE FOR TV & RADIO	MAGNETIC RECORDER AND PARTS	6129
AMPEX CORP	STATE COMMITTE FOR TV & RADIO	MAGNETIC RECORDER AND PARTS	5080
A M F TIRE	TECHMASHIMPORT	MAGNETIC RECORDER AND PARTS	3150
FOREIGN TRANSACTIONS CORP	MACHINOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	17369
AMERICAN TYPE CULTURE COLLECTION	ACADEMY OF MEDICAL SCIENCES OF THE USSR	BACTERIA	10
CAMERON IRON WORKS, INC	SUDOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	14381
PERKIN ELMER CORP	TECHNOPROMIMPORT	ELECTRONIC COMPUTING EQUIPMENT	23000
E I DU PONT DE NEMOURS	ALL UNION RES INST F/ ANTIBIOTICS OF ACA	ELECTRONIC TEST EQUIPMENT	140000
E I DU PONT DE NEMOURS	ALL UNION RES INST F/ ANTIBIOTICS OF ACA	ELECTRONIC TEST EQUIPMENT	100000
NL SHAFFER/NL INDUSTRIES INC	MACHINOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	146334
NL SHAFFER/NL INDUSTRIES INC	MINISTRY OF OIL OF USSR	EQUIP USED FOR EXPLORATION PROD PETROLEU	11949776
TRADIGRAIN INC	EXPORTKHLEB/SMOLENSKAJA SENNAJA	AGRICULTURAL COMMODITIES	730275
COOPER MANUFACTURING CORPORATION	MACHINOIMPORT	DRILLING FLUIDS/MUDS/LOST CIRCULATIONS M	34474440
V G DATA SYSTEMS LTD	ALL UNION RESEARCH INST F/ GENETICS & IN	ELECTRONIC COMPUTING EQUIPMENT	8808
C ITOH & CO AMERICA INC	MINISTRY OF GAS INDUSTRY	EQUIP USED FOR EXPLORATION PROD PETROLEU	21440
CAMERON IRON WORKS, INC	MACHINOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	1321730
TINSLEY LABORATORIES INC	MINISTRY OF ELECTRONIC INDUSTRY OF THE U	INTEGRATED CIRCUITS	1
OTIS ENGINEERING CORPORATION	MACHINOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	32992
AMERICAN MAGNESIUM CO JOINT	UNKNOWN	TECHNICAL MODELS	1
AMPEX CORP	AMPEX INTL OPERATION INC	MAGNETIC RECORDER AND PARTS	734600
HEWLETT PACKARD CO	BOTANICAL INSTITUTE RESEARCH	ELECTRONIC COMPUTING EQUIPMENT	7775
HONEYWELL INFORMATION SYSTEM	AVTOPROMIMPORT	ELECTRONIC COMPUTING EQUIPMENT	31000
BWT TECHNOLOGY INC	SUDOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	5599
HALLIBURTON SERVICES CO	FAR EAST OFFSHORE OUL & GAS EXPLORATION	TECHNICAL MODELS	1
RIKER LABORATORIES INC	LIEENSINTORG	TECHNICAL MODELS	1250000
INTERNATIONAL COMPUTER LTD	INTL COMPUTERS LTD C/O OLYMPICS COMMITTE	ELECTRONIC COMPUTING EQUIPMENT	30684
PERKIN ELMER CORP	MINISTRY OF CHEMICAL INDUSTRY	ELECTRONIC COMPUTING EQUIPMENT	20000
DIGITAL EQUIPMENT CORP	HOSPITAL OF ONCOLOGY	ELECTRONIC COMPUTING EQUIPMENT	6585
LYNES INTERNATIONAL INC	SUDOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	16443

APPROVED CASES BY COUNTRY FOR PERIOD 800930 TO 811001

COUNTRY: USSR

EXPORTER	CONSIGNEE	CCL	VALUE
BWT TECHNOLOGY INC	SUDOIMPORT	ELECTRONIC COMPUTING EQUIPMENT	16011
MINNESOTA MINING & MANUFACTURING COMPANY	GOSTELERADIO	MAGNETIC RECORDER AND PARTS	4589
MOTOROLA INC	TECNOLINE SRL	INTEGRATED CIRCUITS	1054
ATARI INC	ELECTRO CONVENCION SA	INTEGRATED CIRCUITS	14518
EG&G INTL EQUIPMENT INC	STERFLIN G YA	ELECTRONIC TEST EQUIPMENT	50876
BWT TECHNOLOGY INC	MACHINOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	1468029
BWT TECHNOLOGY INC	MACHINOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	70917
TRANE COMPANY	SPECTRUM 81	TECHNICAL MODELS	1
LOUIS M CANTER	SUDOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	12731
TECHNICARE CORP	CLINICAL HOSPITAL MINISTRY OF HEALTH OF	ELECTRONIC TEST EQUIPMENT	98330
MICRO METRIC INSTRUMENT DISC CORP	INSTITUTE OF MINING GIPROUGLEMASH COAL M	ELECTRONIC TEST EQUIPMENT	71088
TECHNICARE CORP	CITY CLINICAL HOSPITAL NO 52	ELECTRONIC TEST EQUIPMENT	277137
DIGITAL EQUIPMENT CORP	VOLGA AUTOMOBIL PLANT	ELECTRONIC COMPUTING EQUIPMENT	12070
VISTRON CORP	TECHMASHIMPORT	TECHNICAL MODELS	1
LYNES INTERNATIONAL INC	MACHINOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	31340
LYNES INTERNATIONAL INC	MACHINOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	765766
MINNESOTA MINING & MANUFACTURING COMPANY	GOSTELERADIO	MAGNETIC RECORDER AND PARTS	4734
FINNIGAN CORP	INSTITUTE OF EXPERIMENTAL BIOLOGY	ELECTRONIC TEST EQUIPMENT	321301
TRACOR NORTHERN INC	INSTITUTE OF IMMUNOLOGY/AMNSSR	ELECTRONIC TEST EQUIPMENT	71230
FOREIGN TRANSACTIONS CORP	MACHINOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	505756
GEOREXPORT INC	MINGASPROM	ELECTRONIC COMPUTING EQUIPMENT	4983
CONTROL DATA CORP	CONTRL DATA CORP 'EXPOCENTR'	ELECTRONIC COMPUTING EQUIPMENT	38149
TEXAS INSTRUMENTS INC	BANCO LA CAJA OBRERA	ELECTRONIC COMPUTING EQUIPMENT	14100

