

Ronald Reagan Presidential Library Digital Library Collections

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

Collection: Bailey, Norman A.: Files
Folder Title: East-West Trade
(02/09/1982-02/16/1982)
Box: RAC Box 5

To see more digitized collections visit:

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

To see all Ronald Reagan Presidential Library inventories visit:

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

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

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

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder EAST-WEST TRADE [02/17/1982-02/28/1982]

FOIA

F99-078/3

Box Number 5

ZUBER

22

ID Doc Type	Document Description	No of Pages	Doc Date	Restrictions
86386 SCHEDULE	PROGRAM SCHEDULE RE SOVIET PIPELINE	7	2/17/1982	B1 B3
86387 CHART	EQUIPMENT FOR PIPELINE	3	ND	B1 B3
86388 MEMO	BAILEY TO CLARK RE MISSION TO EUROPE	3	2/22/1982	B1
86390 MEMO	BAILEY TO CLARK RE PIPELINE	2	2/23/1982	B1
86392 CABLE	PARIS 05928	2	2/19/1982	B1
86396 CABLE	RE USSR CREDITS	4	2/20/1982	B1 B3
86393 PAPER	RE EXPORTS AND CONTROLS ON EQUIPMENT TO USSR	3	2/24/1982	B1

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]

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

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

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

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

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

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

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

'85 - 585 bn cm³ w/o + sanctions
555 bn cm³ with sanctions

5.5% growth instead of
6.8% planned

Loss of 30 bn cm³ of gas
domestically - considerable
strain on the economy

Oil + Gas

W.T.

\$15 bn 1981-

11.9 bn 1985

net
receipts
(after repaying
equipment)

14 bn

11 bn 1990

of which 7.7 bn from Siberian
line

@
1981
prices

Siberian line

{ \$15 bn domestic
10 bn hard currency

25 bn domestic + other gas
projects

One RR into Urengoy (terminus)
Usually through the Arctic waters.

2
\$1.5 bn over

\$5.5 bn increment
over 5 years for pipe alone.

COAL
30-40% cost saving in
dredging

US coal
\$70-90 / short ton CIF Europe
oil \$120 / ton equivalent

Competitive with Soviet gas

Environmental costs not included

\$15-20 / ton additional cost for
scrubbing high sulphur coal. Final
cost about the same when lower price
taken into account.

Soviet gas 65% for residential
use.

Should have a \$1.00^{1.50} difference
per mmbtu to make it worthwhile to
convert to coal.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder

EAST-WEST TRADE [02/17/1982-02/28/1982]

FOIA

F99-078/3

ZUBER

Box Number

5

22

<i>ID</i>	<i>Document Type</i>	<i>No of</i>	<i>Doc Date</i>	<i>Restric-</i>
	<i>Document Description</i>	<i>pages</i>		<i>tions</i>
86386	SCHEDULE	7	2/17/1982	B1
	PROGRAM SCHEDULE RE SOVIET PIPELINE			B3

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]

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

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

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

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

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

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

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

10

Undersecretaries at 3 P.M. Wed.

GE	Caterpillar
Dresser	Tennessee Gas
Cooper	Texas Eastern
Fiat/Allies	Panhandle Eastern

Newest
Campbell

RR

124 turbines
6 mm
\$ 844 mm.

Inc. \$174 mm GE U.S.

Rotors + shafts only come
from U.S.

U.K. to not export RB-211

From GE

Information on four
licensors - their exports to
U.S.

Text + interpretation of
their licensing agreements.

1981-1985

All increment coming from Wrenzy field - (Came on stream in 1978).

630^{km³} - 585^{km³} of constraints on equipment.

Pipelayers are not an important constraint

Compressor Technology is widely available.

Plan requires 2½ - 3-fold increase in nrs. of compressors.

They can move gas with fewer compressors. Minimum # for Siberian line is 20. You can double pipe. More financially inefficient but more technically efficient. How much more money involved? \$1.8 bn offset by \$750 bn less in compressors. i.e. about \$1 bn. 100% more in deliveries.

Novo Pignone has a 10,000 hp turbine that could be used.

Alstom - 40 units
100 units by March 1986. Full power not needed until 1987.

11

The shortfall would have an appreciable effect on their ability to generate foreign exchange.

Existing line to Europe has 8-12 hr m³ excess capacity.

- 125 - compressors and turbines under contract

- 21 rotors in Europe - cannot be reexported at this time.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder

EAST-WEST TRADE [02/17/1982-02/28/1982]

FOIA

F99-078/3

ZUBER

Box Number

5

22

<i>ID</i>	<i>Document Type</i>	<i>No of</i>	<i>Doc Date</i>	<i>Restric-</i>
	<i>Document Description</i>	<i>pages</i>		<i>tions</i>
86387	CHART	3	ND	B1
	EQUIPMENT FOR PIPELINE			B3

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]

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

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

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

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

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

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

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

National Security Council
The White House

URGENT RECEIVED

Package # 90087

82 FEB 22 12:48

Bailey

S-W-T

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

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

DISTRIBUTION

CY To VP	<u> </u>	Show CC	<u> </u>
CY To Meese	<u> </u>	Show CC	<u> </u>
CY To Baker	<u> </u>	Show CC	<u> </u>
CY To Deaver	<u> </u>	Show CC	<u> </u>
Other	<u> </u>		

COMMENTS

Good analyses
was
(SAVE)

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder

EAST-WEST TRADE [02/17/1982-02/28/1982]

FOIA

F99-078/3

ZUBER

Box Number

5

22

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
86388	MEMO BAILEY TO CLARK RE MISSION TO EUROPE	3	2/22/1982	B1

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]

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

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

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

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

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

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

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

20



21

Excerpt from GE-AEG Kanis Contract

"AEG in recognition of GE's obligation to the U.S. Government, hereby agreed to comply with the U.S. Department of Commerce Export Administration Regulations concerning exportation and re-exportation of technical data, direct products as hereinafter defined or any components purchased hereunder to any countries or territories for which prior authorization for export or re-export to said countries or territories is or may be required from the aforesaid Office."

