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WITHDRAWAL SHEET
Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. NSC profile	#8104479	7/27/81	P-1
2. memo	E. Meese to M. Baldrige, re request [8104479] D 10/31/05 M1280 #1 PAR 5/20/10	7/28/81	P-1 B3 #55441
3. distribution record	NSC [8104479] P 10/31/05 M1280 #2	7/28/81	P-1, B3
4. distribution record	NSC [8104479] R. GUIDELINES	7/28/81	P-1
5. distribution record	NSC [8104479] R "	7/28/81	P-1
6. distribution record	NSC [8104479] R "	7/28/81	P-1
7. receipt	NSC [8104479] R "	7/28/81	P-1
8. memo	R.V. Allen to E. Meese, re decision [8104479] R 10/31/05 M1280 #3	7/27/81	P-1
9. memo	A. Lenz to Bud Nance, re meeting attendees [8104479] R 10/31/05 M1280 #4	7/27/81	P-1
10. memo	draft for E. Meese to Secretary of Commerce with handwritten notes [8104479] D 10/31/05 M1280 #5 PAR 5/20/10	n.d.	P-1 B3 M08-109 #55442
11. paper	re request [8104479] D 10/31/05 M1280 #6 PAR 5/20/10	n.d.	P-1 B3 M08-109 #55443
12. memo	R.V. Allen to Secretary of State, et al., re application (with handwritten notes) [8104479] R 10/31/05 M1280 #7	n.d.	P-1
13. NSC profile	#8104336 R GUIDELINES	7/18/81	P-1
14. memo	A. Haig et al. to the President, re proposal [8104336] (2 pp)	7/18/81	P-1 A5
COLLECTION: EXEC. SECRETARIAT, NSC (NSC Mtg. Files)			DSD
FILE LOCATION: NSC00017 09 Jul 81 (3/3) Box 91282			4/7/94

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

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

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-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
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
15. NSC profile	#8104336 R GUIDELINES	7/18/81	P-1
16. memo	R Pipes to R.V. Allen, re comments [8104336] R 10/31/05 M1280 #9	7/20/81	P-1
17. NSC profile	#8104336 R GUIDELINES	7/18/81	P-1
18. NSC profile	#8104086 R "	7/9/81	P-1
19. memo	R.V. Allen to C. Weinberger, re NSC meeting [8104086] R 10/31/05 M1280 #10	7/9/81	P-1
20. memo	R.V. Allen to A. Haig, re NSC meeting [8104086] R 10/31/05 M1280 #10	7/9/81	P-1
21. distribution record	NSC [8104086] R GUIDELINES	7/9/81	P-1
22. distribution record	NSC [8104086] R 10/31/05 M1280 #12	7/9/81	P-1
23. distribution record	NSC [8104086] R GUIDELINES	7/9/81	P-1
24. memo	L.P. Bremer to R.V. Allen, re NSC meeting [8104086] R 10/31/05 M1280 #13	6/26/81	P-1
25. paper	NSC discussion, re issues [8104086] (4 pp) R " " #14	n.d.	P-1
26. paper	re background papers [8104086] R " " #15	n.d.	P-1
27. paper	policy options re executive summary [8104086] (2 pp) R " " #16	6/26/81	P-1
28. paper	policy options re security [8104086] (4 pp) R " " #17	6/26/81	P-1
29. paper	re options [8104086] R " " #18	n.d.	P-1
30. attachment	2 of item #29, re options [8104086] (4 pp) R " " #19	n.d.	P-1
COLLECTION: EXEC. SECRETARIAT, NSC (NSC Mtg. Files)			DSD
FILE LOCATION: NSC00017 09 Jul 81 (3/3) Box 91282			4/7/94

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Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
31. attachment	3 of item #30, re options [8104086] (2 pp) R M03-1281 #1 10/31/05	n.d.	P-1
32. table	1 [8104086] R " #2 "	n.d.	P-1
33. table	2 [8104086] R " #3 "	1979	P-1
34. paper	policy options re technology [8104086] R " #4 "	n.d.	P-1
35. paper	re options [8104086] (4 pp) R " #5 "	n.d.	P-1
36. paper	re policy options [8104086] (4 pp) R " #6 "	n.d.	P-1
37. paper	re policy options [8104086] (3 pp) R " #7 "	6/26/81	P-1
38. NSC profile	#8190120	7/29/81	P-1
39. press release	draft from Commerce [8190120] D M03-1281 #8 10/31/05 PAR 5/20/10 M03-109 # 55445	n.d.	P-1 B3
40. press release	draft from the White House [8190120] R " #9 "	n.d.	P-1
41. NSC profile	#8104081 R GUIDELINES	7/18/81	P-1
42. memo	R.V. Allen to the President, re Haig memo [8104081] R 4/14/03 WHGL M1281	7/9/81	P-1
43. memo	A. Haig to the President, re exports [8104081] (2 pp) R 10/31/05 M03-1281 #10	7/8/81	P-1 5
44. memo	A. Lenz to R.V. Allen, re Haig memo [8104081] R " " #11	7/8/81	P-1
45. NSC profile	#8104069 R GUIDELINES.	7/8/81	P-1
46. memo	R. Poats to R.V. Allen, re Caribbean Basin development plan [8104069] R	7/14/81	P-5
COLLECTION: EXEC. SECRETARIAT, NSC (NSC Mtg. Files)			DSD
FILE LOCATION: NSC00017 09 Jul 81 (3/3) Box 91282			4/7/94