TRANSAERO INC	TOMAK CHEMICAL COMBINE	ELECTRONIC COMPUTING EQUIPMENT	12060
TEXAS INSTRUMENTS INC	BANK OF AMERICA NT&SA	ELECTRONIC COMPUTING EQUIPMENT	14100
TEXAS INSTRUMENTS INC	BANFED BANCA FEDERADA DEL INTERIOR	ELECTRONIC COMPUTING EQUIPMENT	14100
DATA GENERAL INTL SALES CORP	CENTRO CONTABLE DE COMPUTACION LTDA	ELECTRONIC COMPUTING EQUIPMENT	27920
HEWLETT PACKARD CO	BOTANICAL INSTITUTE RESEARCH	ELECTRONIC COMPUTING EQUIPMENT	13114
HEWLETT PACKARD GMBH	HEALTH CARE CENTER OF TALLINN	INTEGRATED CIRCUITS	154000
VETCO INC	SUDOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	66786
BWT TECHNOLOGY INC	SUDOIMPORT	ELECTRONIC COMPUTING EQUIPMENT	1
SPERRY CORP SPERRY MARINE SYS	COSMOS IN TOURIST HOTEL	COMMUNICATIONS EQUIPMENT	120000
KEVEX INTL CORP	VAZ AUTOMOBILE PLANT	ELECTRONIC TEST EQUIPMENT	39000
BWT TECHNOLOGY INC	MACHINOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	26967
NICOLET INSTRUMENT CORP	SUIAZ 81 EXHIBITION	MAGNETIC RECORDER AND PARTS	15000
BJ-HUGHES INC	SUDOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	40480
BJ-HUGHES INC	SUDOIMPORT	OTHER EQUIP USE EXPLORATION PROD PETROLE	36800
HEWLETT PACKARD CO	ALL UNION RESEARCH INST F/ GENETICS & IN	ELECTRONIC COMPUTING EQUIPMENT	105
I B M CORP	MOSCOW CITY EXECUTIVE COMMITTEE	TECHNICAL MODELS	1
SEAGULL MARKETING CORP	RIZHSKY POLYTECHNICAL INST	ELECTRONIC COMPUTING EQUIPMENT	19000
MARTIN DECKER CO	U S S R GOVERNMENT OIL CO	EQUIP USED FOR EXPLORATION PROD PETROLEU	30150
PERRY OCEANOGRAPHICS INC	PERRY EQUIPMENT CORPORATION	ELECTRONIC TEST EQUIPMENT	1
MAUSER WERKE OBERNDORF GMBH	AVTOPROMIMPORT MOSCOW USSR	ELECTRONIC COMPUTING EQUIPMENT	20930
PERKIN ELMER CORP	PERKIN ELMER AB	ELECTRONIC COMPUTING EQUIPMENT	20000
DAIICHI JITSUGYO AMER INC	SUDOIMPORT	EQUIP USED FOR EXPLORATION PROD PETROLEU	77814
HEWLETT PACKARD CO	HEWLETT-PACKARD GES M B H C/OVARIOUS TRA	ELECTRONIC TEST EQUIPMENT	148025
MAX FLAXMAN 70-42 NANSEN ST	MAX FLAXMAN	ELECTRONIC COMPUTING EQUIPMENT	2000
SACKMAN ASSOCIATION	TELEPHONE EQUIPMENT EXHIBITION	INTEGRATED CIRCUITS	0
MCDERMOTT INC/MCDERMOTT DUBAI	VSESOJUZNOE EXPORTNO IMPORTNOE OBJEDINEN	OTHER GENERAL INDUSTRIAL EQUIPMENT	2200000

APPROVED CASES BY COUNTRY FOR PERIOD 800930 TO 811001

COUNTRY: USSR

EXPORTER	CONSIGNEE	CCL	VALUE
WANG LABORATORIES	GOSSNAB USSR	ELECTRONIC COMPUTING EQUIPMENT	58910
WANG LABORATORIES	GOSSNAB USSR	ELECTRONIC COMPUTING EQUIPMENT	356179
L T X CORPORATION	LTX CORPORATION	ELECTRONIC TEST EQUIPMENT	385000
TECHNICARE CORP	REPUBLICAN CLINICAL HOSPITAL	ELECTRONIC TEST EQUIPMENT	229729

NO. OF APPROVALS SELECTED: 298 878175549

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81.308 NOV 04 15.11.54 PAGE 1

APPROVED CASES BY COUNTRY FOR PERIOD 800930 TO 811001

COUNTRY: USSR

EXPORTER		VALUE
CABOT CORP 125 HIGH ST BOSTON, MA	02110	40000
NO. OF APPLICATIONS SELECTED:	1	40000

GARNAC GRAIN CO INC
245 PARK AVE
NEW YORK, NY 10017

	10509500
	7955000
NO. OF APPLICATIONS SELECTED: 2	18464500

LIST II

A M F TIRE
3715 SUNFLOWER AVE
SANTA ANA, CA 92704

	3172
	6344
	3259
	3150
NO. OF APPLICATIONS SELECTED: 4	15925

LOUIS DREYFUS CORPORATION
24 RICHMOND HILL AVE
STAMFORD, CT 06904

	24888
	9450000
	9450
	9847500
	9862500
	9992500
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APPROVED CASES BY COUNTRY FOR PERIOD 800930 TO 811001