Excerpt from GE-Alsthom-Atlantique Contract

"Alsthom further undertakes to keep itself fully informed of the Regulations (including amendments and changes thereto) and agrees to comply therewith."

(Emphasis added in both cases)

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder

EAST-WEST TRADE [02/17/1982-02/28/1982]

FOIA

F99-078/3

ZUBER

Box Number

5

22

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
86390	MEMO BAILEY TO CLARK RE PIPELINE	2	2/23/1982	B1

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]

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

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

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

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

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

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

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder

EAST-WEST TRADE [02/17/1982-02/28/1982]

FOIA

F99-078/3

ZUBER

Box Number

5

22

<i>ID</i>	<i>Document Type</i>	<i>No of</i>	<i>Doc Date</i>	<i>Restric-</i>
	<i>Document Description</i>	<i>pages</i>		<i>tions</i>
86392	CABLE	2	2/19/1982	B1
	PARIS 05928			

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]

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

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

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

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

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

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

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder

EAST-WEST TRADE [02/17/1982-02/28/1982]

FOIA

F99-078/3

ZUBER

Box Number

5

22

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
86396	CABLE RE USSR CREDITS	4	2/20/1982	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)]

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

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

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

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

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

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

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

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

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

U.S. Moves to Avoid Breach⁹⁸ In NATO on Soviet Pipeline

By Dan Morgan
Washington Post Staff Writer

In an effort to prevent a major rupture with U.S. allies over the Soviet natural gas pipeline, State Department officials are backing a proposal that would allow 21 General Electric rotors shipped to Europe before last Dec. 29 to be used for testing the giant turbines destined for the pipeline project.

The face-saving formula would stick to the letter of anti-Soviet sanctions announced Dec. 29, since no American-made equipment would actually be sent to Russia.

But it would permit companies in Britain, West Germany and Italy to go ahead with plans to deliver more than \$1 billion worth of turbines and compressors to the Soviet Union for installation in the 3,600-mile Urengoi natural gas pipeline connecting western Siberia with Europe. European industrialists and government officials have said that these sales are vitally important to employment and economic recovery.

Under what industry sources describe as a "European solution," the European-built turbines would be installed in the pipeline as construction proceeded, but without the GE rotors that serve as the movable parts.

Instead, rotors would be fitted into the turbines as fast as they could be supplied by a French company, Alsthom-Atlantique, the only European company licensed by GE to manufacture those parts.

The Reagan Cabinet has been unable to resolve its internal differences over the pipeline, and a final decision on how far the United States will go in delaying or blocking it rests with the president.

Officials at the Defense Department and the National Security Council reportedly want to delay or even block construction of the pipeline because of the increased European dependence on Soviet energy supplies.

However, Assistant Secretary of State for Economic Affairs Robert D. Hormats noted in remarks last week to the Overseas Writers group that the Europeans were far along

in planning to supply equipment and receive natural gas from the pipeline.

"We are anxious to make our concerns felt, but there's no point in creating cracks in the alliance when alliance unity is needed for our strategy to get the lifting of martial law in Poland," he said.

Hormats said that in his personal opinion, "I think the pipeline was a mistake. The real question is whether you rupture the alliance in order to prevent it."

On Dec. 29, President Reagan, citing "heavy and direct" Soviet responsibility for martial law in Poland, announced economic sanctions that among other things prevented GE from selling rotors made in Greenville, S.C., and Schenectady, N.Y., to European firms under contract to the Russians.

The GE rotors were to be used in 125 25-megawatt turbines and compressors manufactured for the Soviets by AEG-Kanis of West Germany, Nuovo Pignone of Italy and John Brown Engineering of Scotland, all three of which hold GE licenses.

Still under study in the Reagan administration is the possibility of trying to extend the U.S. sanctions to these European licensees. However, opposition to such extraterritorial controls has been voiced by the U.S. Chamber of Commerce, which has warned that it would set a bad precedent and call into question the reliability of the United States as a supplier of technology.

The "European solution" envisions that the Soviet sanctions problem would be overcome by having the French company Alsthom-Atlantique step into GE's role as the supplier of the turbine rotors.

At the same time, the State Department reportedly favors some kind of western restrictions on new western credits and credit guarantees for the Soviets—a step that would create difficulties for them since they are suffering from shortages of hard currency to pay for western technology and grain.

Hormats last week described the terms at which European banks are extending credit to the Russians for the pipeline project as "ridiculously soft," meaning low interest rates.

W. Post 2/24/82

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

BAILEY, NORMAN: FILES

Withdrawer

SMF 3/4/2010

File Folder

EAST-WEST TRADE [02/17/1982-02/28/1982]

FOIA

F99-078/3

ZUBER

Box Number

5

22

<i>ID</i>	<i>Document Type</i>	<i>No of</i>	<i>Doc Date</i>	<i>Restric-</i>
	<i>Document Description</i>	<i>pages</i>		<i>tions</i>
86393	PAPER	3	2/24/1982	B1
	RE EXPORTS AND CONTROLS ON EQUIPMENT TO USSR			

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]

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

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

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

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

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

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

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