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WITHDRAWAL SHEET

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Collection Name BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder EAST-WEST TRADE [02/09/1982-02/16/1982]

FOIA

F99-078/3

Box Number 5

ZUBER

21

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
86370	MEMO	POINDEXTER TO BAILEY RE POLISH SANCTIONS	1	2/9/1982	B1
86380	MEMO	CLARK TO WEINBERGER RE ALTERNATIVES TO SIBERIAN GAS	1	ND	B1
86373	MEMO	WEINBERGER TO ASST TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS RE PIPELINE PROJECT	1	1/27/1982	B1
86376	MEMO	BAILEY TO CLARK RE WEINBERGER'S MEMO RE ALTERNATIVES TO SIBERIAN GAS FOR WESTERN EUROPE	1	2/1/1982	B1
86377	PAPER	SIBERIAN PIPELINE	13	2/16/1982	B1 B3

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

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

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86370 MEMO

1 2/9/1982 B1

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NATIONAL SECURITY COUNCIL

February 10, 1982

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: DOROTHY E. FRENCH

FROM: NORMAN A. BAILEY *NB*SUBJECT: Senator Percy's Letter of February 1
Concerning Exports to the Soviet Union

Senator Percy has sent you a letter (Tab II) enclosing a copy of a letter he sent to Secretary Baldrige concerning the Commerce Department's regulations restricting exports to the Soviet Union. The Senator seeks your support in obtaining clarification of the Commerce Department regulations so they are consistent with the President's remarks.

A draft reply from you to Senator Percy is attached at Tab I.

RECOMMENDATION:

That you sign the letter to Senator Percy at Tab I.

Attachments

Tab I	Reply to Percy
Tab II	Letter from Percy

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THE WHITE HOUSE

WASHINGTON

Dear Chuck:

Many thanks for your letter of February 1 with the attached copy of your letter to Mac Baldrige.

The Fiat Allis case is being looked into now. Obviously we don't want to penalize American companies unless it is essential to the success of our sanctions policy.

I will keep you posted.

With best personal regards,

Sincerely,

William P. Clark

The Honorable Charles H. Percy
United States Senate
Washington, D.C. 20510

CHARLES H. PERCY
ILLINOIS

0785

4 FEB 1982

United States Senate

WASHINGTON, D.C. 20510

February 1, 1982

Dear Bill:

I want to share with you a letter I sent to Secretary Baldrige today regarding the Commerce Department's regulations restricting exports to the Soviet Union.

Secretary Haig and I discussed these trade restrictions on our way to Chicago for the Solidarity Day rally last Saturday. I hope you will be able to lend us your support in obtaining clarification of the Commerce Department regulations, so they are consistent with the President's remarks.

Warm personal regards,

Charles H. Percy
United States Senator

CHP:ae

Encl.

Mr. William Clark
Assistant to the President
for National Security Affairs
The White House
Washington, D.C.

Bill

W/L are really

receiving money
in the front on this

exporting 1500
jobs to Japan
I think

United States Senate

WASHINGTON, D.C. 20510

February 1, 1982

The Honorable Malcolm Baldrige
Secretary of Commerce
Washington, D.C. 20230

Dear Mac:

Since my return to Washington, I have been reviewing with Senator Alan Dixon and Representative Paul Findley the implications and impact of the President's statement of December 29, 1981 regarding sales of U.S.-origin equipment to the Soviet Union. The President's statement specifically announced a series of actions directed against the U.S.S.R. including suspension of the "issuance or renewal of license for the export to the U.S.S.R. of electronic equipment, computers and other high technology materials...." Also included in this policy change was a requirement for licenses for an expanded list of oil and gas equipment.

Somewhere between the White House and the Commerce Department, however, there developed an apparent misunderstanding as to the intent of the President's December 29 action. Senator Dixon and Representative Findley share this concern with me.

The change in meaning is clear in the Department of Commerce announcement of December 31, which directed that it would "suspend processing of all applications for validated licenses to export to the U.S.S.R." The Department noted in its press release that this action to impose controls was taken at the direction of President Reagan.

We are concerned about the divergence of the Commerce Department's interpretation with the statement issued by the President just the day before. The President does not seem to have intended that all trade with the Soviets come to an immediate halt. Rather, he intentionally singled out high technology equipment and oil and gas equipment for export control.

The Commerce Department's statement is, in our view, clearly at a variance with the President's intent. The impact of this misunderstanding is already having a seriously adverse impact in our state of Illinois, however. We urge you to bring the Commerce Department regulations in line with the President's word on sanctions.