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Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
47. paper	re options [8104069] (2 pp) R 10/31/05 MD3-1281 #12	n.d.	P-1
48. paper	re NSC agenda [8104069] (2 pp) R " " #13	7/9/81	P-1
49. memo	R. Poats to R. V. Allen, re committee discussion [8104069] (2 pp) R " " #14	7/8/81	P-1 P-5
50. map	[8104069] " " #15 R " " #15	6/81	P-1
COLLECTION: EXEC. SECRETARIAT, NSC (NSC Mtg. Files)			DSD
FILE LOCATION: NSC00017 09 Jul 81 (3/3) Box 91282			4/7/94

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RECEIVED 27 JUL 81 18

TO NANCE

FROM LENZ

DOCDATE 27 JUL 81

CIS

August 28, 1997
2/16/01

KEYWORDS: EXPORT CONTROLS

USSR

NSC

SUBJECT: D/R 248 CATERPILLAR LICENSE TO SELL PIPELAYERS TO SOVIET UNION

ACTION: FOR INFORMATION

DUE:

STATUS CD FILES IFM O

FOR ACTION

FOR CONCURRENCE

FOR INFO

NANCE

COMMENTS DISPATCHED BY CAROL CLEVELAND ON 28 JUL

REF#

LOG 8101239

8104642

NSC ID NSC00017

(J / M)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
		7/27 RVA rfd memo to Nance		
	C	7/28 Nance rfd memo to agencies		

DISPATCH

W/ATTCH FILE (C)

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4419

THE WHITE HOUSE

WASHINGTON

July 28, 1981

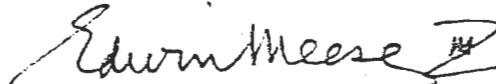
~~SECRET~~

MEMORANDUM FOR THE HONORABLE MALCOLM BALDRIGE
The Secretary of Commerce

SUBJECT: Pipelayers to the Soviet Union (C)

FOIA(b)(3)

The President has reviewed the request by [REDACTED]
[REDACTED] under license application [REDACTED] as amended, requesting
authority to export 100 Model 594 pipelayers to the Soviet Union
and has directed the license be issued. (S)



Edwin Meese III
Counsellor to the President

CC: The Secretary of State
The Secretary of the Treasury
The Secretary of Defense
The Secretary of Energy
The Director, Office of Management and Budget
The Director of Central Intelligence
U.S. Representative to the United Nations
U.S. Trade Representative
Chairman, Joint Chiefs of Staff (C)

~~SECRET~~

Review on July 27, 1983

~~SECRET~~

DECLASSIFIED IN PART

NLRRM08-109 #55441

BY KML NARA DATE 5/20/10

Subject: Pipelayers

CLASSIFICATION: TOP SECRET ~~SECRET~~ CONFIDENTIAL UNCLASSIFIED
(check one)

INTERNAL DISTRIBUTION

<input type="checkbox"/> Mr. Allen	<input type="checkbox"/> Mr. Feith	<input type="checkbox"/> Mr. Kraemer	<input type="checkbox"/> Gen. Schweitzer
<input type="checkbox"/> Adm. Nance	<input type="checkbox"/> Mr. Fontaine	<input type="checkbox"/> Mr. Lenz	<input type="checkbox"/> Maj. Shoemaker
<input type="checkbox"/> Adm. Poindexter	<input type="checkbox"/> Ms. Gold	<input type="checkbox"/> Mr. Levine	<input type="checkbox"/> Mr. Stearman
	<input type="checkbox"/> Mr. De Graffenreid	<input type="checkbox"/> Mr. Lilley	<input type="checkbox"/> Mr. Tanter
	<input type="checkbox"/> Mr. Gregg	<input type="checkbox"/> Mr. Lord	<input type="checkbox"/> Mr. Tyson
<input type="checkbox"/> Mr. Bailey	<input type="checkbox"/> Mr. Guhin	<input type="checkbox"/> Mr. Nau	<input type="checkbox"/> Mr. Wettering
<input type="checkbox"/> Col. Berta	<input type="checkbox"/> Mr. Huberman	<input type="checkbox"/> Mr. Pipes	
<input type="checkbox"/> Cmdr. Blair	<input type="checkbox"/> Mr. Jennings	<input type="checkbox"/> Mr. Poats	<input type="checkbox"/> NSC Secretariat
<input type="checkbox"/> Ms. Colson	<input type="checkbox"/> Ms. Kaminsky	<input type="checkbox"/> Ms. Reger	<input type="checkbox"/> Sit Room
<input type="checkbox"/> Ms. Dobriansky	<input type="checkbox"/> Mr. Kemp	<input type="checkbox"/> Mr. Rentschler	<input type="checkbox"/> Admin. Office
<input type="checkbox"/> Ms. Farrar	<input type="checkbox"/> Maj. Kimmitt	<input type="checkbox"/> Col. Russell	