COUNTRY: USSR

EXPORTER	VALUE
NO. OF APPLICATIONS SELECTED: 18	460,587,781

BUNGE CORP
1 CHASE MANHATTAN PL
NEW YORK, NY 10005

	23725000
	31450
	10200000
NO. OF APPLICATIONS SELECTED: 3	33956450

NEW YORK, NY 10020 20400000

BJ-HUGHES INC
777 S POST OAK RD SU
HOUSTON, TX 77056

	150897
	150897
	40480
	36800
	379074

NO. OF APPLICATIONS SELECTED: 4

ALLEN BRADLEY CO
747 ALPHA DR
HIGHLAND HTS, OH 44143

	539
	539

NO. OF APPLICATIONS SELECTED: 1

PILLSBURY COMPANY
608 SECOND AVE
MINNEAPOLIS, MN 55402

	3789000
	3789000

NO. OF APPLICATIONS SELECTED: 1

FARMERS EXPORT CO
ONE WARD PARKWAY
KANSAS CITY, MO 64112

	3943000
	3943000

NO. OF APPLICATIONS SELECTED: 1

APPROVED CASES BY COUNTRY FOR PERIOD 800930 TO 811001

COUNTRY: USSR

EXPORTER — VALUE

CATERPILLAR OVERSEAS SA
100 NE ADAMS ST
PEORIA, IL 61629

	405000
	79350000
	910000
	80665000

NO. OF APPLICATIONS SELECTED: 3

VARIAN EXPORT CORP
611 HANSEN WAY
PALO ALTO, CA 94303

	19850
	19850

NO. OF APPLICATIONS SELECTED: 1

CLARK EQUIPMENT COMPANY
324 E DEWEY AVE
BUCHANAN, MI 49107

	1

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ROUTE SLIP

STAFF	C/O
Allen	
Nance	
Colson	
Poindexter	
LENZ	
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WHITE HOUSE
SITUATION ROOM

Lenz
Feith
Nau
Bailey
Weiss
Pipes

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SOVIET GAS PIPELINE CONTRACT

How the deal was done

By Paul Cheeseright in London, Kevin Done in Frankfurt and Terry Dodsworth in Paris

THE CHAMPAGNE was flowing near midnight at the Mannesmann complex in Dusseldorf. Groaning buffet tables celebrated victory for the successful sub-contractors to the most grandiose East-West project ever devised.

That late night supper at Mannesmann signalled the fact that a 5,000 km natural gas pipeline to carry Soviet gas from Siberia to consumers in western Europe has moved an important step closer to reality. It was the decisive end to 18 months of negotiations and six years of spasmodic talks.

Doubts about Soviet intentions and fears of U.S. antagonism to the project slipped away in the general euphoria of work gained and revenues, assured. It was a fitting climax to a day that had seen contracts for about £1bn of goods and services signed with Machinoimport of Moscow.

For the Soviet Union, the celebration meant that the fourth phase of a massive network of pipelines, some for gas export, some for internal use, was falling into place. And it was a personal triumph for Mr Yuri Tersarkissov, vice-president of Machinoimport, the state buying agency (once expelled from the UK as a spy), and his 32-strong negotiating team.

For the U.S., present at the celebration only in spirit, it was a bitter-sweet occasion. Bitter because the U.S. fears increasing West European energy dependence on the Soviet Union: the Reagan Administration is trying to cobble together alternative supply plans. Sweet because nearly all the equipment rests on the technology of three U.S. companies—GE, Dresser and Cooper, which will gain from parts sold and licence money paid.

Indeed, the party at Mannesmann was like a roll call of GE's European turbine manufacturing associates. Present: AEG-Kanis of West Germany, John Brown Engineering of Scotland and Nuovo Pignone of Italy. Absent: Thomassen of the Netherlands, which fell by the wayside in the final stages and Alsthom-Atlantique of France, evidently without the capacity to make the turbines in the time necessary.

But the management contractors were there too. Mannesmann and Creusot Loire of France are in a consortium to provide 22 compressor stations, but all the compressors are based on U.S. designs. Nuovo Pignone was there in a contracting role too. Its compressors are the only part of the basic equipment not dependent on U.S. technology.

All were winners in Machinoimport's contrived race. The losers included Cooper-Rolls, the 50-50 joint venture company between Rolls Royce of the UK, [illegible] of the RB211 engine, and Cooper Industries of the U.S., the compressor manufacturers [illegible] of West Germany, [illegible] of Japan and AEG-Kanis, which won only [illegible] of what it sought, gaining turbine orders but failing, with [illegible] in a bid for the general management contract.

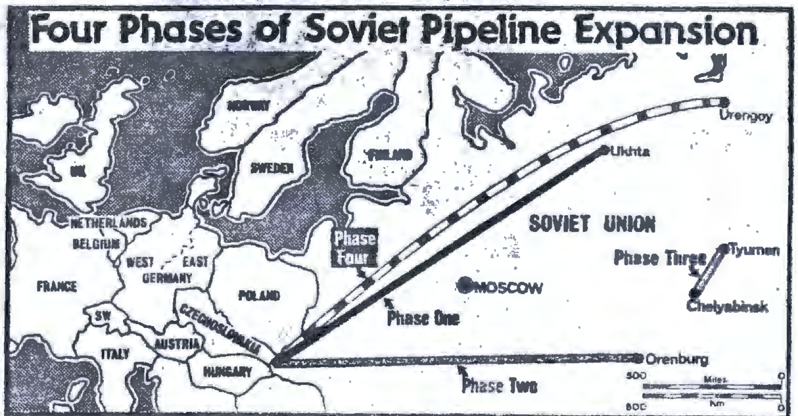
The western Soviet Union is a maze of gas pipelines, but the links affecting the West have grown in four phases. The first two, the Northern Stars line from Ukhta and the Friendship line from Orenburg used gas turbine technology from GE of the U.S. The third from Tyumen, used technology based on Rolls-Royce aero engines. The fourth phase involves running a pipeline for 5,000 km from an area south east of the Yamal Peninsula.