Illinois companies have been disadvantaged in several ways as a result of this misinterpretation by the Commerce Department, but we would like to bring to your attention the specific example of Fiat Allis North America, Inc. This company is the largest private sector employer in Springfield. The Springfield facility employs as many as 6300 people, and has been operating in our state Capital since 1928.

February 1, 1982

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Fiat Allis has manufactured construction equipment for export to the Soviet Union for a decade. One of its first shipments of this equipment was in 1972 and the company has been a steady supplier with contracts for crawler tractors from 1976 to the present. These exports from Fiat Allis in Springfield are part of larger export sales that now account for over 50% of the company's sales.

When the President announced this action at the end of December, Fiat Allis had pending several negotiations for sales to the Soviet Union. One project was for the transfer of design data on the model 41B crawler tractor, the other was for the sale of as many as 200 side boom tractors used in pipe laying.

We are greatly concerned that the Commerce Department has included the 41B crawler tractors in the export control order. This application was returned to Fiat Allis without any comment. There can be no justification for this action if the President's remarks are the guide for export controls. These crawler tractors are neither a high technology transfer nor can they, in any way, be classified as oil and gas equipment. Moreover, the technology of producing this particular model is fourteen years old. Fiat Allis has virtually no market for this model in the United States as it has been superceded by improved models.

The effect of this unwarranted suspension will be severe in our state. Illinois has long been a center for the manufacture of construction equipment. Yet that industry has been seriously affected by high interest rates and recession. For example, the industry saw sales drop by 25% in 1980 and over 17% last year. A great number of highly-skilled workers have been laid off in recent months. The sale of 41B crawler tractors will help alleviate the jobless situation in central Illinois, creating as many as 500 new jobs for the next four years.

Moreover, there is the possibility that Fiat of Italy, which owns 90% of Fiat Allis, will choose to end its support of its Illinois facilities. In past years the company has poured millions of dollars into these plants but is now faced with a sharp cutback in its production plans because of the Department of Commerce interpretation of the President's order. If Fiat Allis is unable to sell the 41B crawler tractors as planned, a multi-billion project with the Soviet Union could fall through. Central Illinois cannot afford to lose this vital employer because the Commerce Department misconstrued the President's directive.

In short, Mr. Secretary, we ask that you bring the December 31 regulations in line with the President's remarks two days earlier. We stand ready to provide you with any additional information that will be needed for fuller understanding of the particular contract. Fiat Allis would like permission to resubmit its contract for the 41B crawler tractors and we hope to have your support for this endeavor. If we do not receive support we will be undercutting the President's Economic Recovery Program, exporting 1500 United States jobs to Japan (ready and eager to have the business) and not hurting the U.S.S.R. in any significant way.

February 1, 1982

1

I discussed the Fiat Allis contract with Secretary Haig on our way to Chicago for Solidarity Day on January 30 and presented him with a similar letter. He expressed to me his interest in straightening out this divergence of interpretations. I hope we can work with you on this clarification.

Warm personal regards,

Charles H. Percy
United States Senator

CHP:ae

Mac -
I would very much
appreciate your personal
attention to this urgent
situation. All in all, the highest
unemployment in Springfield
very high within the state.
I hope
(We're in a sense,
supporting 150 jobs to
open)

~~SECRET~~

suby 8

MEMORANDUM

574 redo

NATIONAL SECURITY COUNCIL

February 10, 1982

~~SECRET~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NB*

SUBJECT: Secretary Weinberger's Memo on
Alternatives to the Siberian Gas for
Western Europe

Secretary Weinberger sent you a memo (Tab II) suggesting that the NSC take the lead in establishing a group of detailees to expeditiously develop a set of alternatives to the Siberian gas. You disapproved the reply I forwarded on February 1 (Tab III).

In light of recent decisions, I have redrafted the reply to Weinberger (Tab I) informing him that the matter is being addressed as part of the European mission which will be leaving shortly.

RECOMMENDATION:

That you sign the memorandum to Secretary Weinberger at Tab I.

Approve _____ Disapprove _____

Attachment

Tab I Memo to Weinberger
Tab II Memo from Weinberger
Tab III My Memo of February 1

~~SECRET~~

Review February 10, 1988

DECLASSIFIED
Sec. 3.4(b), E.O. 12958, as amended
White House Guidelines Sept. 11, 2006
BY NARA *any* DATE *3/4/12*

~~SECRET~~

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86380 MEMO

1

ND

B1

CLARK TO WEINBERGER RE ALTERNATIVES TO
SIBERIAN GAS

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86373 MEMO

1 1/27/1982 B1

WEINBERGER TO ASST TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS RE PIPELINE
PROJECT

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86376 MEMO

1 2/1/1982 B1

BAILEY TO CLARK RE WEINBERGER'S MEMO RE
ALTERNATIVES TO SIBERIAN GAS FOR
WESTERN EUROPE

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Soviets Receive \$350 Million in Credits From Four Banks in Sweden and France

A WALL STREET JOURNAL News Roundup

The Soviet Union has lined up nearly \$350 million in credits from banks in Sweden and France.