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THE SECRETARY OF STATE Exec sec/room 7241	1			
THE SECRETARY OF DEFENSE The Pentagon	1	28 Jul 1981	1342L	<i>J. M. Lead, JCS Laurier</i>
DIRECTOR, ACDA Room 5933/Dept of State				<i>E. O. 12958 As Amended</i>
DIRECTOR CIA Langley, VA/or Pickup	1	7-28-81	16:30	[REDACTED]
CHAIRMAN, JCS The Pentagon	1	28 Jul 1981	1342L	<i>J. M. Lead, JCS Laurier</i>
THE SECRETARY OF THE TREASURY Main Bldg/Room 3422	1			
THE SECRETARY OF COMMERCE 14th & Const/NW, Room 3422	1			
DIRECTOR, OMB Room 252 OEOB	1	28 Jul 81	255	<i>Joyce Shanahan</i>
DIRECTOR AID Room 5942 New State				
THE SECRETARY OF ENERGY GA257, Forrestal Bldg	1	7-28	1250	<i>Dennis Siefert</i>
THE SECRETARY OF TRANSPORTATION 400 7th Street S.W.				
U.S. REPRESENTATIVE TO UNITED NATIONS Room 753L/State Dept	1			
THE ATTORNEY GENERAL 10TH/Const NW, Room 5119				
DEPUTY SECRETARY OF STATE Exec. Sec/Room 7241				
DEPUTY SECRETARY OF DEFENSE The Pentagon				
DIRECTOR OSTP Room 360, OEOB				
DIRECTOR, INTL COMMUNICATIONS AGENCY (ICA) 1750 Penna. NW				
THE SECRETARY OF INTERIOR 18th & E Street NW				
THE SECRETARY OF AGRICULTURE Independance & 14th SW				
THE SECRETARY OF LABOR 100 Const Ave NW				
THE SECRETARY OF HEW 100 Independance Avenue, NW				
THE SECRETARY OF HUD 251 7th Street SW				

DECLASSIFIED IN PART

PAGE 1 OF _____ PAGES

NLS M1280 #2

By amj, NARA, Date 10/24/05

Subject: Pipelayers

CLASSIFICATION: TOP SECRET ~~SECRET~~ CONFIDENTIAL UNCLASSIFIED
 (check one)

INTERNAL DISTRIBUTION

- | | | | |
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| <input type="checkbox"/> Mr. Allen | <input type="checkbox"/> Mr. Feith | <input type="checkbox"/> Mr. Kraemer | <input type="checkbox"/> Gen. Schweitzer |
| <input type="checkbox"/> Adm. Nance | <input type="checkbox"/> Mr. Fontaine | <input type="checkbox"/> Mr. Lenz | <input type="checkbox"/> Maj. Shoemaker |
| <input type="checkbox"/> Adm. Poindexter | <input type="checkbox"/> Ms. Gold | <input type="checkbox"/> Mr. Levine | <input type="checkbox"/> Mr. Stearman |
| | <input type="checkbox"/> Mr. De Graffenreid | <input type="checkbox"/> Mr. Lilley | <input type="checkbox"/> Mr. Tanter |
| <input type="checkbox"/> Mr. Bailey | <input type="checkbox"/> Mr. Gregg | <input type="checkbox"/> Mr. Lord | <input type="checkbox"/> Mr. Tyson |
| <input type="checkbox"/> Col. Berta | <input type="checkbox"/> Mr. Guhin | <input type="checkbox"/> Mr. Nau | <input type="checkbox"/> Mr. Wettering |
| <input type="checkbox"/> Cmdr. Blair | <input type="checkbox"/> Mr. Huberman | <input type="checkbox"/> Mr. Pipes | |
| <input type="checkbox"/> Ms. Colson | <input type="checkbox"/> Mr. Jennings | <input type="checkbox"/> Mr. Poars | <input type="checkbox"/> NSC Secretariat |
| <input type="checkbox"/> Ms. Dobriansky | <input type="checkbox"/> Ms. Kaminsky | <input type="checkbox"/> Ms. Reger | <input type="checkbox"/> Sit Room |
| <input type="checkbox"/> Ms. Farrar | <input type="checkbox"/> Mr. Kemp | <input type="checkbox"/> Mr. Rentschler | <input type="checkbox"/> Admin. Office |
| | <input type="checkbox"/> Maj. Kimmitt | <input type="checkbox"/> Col. Russell | |

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THE SECRETARY OF DEFENSE The Pentagon	1			
DIRECTOR, ACDA Room 5933/Dept of State				
DIRECTOR CIA Langley, VA/or Pickup	1			
CHAIRMAN, JCS The Pentagon	1			
THE SECRETARY OF THE TREASURY Main Bldg/Room 3422	1			<i>Joseph W. ...</i>
THE SECRETARY OF COMMERCE 14th & Const/NW, Room 3422	1			
DIRECTOR OMB Room 152 OEOP	1			
DIRECTOR AID Room 5942 New State				
THE SECRETARY OF ENERGY GA257, Forrestal Bldg		7-25	12:50	<i>Dennis ...</i>
THE SECRETARY OF TRANSPORTATION 400 7th Street S.W.				
U.S. REPRESENTATIVE TO UNITED NATIONS Room 7531/State Dept	1	7-28	2:35	<i>Wiane Peterson</i>
THE ATTORNEY GENERAL 10TH/Const. NW, Room 5119				
DEPUTY SECRETARY OF STATE Exec. Sec/Room 7241				
DEPUTY SECRETARY OF DEFENSE The Pentagon				
DIRECTOR OSTP Room 360, OEOP				
DIRECTOR, INTL COMMUNICATIONS AGENCY (ICA) 1750 Penna. NW				
THE SECRETARY OF INTERIOR 13th & E Street NW				
THE SECRETARY OF AGRICULTURE Independence & 14th SW				
THE SECRETARY OF LABOR 120 Const Ave NW				
THE SECRETARY OF HEW 120 Independence Avenue, NW				
THE SECRETARY OF HUD 251 7th Street SW				