A lot of equipment, ranging from the pipes themselves (many of which will be supplied by Mannesmann of West Germany for phase four) to computer controls are needed for a pipeline. But the purpose of the basic machinery is to push the gas along the pipeline. This is done by a series of compressor stations, which are made up of a turbine to provide the driving force for a compressor to propel the gas along the line to the next station.

There is a distinction between the "heavy-duty" turbine, of which the GE design has the largest share of the world market, and the lightweight turbine based on aero-engine technology, produced by Rolls-Royce and others.

In the phase four negotiations for equipment supplies, just completed, the Soviet Union had to make a basic choice on the nature of the driving force for the pipeline.

The choice fell on the GE technology. GE has manufacturing associates in Europe and Japan — AEG-Kanis, Alsthom Atlantique, Nuovo Pignone, Hitachi, John Brown Engineering, Thomassen — most of which have provided equipment in the past for Soviet pipelines. They compete among themselves—and with GE itself—but the rotating parts of turbines are provided by GE.



Graham Lever

The origins of that race lie back in 1975 when a complicated exchange arrangement, involving the movement of Iranian natural gas to the Soviet Union and the sale of Soviet gas to western Europe, was conceived. The idea was never consummated. But at that time Mannesmann and Creusot-Loire staked their claim for equipment contracts in the belief that French and German gas purchases would eventually give them an edge in winning supplying contracts.

From the exchange arrangement came the idea of a pipeline to western Europe carrying gas for West Germany, Belgium, France, Italy, the Netherlands and Austria. It became a serious proposion in 1979. Then the third phase of the Soviet pipeline expansion had been completed — the the Tyumen to Chelyabinsk line with complete compressor stations provided by Coberrow — the Rolls-Royce, Cooper-Bessemer, Williams Overseas consortium.

The choice of Coberrow for the third phase would colour the negotiations about to start for the fourth. It had shown that the Soviet Union was prepared to break away from use of GE-type heavy turbines into the lighter aero-derivative machinery where Rolls-Royce was striving for worldwide pre-eminence (as explained more fully in the caption to the map). It widened Soviet choices and made technical decisions more difficult to reach.

Gosplan, the Soviet planning authority, wanted the highest technology available. The Ministry of Gas wanted equipment it had been comfortable with over the past decade. During 1980 that bureaucratic battle would be joined. Against this background the potential management contractors were taking no chances. By mid-1980, traditional turbine manufacturers like John Brown—most of them GE associates—were being asked for budgetary estimates.

But between phases three and four of the pipeline development, Soviet negotiating tactics changed. When Coberrow negotiated phase three, the Soviet authorities did not enquire, did not seem interested in, what the consortium would pay its sub-contractors. It had been the same with other European contractors on the earlier phases.

When the talks started in earnest, however, the contractors found that Machinoimport was not prepared to treat only with them. The Soviet authorities wanted to keep control in their own hands. "The Russians have learned a lot about the co-ordination of different companies and sub-contractors. They have an insight now of what they want technically and what they have to pay for it," noted Mr Peter Schreiber of AEG.

Not only that. The Soviet authorities are able to read balance sheets: they had been able to see the impact on profits of contracts granted in the earlier phases of pipeline development.

Talks started on the assumption that there would be a single pipeline — route uncertain — to carry 40bn cubic metres of gas to the West each year at a pressure of 101 atmospheres (1,484.7 lbs per square inch). Then the plan changed. There would be two pipelines, each with a pressure of 75 atmospheres. By December 1980 this plan was collapsing too and the Soviet authorities were moving towards one pipeline to meet the original requirement of gas sales by 1984, followed by another to start operating by 1986. By May 1981 this had become a definite choice.

The shifting plans reflected the bureaucratic tussle in Moscow and the emerging primacy of the Ministry of Gas. But they demanded from the potential suppliers new sets of estimates on each occasion. When the twin pipeline idea fell through, Machinoimport sought just such new estimates on the basis not of consortia but of nationally-based supplies. This may have been part of the reason why the Mannesmann-Creusot Loire consortium came apart in December 1980, but it had reformed by February 1981. The Soviet move seemed calculated to raise the competitive pressure of the bidding, pitting suppliers from one country against those of another.

That was the style from start to finish. By the spring of this year though, new urgency was creeping in. Time was running out to meet the 1984 deadline. The Soviet Union approved a new Five Year Plan. Political relations between the Soviet Union and the U.S. were deteriorating. Negotiations for a major West German credit were in train, but concluded in a limited, untidy fashion, making it inevitable that supplying contracts would be spread more widely than had at first been thought. Major German gas purchases would not inevitably mean major equipment purchases from West Germany.

The symbol of that greater urgency was the establishment, in May, of a headquarters in an elegant suburb of Cologne. A suite of offices on the third floor of a building was taken. On the second floor was GE.

The major suppliers kept missions in Cologne. Negotiations went in spasms. Mr Tersarkissov would call company representatives in. They would talk and the companies would go away again. The only way a company would know it had not

THE MAJOR CONTRACTS

NORTHERN PART OF THE LINE

22 Compressor stations through Mannesmann-Creusot Loire consortium

	Total turbines	Type	Manufacturer of turbines	Compressor manufacturer	Compressor licensor
Header station	5	GE Frame III	AEG-Kanis	Demag	Dresser Clark
14 stations	42	GE Frame V	AEG-Kanis	Creusot Loire	Cooper
7 stations	21	GE Frame V	John Brown	Dresser France	—

SOUTHERN PART OFT THE LINE

19 compressor stations through Nuovo Pignone

	Total turbines	Type	Manufacturer of turbines	Compressor manufacturer	Compressor licensor
	57	GE Frame V	Nuovo Pignone	Nuovo Pignone	—

been eliminated from the negotiations would be another summons. Restrospectively the companies pick out three distinct stages. There were the technical talks, which finished in August, overlapping with the financial and then last of all the final pricing.