Two Swedish banks have granted the Soviets more than \$200 million in credits, the Soviet news agency Tass said. In a separate transaction, two French banks signed credit agreements totaling \$140 million, banking sources said.

The Swedish credits include an arrangement with Svenska Handelsbanken for \$122 million to promote Soviet imports to Swedish industrial equipment and services. The credit terms will range between five and eight years, depending on the type of equipment involved.

The second Swedish credit package, for

\$87.7 million, was signed by skandinaviska Enshilda Banken. The Soviets didn't report the interest rates but said the credits were "granted on easy terms."

The two French credits were extended to the Soviets by Credit Lyonnais and Banque de Paris & des Pays-Bas. Officials of the banks weren't immediately available for comment, but sources said Credit Lyonnais was granting \$90 million and Paribas \$50 million of credits. Both are due for repayment in 1990.

The French financial accord is linked to the agreement signed last month under which French state-owned Gaz de France will import 282.5 billion cubic feet of Siberian natural gas over a 25-year period starting in 1985.

National Security Council
The White House

Package # _____

02 11 P 3. 43

Bailey

E-WT

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>X</u>	_____
Bud McFarlane	<u>2</u>	_____	_____
Jacque Hill	<u>3</u>	_____	_____
Judge Clark	<u>4</u>	_____	<u>I</u>
John Poindexter	<u>1</u>	_____	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____

I-Information A-Action R-Retain D-Dispatch

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Other _____

COMMENTS

Copy to Bailey

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

RICHARD L. LESHER
PRESIDENT

February 5, 1982

1615 H STREET, N.W.
WASHINGTON, D. C. 20062
202/659-6207

Mr. William P. Clark
Assistant to the President for
National Security Affairs
The White House
Washington, D.C. 20500

Dear Mr. Clark:

I thought you might be interested in the letter I sent recently to President Reagan on pending efforts to block European participation in the Yamal pipeline.

Sincerely,



Richard L. Lesh

Enclosure

16

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

February 5, 1982

RICHARD L. LESHER
PRESIDENT

1615 H STREET, N.W.
WASHINGTON, D. C. 20062
202/659-6207

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

Dear Mr. President:

We have been led to believe that the Administration is seriously considering sanctions against West European firms to force compliance with our foreign policy sanctions related to the Yamal pipeline. I want to share with you our concerns that reported U.S. actions under consideration would be unprecedented and may not be in the best interests of this country.

Western debate over the benefits and liabilities of the pipeline has set the stage for a potentially dangerous conflict within the Atlantic Alliance on the question of Soviet energy development. Rather than viewing the pipeline as a source of dependence upon the Soviets, our West European allies view the project as a means of cutting their present dependence upon Middle Eastern energy sources -- a policy actively encouraged by our country until recently.

Moreover, the possibility of extraterritorial controls over the activities of West European firms utilizing U.S. technology raises serious implications for U.S. foreign economic policy and our trade relationships around the world.

If our major concern with the Yamal pipeline is the potential for European energy dependence upon the Soviet Union, then it is imperative that we give priority to helping the West Europeans develop timely alternative energy sources. This need not suggest that we should undertake a simultaneous effort to impede construction of the Yamal pipeline. A good case can be made that the pipeline increases total world energy supplies to the overall benefit of the United States. Furthermore, if alternative energy sources were made available to Western Europe, it could be argued that the pipeline gives these countries, as major importers, a degree of leverage over the Soviets rather than vice versa.

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On the other hand, if the Administration's objective is to minimize the contribution the pipeline might make to the Soviet economy through hard currency earnings, then this raises a new and unprecedented issue which goes to the core of U.S. policy on East-West trade. Such a profound change in policy could be likened to a strategy of economic warfare. Undoubtedly, it would require a recalculation of international business strategies for many U.S. firms involved in trade with Eastern and Western Europe. If this is the approach being considered, I urge the Administration to consult with the business community before such a policy is announced.

Finally, we would hope that the Administration has carefully weighed the consequences of any efforts to maintain strict extraterritorial control over American goods and technology abroad. In building overseas markets so vital to our economic security, U.S. export performance relies heavily on both quality and dependability. Extraterritorial controls will only aggravate further our already poor international reputation for commercial reliability.

Sincerely,

Richard L. Leshner

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