DECLASSIFIED
 ON 03/16/01
 BY *CIS*

Subject: Pipelayers

Classification: Top Secret Secret Confidential Unclassified

EXTERNAL DISTRIBUTION:	# cys	Date	Time	Received/Signed For By:
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DIRECTOR, U.S. SECRET SERVICE 1800 G. Street, NW.....				
ADMINISTRATOR, GSA GSA Bldg, 18th & F Street, NW.....				
DIRECTOR, NASA 400 Maryland Avenue, SW.....				
DIRECTOR, IDCA Dept. of State, Room 3942.....				
CHAIRMAN, NUCLEAR REGULATORY COMMISSION 1717 H. Street, NW.....				
PRESIDENT, EXPORT-IMPORT BANK 311 Vermont Avenue, NW.....				
MR. EDWIN MEESE III, COUNSELLOR 1st Floor, West Wing.....				
MR. JAMES BAKER III, CHIEF OF STAFF 1st Floor, West Wing.....				
MR. MICHAEL DEEVER, DEPUTY CHIEF OF STAFF 1st Floor, West Wing.....				
MR. MARTIN ANDERSON, POLICY DEVELOPMENT 2nd Floor, West Wing.....				

ADDITIONAL ORGANIZATIONS/ADDRESSES SHOULD INCLUDE ADDRESSES AND ROOM NUMBER TO INSURE PROMPT/APPROPRIATE DELIVERY:

Mr. Lawrence Brady, Asst Sec for Trade Admin Rm 3826 Department of Commerce	1	7-28		
Mr. Lionel Olmer Under Secretary Rm 3850 Department of Commerce	1	7/28	2:15	<i>Carol Sherman</i>

CLS

2/16/01

Subject: Pipelayers

Classification: Top Secret Secret Confidential Unclassified

EXTERNAL DISTRIBUTION:	# cys	Date	Time	Received/Signed For By:
THE SECRETARY OF EDUCATION 100 Maryland Avenue SW (HEW).....	_____	_____	_____	_____
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DIRECTOR, FBI 3rd & Penn. Avenue, NW.....	_____	_____	_____	_____
DIRECTOR, U.S. SECRET SERVICE 1800 G. Street, NW.....	_____	_____	_____	_____
ADMINISTRATOR, GSA GSA Bldg, 18th & F Street, NW.....	_____	_____	_____	_____
DIRECTOR, NASA 400 Maryland Avenue, SW.....	_____	_____	_____	_____
DIRECTOR, IDCA Dept. of State, Room 3942.....	_____	_____	_____	_____
CHAIRMAN, NUCLEAR REGULATORY COMMISSION 1717 H. Street, NW.....	_____	_____	_____	_____
PRESIDENT, EXPORT-IMPORT BANK 311 Vermont Avenue, NW.....	_____	_____	_____	_____
MR. EDWIN MEESE III, COUNSELLOR 1st Floor, West Wing.....	_____	_____	_____	_____
MR. JAMES BAKER III, CHIEF OF STAFF 1st Floor, West Wing.....	_____	_____	_____	_____
MR. MICHAEL DEEVER, DEPUTY CHIEF OF STAFF 1st Floor, West Wing.....	_____	_____	_____	_____
MR. MARTIN ANDERSON, POLICY DEVELOPMENT 2nd Floor, West Wing.....	_____	_____	_____	_____

ADDITIONAL ORGANIZATIONS/ADDRESSES SHOULD INCLUDE ADDRESSES AND ROOM NUMBER TO INSURE PROMPT/APPROPRIATE DELIVERY:

Mr. Lawrence Brady, Asst Sec for Trade Admin Rm 3826 Department of Commerce	1	_____	_____	_____
Mr. Lionel Olmer Under Secretary Rm 3850 Department of Commerce	1	_____	_____	_____
_____	_____	_____	_____	_____
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CAC 7/16/82

RETURN THIS RECEIPT IMMEDIATELY TO

REGISTRY NO.

NSC /S

4479

UNCLASSIFIED DESCRIPTION
(Serial No., File No., Subject)

DATE

Pipelages to Soviet Union

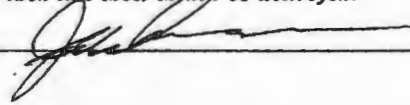
7/29/81

INCLOSURES

ADDRESSEE

Secretary of state

NOTE.—This sheet to be retained in Originator's suspense file until receipt has been signed and returned; then this sheet should be destroyed.