The key Soviet decisions were probably made in the last week of August and the first week of September. Then the Machinoimport delegation returned to Moscow and there was at least one two-day meeting attended by Ministers. The main casualty of that fortnight seems to have been Cooper Rolls. Although price talks continued into the fourth week of September, lack of Soviet confidence in the ability to maintain the lightweight turbine and the need to buy more lightweights than heavyweights reinforced the conservatism of the Ministry of Gas, the victor of the bureaucratic tussle.

The Machinoimport delegation returned to Cologne to put the final squeeze on prices. Here the main casualty was the AEG-Salzgitter bid for the general compressor station contract. The terms had become too harsh. "We have our own idea of what general contracting is all about," said Mr Schreiber. "We gave our last price and then just said there was no more in it for us." The Japanese bid was nowhere to be seen, possibly a victim of Moscow's political differences with Tokyo.

That left Mannesmann-Creusot Loire and Nuovo Pignone. The Mannesmann-Creusot Loire management contract was not the normal type. The logic of the Machinoimport negotiating tactics had taken away from the consortium the choice of sub-contractors, leaving only supervision and a pared down management fee of 6-7 per cent of the project value.

"We can only make money by exemplary management of the project," noted M Jean Corrihons, general manager of Creusot Loire's energy division. "The engineering is fundamental. If we have got it right, if there are no technical problems, and we can deliver on time with no penalties, we shall be all right."

Nuovo Pignone was different. With Italy buying gas and the group emerging as the chosen instrument of the Italian Government, a contract naturally followed. But because Nuovo Pignone is providing all the basic equipment for the southern part of the line, it is receiving no general management fee like Mannesmann-Creusot Loire.

Machinoimport had screwed the prices down tightly, but even as the champagne flowed in the early hours of September 29 — just before the end-o-the-month deadline for taking up a French export credit — a fog of questions remained. The issue of the gas price was unresolved and what happens to the pipeline when it reaches the Czechoslovak border is unclear.

Additional research by Mark Meredith in Edinburg.

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FT 11/6/81

Norway to overhaul oil policy

BY FAY GJESTER IN OSLO

NORWAY'S new Conservative Government is embarking on a major overhaul of Norwegian oil policy, including plans to limit the involvement of Statoil, the state oil company, in the development of the sector.

An Oil Ministry white paper published yesterday says, among other things, that Statoil will not be allowed to take over part-operatorship of the giant Anglo-Norwegian Statfjord field in 1985, as recommended by the previous Labour Government.

Mobil will retain the whole operatorship, at least until all three of the the field's production platforms are installed and in production.

Two committees will be appointed soon to study possible policy changes, the ministry says. One will review Norway's offshore oil and gas experience to date, and seek a better definition of an optimum pace of exploration and development.

At present, the only guideline in this area – approved by the Storting (parliament) several years ago – is a theoretical output "ceiling" of 90m tonnes of oil equivalent (tce) annually. This arbitrary figure takes no account of other factors influencing the oil industry's impact on the economy, such as levels of investment, fluctuating oil prices and changes in the value of the dollar (in which oil is priced).

Petroleum output is just under 50m tce per year and is not expected to rise much before the mid-1980s.

The second committee will consider the organisation of petroleum operations in Norway, taking account of the need to adjust Statoil's role.

The new Government also intends to reconsider the allocation of the three North Sea blocks adjoining Shell's promising gas find on Block 31/2. The Labour Government had planned to allocate these jointly to Statoil, Norsk Hydro, and Saga, according to the same share-out adopted on "golden" block 34/10 – 85 per cent, 9 per cent, and 6 per cent, respectively.

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JANET COLSON

BUD NANCE

DICK ALLEN

IRENE DERUS

JANET COLSON

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Curb on U.S. Exports to the Soviet Union, Including Oil Gear, Is Mulled by Reagan

By STEVE MUFSON
Special to THE WALL STREET JOURNAL

CAMBRIDGE, Mass.—In two to four weeks, President Reagan will decide whether or not to restrict the sale of oil and gas equipment to the Soviet Union. If the U.S. goes ahead with restrictions, observers say, the controls could be the broadest imposed since the Korean war.

Last week, at a one-day conference on East-West trade at Harvard University's Russian Research Center, government officials said the administration also is considering tighter controls on exports to the Soviets of chemicals, heavy vehicles, and shipbuilding and metallurgy technology.

Businessmen at the conference expressed impatience that the administration has taken this long to decide its trade policy. So far, the Reagan administration has reviewed export-license applications on a case-by-case basis.

Between June 1 and Oct. 1, the Commerce Department granted 30 licenses to export oil and gas equipment, valued at about $71 million, to the Soviets. Comparable year earlier figures weren't available.

The approved exports include spare parts and other gear for well servicing, blowout prevention, oil and natural gas production, electronic computing and oil drilling, as well as integrated circuits used in exploration.

Many export-license applications for U.S.-Soviet trade have been turned down this year, according to William A. Root, director of the State Department's Office of East-West Trade. Mr. Root said the administration is especially worried about the export of pipe-laying equipment, refinery equipment, pipeline compressor pumps and any products that can be used to make drill bits and pipe-laying machinery.

The Reagan administration has lobbied strongly against a proposed pipeline that would carry natural gas from within the Soviet Union to Western Europe.