TITLE

CLASSIFIED MATERIAL RECEIPT

16-70400a-1 GPO

CIS

Released
Jul 20, 1997
7/20/97

~~SECRET~~

MEMORANDUM

4479

THE WHITE HOUSE
WASHINGTON

July 27, 1981

~~SECRET~~

MEMORANDUM FOR EDWIN MEESE III

FROM: RICHARD V. ALLEN *Bud*
SUBJECT: Pipelayers to the Soviet Union

Attached is a memorandum for your signature executing the President's decision to sell one hundred (100) pipelayers to the Soviet Union.

DECLASSIFIED / RELEASED

NLS M1280 #3

BY Amf, NARA, DATE 10/3/05

~~SECRET~~

Review on July 27, 1987

31 0751 6944

~~SECRET~~

~~CONFIDENTIAL~~

MEMORANDUM

4479 add on

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

INFORMATION

July 27, 1981

MEMORANDUM FOR BUD NANCE

FROM: ALLEN J. LENZ *ajl*

SUBJECT: Attendees at the NSC Meetings on the Caterpillar Corporation's Application to Export Pipelayers to the Soviet Union *(C)*

Per our conversation, other attendees at the NSC meetings concerning the pipelayers, in rank order, were:

The Secretary of State
The Secretary of the Treasury
The Secretary of Defense
The Secretary of Energy
~~Counsellor to the President~~
The Director, Office of Management and Budget
The Director of Central Intelligence
U.S. Representative to the United Nations
U.S. Trade Representative
~~Chief of Staff to the President~~
~~Deputy Chief of Staff to the President~~
~~Deputy Secretary of State~~
~~Deputy Secretary of Defense~~
Chairman, Joint Chiefs of Staff *(C)*

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NLS MI280 #4

BY AM, NARA, DATE 10/31/05

~~CONFIDENTIAL~~

Review July 27, 1983

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

~~SECRET~~

MEMORANDUM FOR THE SECRETARY of Commerce

~~MEMORANDUM FOR~~

Subject: ~~THE~~ Pipelayers to the Soviet Union

FOIA(b)(3)

REQUEST BY [REDACTED] FOR LICENSE
TO EXPORT ONE HUNDRED PIPELAYERS TO THE SOVIET UNION

The President has

FOIA(b)(3)

~~I have~~ reviewed the request by [REDACTED] under license application [REDACTED] as amended, requesting authority to export 100 Model 594 pipelayers to the Soviet Union. ~~I hereby direct the Secretary of Commerce to issue the license and request that the~~

~~license be issued~~ and has directed the license be issued.

Ed Mease
Counsellor to President
←

~~SECRET~~

Review on July 28, 1983

DECLASSIFIED IN PART
NLRR M08-109 #55442
BY KML NARA DATE 5/20/10

~~SECRET~~

FOIA(b)(3)

REQUEST BY [REDACTED] FOR LICENSE
TO EXPORT ONE HUNDRED PIPELAYERS TO THE SOVIET UNION

FOIA(b)(3)

I have reviewed the request by [REDACTED] under license application [REDACTED] as amended, requesting authority to export 100 Model 594 pipelayers to the Soviet Union and hereby direct the Secretary of Commerce to issue the license.

~~SECRET~~

Review on July 28, 1983

DECLASSIFIED IN PART
NLRR M08-109 # 55443
BY KML NARA DATE 5/20/10

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WASHINGTON

4479 Hold-on

to Bud Naam
From Albenberg

Per our conversation,
other attendees at the
NSC meetings concerning
the pipelayers, in rank
order were:

Some of these are
probably

~~CONFIDENTIAL WITH
SECRET ATTACHMENT~~

- MEMORANDUM FOR THE SECRETARY OF STATE
- THE SECRETARY OF THE TREASURY
- THE SECRETARY OF DEFENSE
- ~~THE SECRETARY OF COMMERCE~~
- THE SECRETARY OF ENERGY
- COUNSELLOR TO THE PRESIDENT
- THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
- THE DIRECTOR OF CENTRAL INTELLIGENCE
- U.S. REPRESENTATIVE TO THE UNITED NATIONS
- U.S. TRADE REPRESENTATIVE
- CHIEF OF STAFF TO THE PRESIDENT
- DEPUTY CHIEF OF STAFF TO THE PRESIDENT
- ~~DEPUTY SECRETARY OF STATE~~
- ~~DEPUTY SECRETARY OF DEFENSE~~
- CHAIRMAN, JOINT CHIEFS OF STAFF

?

SUBJECT: Application by Caterpillar Corporation to Export Pipelayers to the Soviet Union (et)

The President has formally approved the attached National Security Decision Directive authorizing the issuance of a license to the Caterpillar Corporation to export pipelayers to the Soviet Union. (et)

FOR THE PRESIDENT:

Richard V. Allen
Assistant to the President
for National Security Affairs

Attachment

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BY smf, NARA, DATE 10/31/05

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BUD NANCE _____

DICK ALLEN _____

IRENE DERUS _____

JANET COLSON _____

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KAY _____

CY TO VP _____

SHOW CC _____

CY TO MEESE _____

SHOW CC _____

CY TO BAKER _____

SHOW CC _____

CY TO DEEVER _____

SHOW CC _____

CY TO BRADY _____

SHOW CC _____

(Handwritten signature/initials)

Allen Herz

Please Fix it.

RECEIVED 20 JUL 81 11

TO PRES

FROM HAIG, A

DOCDATE 18 JUL 81

WEINBERGER, C

18 JUL 81

BALDRIGE, M

18 JUL 81

KEYWORDS: EXPORT CONTROLS

USSR

NSC

COCOM

CIS

just 28, 1997

46/01

CM

SUBJECT: SECURITY CONTROLS ON EXPORTS TO USSR - OUTGROWTH OF 9 JUL NSC MTG

ACTION: PREPARE MEMO FOR ALLEN

DUE: 19 JUL 81 STATUS C

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FOR ACTION

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HUBERMAN

LENZ

PIPES

STEARMAN

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DOCDATE 18 JUL 81

WEINBERGER, C

18 JUL 81

BALDRIGE, M

18 JUL 81

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NSC

CCCOM

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2/16/01

CM

SUBJECT: SECURITY CONTROLS ON EXPORTS TO USSR - OUTGROWTH OF NSC MTG

9 JUL

ACTION: PREPARE MEMO FOR ALLEN

DUE: 19 JUL 81 STATUS S , FILES

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HUBERMAN

LENZ

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J. Secretariat

Annice sitraon

8:57 pm 18 July

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

July 20, 1981

INFORMATION

MEMORANDUM FOR ALLEN J. LENZ

FROM: RICHARD PIPES *RP*

SUBJECT: COMMENTS: Security Controls on Exports to USSR --
Outgrowth of NSC Meeting July 9 (NSC Log 4336)

In a society which is as heavily mobilized and militarized as the Soviet one, it seems rather futile to attempt drawing a sharp distinction between "defense-related" industries and industries which are not so related. A distinction of this kind is a carry-over from our own experience and does not correspond to Communist reality. For this reason, an export policy based on such a distinction is unlikely to succeed. ~~(S)~~

In my opinion, the meaningful question is whether we wish to help the Soviet Government out of its terrible economic predicament, due predominantly to its political system, or induce it to alter its economic system by conducting reforms. Seen from this perspective, automation, robots and all other labor-saving devices, for instance, are inimical to our interests whether they bear directly on Soviet military capabilities or not. The economy is the Achilles' heel of the Communist system and we ought not to strengthen it but allow internal forces to build up enough steam to force economic reforms with their inevitable political consequences. ~~(S)~~

There exist sophisticated studies of technology transfer which draw more valid distinction than the military, non-military one. Victor Basiuk, for example, the author of a study of this subject, proposes the following categories of technology: Militarily Relevant Technology; Pivotal Technology; Project-critical Technology; and Socially Pluralizing Technology. This system of categories could be usefully taken into account in planning our policies should we decide to continue along the lines indicated in the Haig-Weinberger-Baldrige-Brock memo to the President. ~~(S)~~

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Derivative from State
Review July 17, 1987.

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BY Amj, DATA, DATE 10/31/05

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TO . . . PRES

FROM HAIG, A

DOC DATE 18 JUL 81

WEINBERGER, C

18 JUL 81

BALDRIGE, M

18 JUL 81

KEYWORDS: EXPORT CONTROLS

USSR

NSC

CCCCM

CM

GIS

JUL 20, 1981

2/12/11

SUBJECT: SECURITY CONTROLS ON EXPORTS TO USSR - OUTGROWTH OF NSC MTG

9 JUL

ACTION: PREPARE MEMO FOR ALLEN

DUE: 19 JUL 81 STATUS S FILES

FOR ACTION

FOR COMMENT

FOR INFO

~~BAILEY~~

Lenz has action

HUBERMAN

LENZ

PIPES

STEARMAN

SCHWEITZER

NANCE * -

COLSON * -

POINDEXTER * -

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Henry Kue is at present

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TO WEINBERGER, C

FROM ALLEN

DOCDATE 09 JUL 81

ots

Z/16/01

KEYWORDS: USSR

NSC

GAS

OTS

SUBJECT: D/R 228 QUESTIONS TO DOD FOR NSC MTG RE SIBERIAN GAS PIPELINE ISSUES

ACTION: ALLEN SGD MEMO TO WEINBERGER DUE: STATUS CD FILES IFM 0

FOR ACTION

FOR CONCURRENCE

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COMMENTS

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WASHINGTON

July 9, 1981

MEMORANDUM FOR THE HONORABLE CASPAR WEINBERGER
THE SECRETARY OF DEFENSE

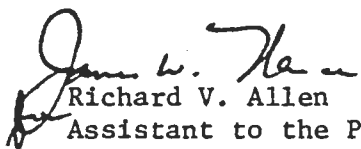
SUBJECT: NSC Meeting

After reading your response to our memorandum requesting elaboration of your position on the issues before the NSC, and in the interest of keeping the meeting on a tight and orderly timetable, I would like to begin the meeting by putting the following two questions to which your succinct response would be appreciated:

- Q: Your objective, as stated in your paper, is to stop the pipeline or, if that is not possible, to scale it down. Why wouldn't this objective be best served by requesting, at least as a first step, that our Allies, especially the Germans, agree to delay further negotiations for at least six months, until a full examination of all aspects of the project can be completed, rather than approaching them now with a statement that the project must be stopped and with threats to block exports by the U.S. and other Allies of critical components?
- Q: As you indicated, compressors that must come from either the U.S. or the U.K. are critical to the pipeline. However, these compressors offer potential sales of as much as \$300 - 600 million to Rolls Royce, a sick British firm in a sick British economy. Faced with high levels of unemployment and with a German and French desire to go ahead with the pipeline, what incentive would there be for the British Government to block the sale of these compressors? What pressures or incentives could we bring to bear to motivate the British to go along with our desire to block the pipeline? Wouldn't British cooperation be significantly easier to obtain if our stated objective was only to delay the pipeline, pending a review of alternatives and/or steps to minimize European dependency, as compared to a position where we propose to block the pipeline permanently?