Military Consequences

U.S. law forbids the export of any item that would "substantially" enhance Soviet military capability. President Carter's wheat embargo was one application of that law. The embargo failed because other nations didn't go along with it. But Eugene Lawson, deputy assistant secretary of commerce for East-West trade, said the Reagan administration would ask other nations to adhere to U.S. trade restrictions against the Soviet Union.

Meanwhile, Robert Russell, staff director of the International subcommittee of the Senate Foreign Relations Committee, warned that the U.S. may do "irreparable harm to its alliances" if it asks other nations to further restrict trade with the Soviets. "We're asking a great deal of our allies to plans for the Soviet-Western European gas pipeline.

Mr. Lawson said the administration isn't ready to lay out its East-West trade policy. But he indicated that the Reagan approach is likely to be restrictive, saying, "The Soviet Union continues to be our principal potential adversary; many of its actions are reprehensible. Our trade policy will be consistent with strategic and other interests. Trade and other aspects of our policy will be linked."

Oil and Gas Equipment

The focus of controls on U.S.-Soviet trade is likely to be oil and gas equipment. "It is one of the few areas where we have a clear technological edge," says Mr. Lawson. "Oil and gas equipment is the biggest thing that the West has that the East wants," adds Mr. Root.

The export of oil and gas equipment has been one of the most hotly debated issues of East-West trade because the Soviet Union gets much of its hard currency by exporting oil and gas.

The U.S.S.R. earned more than $10 billion from petroleum exports last year, according to Marshall Goldman, economics professor at Wellesley College and associate director of Harvard's Russian Research Center.

"Although we think of the Soviet Union as an industrialized country, 83% of its exports are raw materials, mostly petroleum," Professor Goldman says.

Some strategists contend that a cutback in the West's exports of oil and gas equipment would lead to a decline in Soviet oil production and possibly a Soviet invasion of the Mideast. (Currently, the Soviets produce 12 million barrels of oil a day, more than any other nation.)

Others say that limiting exports to the Soviet Union will give the U.S. a strategic advantage by keeping its economy stronger than the Soviet economy.

Some businessmen at last week's conference, however, contend that even current policy is too restrictive. "We have reviewed the military critical list (which enumerates items U.S. companies aren't allowed to sell to the Soviets) and half the items don't belong there," says George K. Bardos, vice president of Minneapolis-based Control Data Corp. "Either they're readily available, obsolete or our adversaries already have them."

Mr. Bardos says restrictions on U.S. trade with the Soviets have led to the export of jobs to Western Europe. He adds that many of his company's contracts with the Soviet Union have been abrogated by U.S. rulings against exporting certain spare parts to the Soviets. Because of such

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86245	REPORT USSR ENERGY LINKS TO THE WEST	10	11/13/1981	B1 B2 B3

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	JCS	- LTC Edward Bucknell	8133921
	USTR	- Mr. Richard Heimlich	8133922
	Treasury	- Mr. David Pickford	8133923
	CIA	- Mr. Thomas B. Cormack	8133924
	OMB	- Mr. William Schneider	8133925

SUBJECT: Report of European Consultations on Yamal Pipeline Alternatives

Attached is a draft summary report of consultations that an interagency team led by Under Secretary Rashish held in Europe concerning the Soviet-Western European natural gas pipeline. Comments on this report are welcomed.

L. Paul Bremer, III
Executive Secretary

Attachment:

Draft Summary Report

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86246	PAPER SUMMARY REPORT OF CONSULTATIONS RE PIPELINE	8	ND	B1

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

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

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Can Europe Rely on Soviet Gas Supplies?

By MARSHALL I. GOLDMAN

One of the more noteworthy news stories of this past weekend reported the signing of an agreement between the Soviet Union and a West German gas company that would lead to a long-term contractual commitment by the Russians to sell and deliver natural gas to the West Germans. At this writing, West German Chancellor Helmut Schmidt was preparing for the arrival of Soviet Premier Leonid Brezhnev, and it is probable that the gas deal will be on the agenda for their talks. There was another, seemingly unrelated news story over the weekend, which, as we will point out shortly, could bear directly on the future of the Soviet-European gas deal.

The story said that the Soviet Union has warned Finland about making "any miscalculation" in choosing a president to succeed its long-time leader, Urho Kekkonen. To do otherwise, the Soviets suggested, might result in "events that are at present difficult to forecast." Finland will hold its presidential election this January.

The United States has sought to block, or at least hamper, construction of the pipeline that would carry the Soviets' gas into Europe, and this has caused friction between the U.S. and our allies. This pipeline is scheduled to run from the gas fields of northwest Siberia through the USSR and Czechoslovakia to gas consumers in West Germany, Italy, France, the Netherlands, Austria, Switzerland and Belgium.

It would redistribute natural gas from a country with 30% to 40% of the world's natural gas reserves to a region with one of the highest natural gas consumption rates in the world. From an energy point of view, it looks like a perfect match. However, from a political point of view, at least from the perspective of the U.S., such a Faustian project may help solve Western Europe's energy problems, but only in exchange for its political soul.

All but Irresistible

The project has advantages. For Europeans, Japanese and even some Americans, the pipeline's construction offers the promise of billions of dollars worth of exports of pipe, compressors and construction equipment. Tempting enough in prosperous times, such contracts in a recession are all but irresistible. In addition the Soviet offer to sell natural gas should reduce prices. Indeed, the Soviets have already undercut the Algerians, who have been trying to push up their natural gas prices so that they equal the BTU content of petroleum. The Soviets have agreed with the Italians to settle for a lower price, which in turn has put enormous pressure on the Algerians to settle for less.

There are also political benefits. The more numerous the sources of energy supply in the world, the less likely it is that any group of countries will be able to embargo energy supplies. Some Europeans argue that tying the Russians to the West European economies in this way will integrate them into the economic affairs of the West, putting them under enormous pressure to sustain the flow of the gas so they can insure a continuing flow of hard currency.

The Soviets have an excellent reputation for fulfilling contracts ... but there is a limit to Soviet reliability. When the issue is important enough to them, the Soviets show little hesitation in disregarding their contractual commitments.

The project's disadvantages are almost all political. We discovered in the 1973 embargo that oil-consuming countries can improvise and find other sources of supply. However there is significantly less flexibility in the handling of natural gas. Gas consumers do not usually have the luxury of drawing from two gas pipelines. Such redundancy is very expensive. If the Soviets turn off their valve, there is normally not much gas consumers can do but close down production and turn down the heat.

Some advocates of the pipeline have argued, however, that the Soviets would not do such a thing. The Soviets have an excellent reputation for fulfilling contracts. They have been supplying Austria with 100% of its imported natural gas since 1968, and except for supply disruptions caused by cold weather, there have been no problems.

If anything, the Soviets have a tendency to disregard embargoes. They opened their first natural gas pipeline to West Germany on Oct. 1, 1973, and maintained the flow of gas deposits through the Yom Kippur war and the OAPEC (the Arab members of OPEC) embargo which began a few days later. The Soviets took further advantage of the embargo to sell petroleum to the two prime targets of the embargo, the Netherlands and the U.S. The Soviets were not members of OAPEC and, therefore, they made no promise to honor the embargo. Nevertheless, they did all they could to induce OAPEC to agree to an embargo in the first place. They were embarrassed when it was revealed that they had been profiting at the expense of OAPEC, but the windfall profits they made on their sales more than made up for their embarrassment.

There is a limit, however, to Soviet reliability and their regard for contracts. In fact the Soviets are not beyond a little disinformation when it comes to convincing the world about the sanctity of their signatures. More often than not the lust for profits may cause them to ignore their political principles, but when the issue is important enough to them, the Soviets show little hesitation in disregarding their contractual commitments.

In 1948 when Tito began to edge out of the Soviet bloc, Stalin cut off Yugoslavia's supply of petroleum from a Soviet-dominated oil supplier. There has been a series of such incidents. A Soviet company broke off its contract for petroleum deliveries to Israel after the 1956 invasion of the Sinai. Recalling the Soviets' warning to the Finns this past weekend about their upcoming presidential election, the USSR temporarily suspended deliveries to Finland in late 1958 until the Finns came up with a president more to Soviet liking. In 1964, after the Sino-Soviet split, it severed oil deliveries to China, once its largest customer. There have been more recent reports that the Soviets have curtailed deliveries of petroleum to Poland whenever Poland stepped too far out of line.

Having imposed embargoes of various kinds ourselves, including a temporary halt in 1975 of soybean deliveries to Japan, we Americans are in no position to be too shocked by similar Soviet behavior. Yet countries that plan to use Soviet-supplied gas must also prepare for the day the Soviets decide to cut it off. That means at least building in extra storage capacity and arranging for petroleum or coal switching capability. Unfortunately this increases the cost of any such operation.

Will Russians Cut Off the Flow?

The choices are not especially attractive for the West Europeans. Undoubtedly once Soviet gas begins to constitute as much as 30% of their natural gas supply, the West Europeans will never be able to ignore the possibility that the Russians will cut off the flow. But can they place any more reliance on the Libyans, Iranians, Iraqis or even the Saudis? Theoretically there are other alternatives.

We have offered the Europeans more of our coal, but environmentally, politically and economically the West Europeans do not regard this as a serious possibility. The Norwegians and the British could offer to sell their gas supplies, but so far they have refused. Under the circumstances, the best the West Europeans can do is arrange for backup capacity in oil and coal and build extra large gas storage facilities. Because this increases the cost of the project, there is a natural reluctance to engage in such expense.

The choices are not good, but despite the hazards involved it seems unrealistic to expect the West Europeans to forsake the potential of additional Soviet natural gas supplies. For that reason, to the extent that American criticism of the project forces the West Europeans into a more redundant but probably politically safer system, there may be some value after all to U.S. criticism and the damaged relations that are bound to result.

Mr. Goldman is professor of economics at Wellesley College and associate director of Harvard's Russian Research Center. He is completing a book on the obstacles to economic reform in the Soviet Union.

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THE OIL DAIL

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EEC Report Assesses Extent of Reliance On Soviets for Gas

By Michael Parrott
Oil Daily Correspondent

PARIS — As a number of Western European countries sign a series of natural gas agreements with the Soviet Union, the European Economic Community in Brussels has published figures showing just how dependent the countries would become on the Soviets if they go ahead with the contracts.

In a report to the 10-nation group's council of ministers, the EEC's European Commission says that as a result of planned Soviet

European Report

gas purchases, Common Market countries may buy from 40 billion to 42 billion cubic meters of Soviet gas on top of the 21.7 billion they already receive. Soviet gas supplies would represent 22 percent of the group's gas consumption but only 4 percent of its total energy needs.

But the report shows that some countries would be more dependent on the Soviet Union than others:

- Belgium, which currently receives no Soviet gas, could find itself relying on the Soviets for 38 percent of its 1990 supplies if it goes ahead and buys its planned amount of 5 billion cubic meters.

- Italy, which has already ordered 7 billion cubic meters for 15 percent of its yearly gas needs, would find itself 35 percent dependent on the Soviets for gas if bought an additional 10 billion cubic meters.

- West Germany, if it buys another 12 billion cubic meters on top of the 10.7 billion it already receives, would find its Soviet dependency exceeding 34 percent instead of the current 9 percent.

- France, which currently buys 4 billion cubic meters representing 9 percent of its needs, would find its dependency rising to 26 percent if it bought its planned 8 billion to 10 billion cubic meters of Soviet gas.

- And the Netherlands, which currently receives no Soviet gas, could find itself depending on the Russians for 11 percent of its supplies if it goes ahead and buys 5 billion cubic meters yearly.