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NLS M1280 #10


Richard V. Allen
Assistant to the President
for National Security Affairs

BY AMF, NARA, DATE 10/31/05

THE WHITE HOUSE

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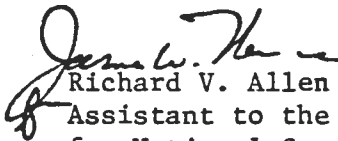
July 9, 1981

MEMORANDUM FOR THE HONORABLE ALEXANDER M. HAIG, JR.
THE SECRETARY OF STATE

SUBJECT: NSC Meeting

After reading your response to our memorandum requesting elaboration of your position on the issues before the NSC, and in the interest of keeping the meeting on a tight and orderly timetable, I would like to begin the meeting by putting the following two questions to which your succinct response would be appreciated:

- Q: Your paper proposes a "very tough option III" under which we would "press" our Allies to take several specific measures to minimize their dependence on Soviet gas. If we do not ourselves deny licenses on exports related to the project and if we do not enlist the aid of the Japanese and British in restricting exports critical to the project, what is it that is "tough" about our policy and just what kind of pressure do we put on our Allies to get them to give anything more than lip service to the program of minimizing dependence you have outlined?
- Q: Would it be inconsistent with your scenario to press strongly at Ottawa, especially on the Germans and the French, perhaps privately, for their agreement to delay further negotiations on the pipeline for, say six months, pending a thorough inter-Allied review of the project and alternatives to it?


Richard V. Allen
Assistant to the President
for National Security Affairs

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NLS M1280 #11

BY smj, NARA, DATE 10/31/05

Subject: Buckingham Papers NSC Meetings

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7/16/81

Subject: Blackburn Papers NSC Meetings

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Washington, D.C. 20520

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8119408

June 26, 1981

MEMORANDUM FOR MR. RICHARD V. ALLEN
THE WHITE HOUSE

SUBJECT: National Security Council Meeting on June 30
on East-West Economic Relations

The attached paper is for the NSC discussion of East-West energy issues: (a) Security Controls on Exports to the USSR; (b) Controls on the Export of Oil and Gas Equipment and Technology to the USSR; (c) The Siberian Pipeline; and (d) the License for Caterpillar Company to Export 100 Pipelayers to the Soviet Union.

L. Paul Bremer, III
L. Paul Bremer, III
Executive Secretary *for*

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NLS M/280 #13

BY AMF, NARA, DATE 10/31/05

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NSC DISCUSSION PAPER

NLS M1280 #14

BY Smf, NARA, DATE 10/31/05

There are four separate papers which address the major issues in East-West trade.

1. Security Controls on Exports to the USSR. This paper presents three options for strengthening Allied security controls on exports to the USSR. Current U.S. law distinguishes long-term security controls (on "goods and technology which would make a significant contribution to the military potential") from more variable foreign policy controls (which are used for punishment, signalling, and leverage). This paper does not address foreign policy controls. Oil and gas equipment and technology, which is now subject to foreign policy controls but might be considered for coverage under security controls, is the subject of a separate paper. Security controls on exports to Eastern Europe and to China will also be the subject of separate papers.

The three options for Allied (COCOM) security controls on exports to the USSR are:

- I) Restrict technology and equipment critical to military production and use;
- II) In addition to I, restrict technology and equipment critical to production in "defense priority industries" which, through development, would significantly enhance Soviet military capability; ("Defense priority industries" would include primarily metallurgy, chemicals, heavy vehicular transport, and shipbuilding, for which there is little present COCOM coverage, and would exclude primarily consumer industries); and
- III) In addition to II, restrict all items for use in these industries.

Option I would not differ greatly from the status quo. COCOM controls on technical data might be strengthened. The objective of options II and III, especially III, would be to slow Soviet economic growth, thereby reducing resources available for consumption, investment, and defense. The difference between options II and III is profound. For example, option II would restrict advanced technology not already in Soviet hands for specialty steels used by the military whereas option III would hold back entire steel mills that produce general purpose steel.

Economic costs to the West would be considerably higher for option II than for option I and considerably higher for option III than for options I and II. Options II or III would

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RDS-3 6/26/2001

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cause some consternation among our Allies. Option III would be seen as particularly threatening to Western basic industries, especially steel, where unemployment is already high.

Our Allies will resist additional controls unless they are technically precise and we present evidence of military significance. Selling options II or III would require personal efforts by the President and key members of the cabinet.

U.S. industry supports the control of militarily critical technologies but opposes controls which would not apply equally to foreign competitors.