But the commission notes that dependence on gas varies within the various European countries. By 1990, the Netherlands will be relying on gas for 39 percent of its primary energy consumption compared to 47 percent last year. Italy and the United Kingdom will rely on it for 21 percent compared to 17 and 20 percent respectively last year.

Belgium will have a 17 percent gas share compared to 19 percent in 1980, West Germany 18 percent compared to 17, and France 15 percent compared to 9 percent.

Some countries use their gas essentially for domestic uses (such as the United Kingdom with 61 percent, the Netherlands with 54 percent, France with 50 percent and Belgium with 40 percent). Others rely on gas more for industrial uses (such as Italy with 54 percent,

(Continued on page 4)

TODAY IN BRIEF

46A

Western Europe Dilemma: Trading Dependence on Oil For That of Natural Gas

(Continued from page 1)

France with 44 percent, Belgium with 42 percent and Germany with 39 percent). Germany still uses gas extensively to produce electricity as do Belgium and the Netherlands to a lesser degree.

So if the Soviets cut off gas sales to Western Europe, industries in Germany, Italy and Belgium would be particularly vulnerable, while the main victims in France would be households.

Other Uncertainties

If the Soviet Union were the only source of supply uncertainty for the European Economic Community, the risk might be easier to bear. But figures produced by the commission show that by 1990, the EEC could be relying on non-EEC gas imports for as much as 46 percent of its supplies compared to only 26 percent last year.

Observers quickly note that a significant portion of these imports come from Norway, a politically secure country which is expected to supply at least 10 percent of the EEC's gas needs in 1990. But almost as much is due from Algeria, which has not hesitated to cut off deliveries when it has tried to raise the price of its gas.

According to the commission, Algeria could represent 38 percent of Belgium's gas supplies in 1990, 26 percent of Italy's, 21 percent of West Germany's and 20 percent of France's.

Last year, the commission noted that member countries had signed natural gas contracts for a total of 104 million metric tons oil equivalent (760.2 million barrels). Algeria led the way with 43.6 million metric tons oil equivalent (mtoe) or 41.9 percent, followed by Norway with 25 million mtoe or 24 percent, the Soviet Union with 18.2 million mtoe or 17.5 percent, and Iran, Nigeria and Libya with, respectively, 7.7, 7.0 and 2.5 million mtoe. At that time, there were already doubts about 27 million mtoe of these contracts — those with Iran and 19 million mtoe with Algeria.

Deals Fell Through

As expected, the Iran deal involving 9 billion cubic meters of gas yearly to Germany and France fell through. Algeria seems to have abandoned plans to sell 19.5 billion cubic meters of gas to Germany and the Netherlands since those countries refused to build a pipeline rather than receive it in liquefied form. Supplies of Algerian gas to France and those of Libya to Italy have been temporarily suspended over price disputes.

So while no problems have yet arisen with the Soviets, many Europeans are no longer regarding natural gas as a safe, inexpensive and reliable energy source.

The growing concern of EEC countries about their supplies can be seen in the lowering of their gas consumption forecasts. They now reckon on only 135 billion cubic meters of consumption in 1990, compared to the 152 billion to 157 billion forecast last year. Now, the commission is wondering if even the lower figures are realistic considering the problems encountered with new contracts.

EEC governments are currently anticipating that gas will represent only 19 percent of total Common Market energy consumption in 1990, rather than the 20 percent forecast last year. But in the end, gas may have as its share only what it enjoys today: 18 percent.

The Price Factor

Moreover, gas' role could be cut even farther if the Algerians push the price up too steeply. According to the EEC commission, an alignment of FOB prices for gas with those of oil would only lead to a fall in consumption ad make it less attractive to import gas over long distances.

It adds that gas might still be able to compete with heating oil and electricity in domestic use even if it is more scarce, but it could never survive in industrial use. Several observers have said industrial sales are essential if gas distribution is to be economic.

Another argument the commission advances against aligning gas prices with those of oil is the higher transportation costs. EEC countries are warned in the new report not to accept indexation clauses which could erode the price differential between the two energies.

So the European Economic Community is in a dilemma. It originally saw gas as a way to diversify from oil and dependence on the Middle East. That goal continues, but it is difficult to see how gas will be able to compete if its prices move up.

Moreover, there is now the danger that dependence on Middle East oil will be replaced by a new reliance on Algerian and Soviet gas. But with indigenous gas production on the decline since 1976, the EEC has no option but continue using gas if it is to avoid increasing its dependence on oil.

Recommendations

The commission has recommended that member states diversify supply sources as much as possible by buying more gas from Nigeria and Norway and to consider purchases from Canada. It suggests that the proportion of interruptible contracts be increased (in 1979, Belgium's sales were 27 percent interruptible compared to 15 percent in France) and that gas storage facilities be increased.

In this last regard, Italy is building 1.2 billion cubic meters of capacity on top of the 2.1 billion it already has, while Germany is adding 1.1 billion to its 1.8 billion. France has released no figures on any plans to increase its gas storage capacity beyond its current 3.7 billion cubic meters.

The report also urges cooperation between EEC countries regarding production capacity reserves that may be maintained and the interconnection of distribution networks.

With Germany having signed a formal contract and France expected to make a similar move, it appears that the EEC countries have decided they have no other option despite repeated attempts by the United States and the Reagan administration to dissuade them.

PRODUCER COUNTRIES' SHARES OF EUROPEAN GAS SUPPLIES

	Algeria	Norway	USSR	Total
West Germany	21%	14%	16%	34%
France	20%	6%	9%	26%
Italy	26%	NA	15%	35%
Netherlands	13%	7%	NA	11%
Belgium	38%	22%	NA	38%
United Kingdom	2%	14%	NA	NA
Total EEC	9%	10%	7%	21%

Source: European Economic Community.