The Export Administration Act encourages exports except for necessary restrictions which would clearly further fundamental national interests.

2. Controls on Export to the USSR of Oil and Gas Equipment and Technology.— The issue is what policy the United States should adopt on controlling oil and gas equipment and technology exports to the Soviet Union. Should the United States treat Soviet oil and gas development and exports to Western Europe as a national security concern?

APPROACH: The Administration's decision on this issue should take into account:

- the extent to which we wish to impede Soviet energy development and exports;
- the political costs vis-a-vis our Allies we are willing to pay in pursuit of this policy; and,
- the extent to which we wish to control export of technology.

In order to make those options that restrict energy exchange with the Soviet Union both effective and equitable, the U.S. should present a substantial incentives package which will contribute to Allied energy security. Such a package should aim at increasing alliance access to additional sources of energy and at furthering sustained Alliance cooperation on energy security concerns.

Option I: The U.S. will actively impede Soviet oil and gas production and export projects. The U.S. will impose national security controls on, and deny exports licenses for, all oil and gas equipment and technology. We will use our available leverage to pressure our Allies and friends to adopt similarly restrictive measures.

~~SECRET~~

Option II: The U.S. will attempt to impede Soviet oil and gas production and export projects. Recognizing that our Allies and friends may not follow suit without unacceptably high political costs, we will use less leverage than in Option I. We would consider, after consultations with our Allies, adopting a multilateral approach less restrictive than implied in Option I. Until this is worked out, the U.S. will deny export licenses for technology and equipment.

Option III: The U.S. is most concerned about major Soviet projects which contribute to Soviet production capability and our Allies' vulnerability to Soviet energy leverage (e.g., West Siberian Pipeline). The U.S. will make a major effort with other countries to restrict exports of equipment and technology for such projects. Until this is worked out, the U.S. will deny all technology and end-use equipment exports for major projects while approving end-use equipment exports not for major projects.

Option IV: Rather than attempting to impede oil and gas production and exports, our goal will be to deny exports of technology that allows the Soviets to replicate advanced Western equipment; this technology would give them an independent capability to improve oil and gas output and infrastructure. The U.S. will approve exports of end-use equipment.

Option V: The U.S. will lift special foreign policy controls on the export of oil and gas technology and equipment. (Existing strategic controls under COCOM will remain in place, some of which may incidentally cover equipment and technology for oil and gas production and exploration).

3. U.S. Position on the Siberian Pipeline. The issue is what position the U.S. should adopt towards the proposed pipeline designed to supply Siberian natural gas to Western Europe?

Option I: The U.S. will signal its disapproval of the project by denying all exports to the USSR for the pipeline, and press our Allies to cancel further project negotiations.

Option II: The U.S. will communicate to our Allies and friends that we oppose the project, will withhold relevant export licensing, and encourage them to do the same, until our Allies have committed to constructing an adequate safety net of emergency supply.

Option III: The U.S. recognizes its inability to cancel or significantly delay the pipeline project. The U.S. will, however, work with its Allies and friends to minimize the strategic implications of the project.

Option IV: Adopt a laissez faire approach on the pipeline, allowing market considerations to determine European energy import and energy security policies.

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4. License for Caterpillar Company to export 100 pipelayers to the Soviet Union. The issue is, should the United States Government grant a license to the Caterpillar Tractor Company for the export of 100 pipelayers to the Soviet Union? The Caterpillar application states that the 100 pipelayers would be used as replacement units on the following projects:

-- 30 units for use in West Siberia on construction of main and feeder lines of the Urenjorj project to carry gas from West Siberia to Moscow;

-- 25 units for use in Central Asia on construction of a local oil pipeline;

-- 45 units for use in European USSR on the western end of the Urenjorj project from Yaroslavl to Polotsk.

Under the time limits for licensing decision set forth in the Export Administration Act of 1979, the Government has until early August to decide this case. However, Caterpillar has already missed contract delivery deadlines and feels that it must have an early decision in order to prevent Soviet cancellation of the contract, and consequent Japanese replacement sales to the USSR. Komatsu, a Japanese firm, is currently the only non-U.S. producer of pipelaying equipment and has sold over 500 pipelayers to the USSR in the past ten years.

Option I: Deny the Caterpillar export license application.

Option II: Deny export license application if Japanese agree to stop similar sales by Komatsu.

Option III: Approve the Caterpillar Export license application.

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BACKGROUND PAPERS

1. Security Controls on Exports to the USSR
2. Controls on the Export of Oil and Gas
Equipment and Technology to the USSR
3. The Siberian Pipeline
4. License for Caterpillar Company to Export
100 Pipelayers to the Soviet Union.

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JUN 26 1981

POLICY OPTIONS PAPER

Security Controls on Exports to the USSR
Executive Summary

This paper presents three options for strengthening Allied security controls on exports to the USSR. Current U.S. law distinguishes long-term security controls (on "goods and technology which would make a significant contribution to the military potential") from more variable foreign policy controls (which are used for punishment, signalling, and leverage). This paper does not address foreign policy controls. Oil and gas equipment and technology, which is now subject to foreign policy controls but might be considered for coverage under security controls, is the subject of a separate paper. Security controls on exports to Eastern Europe and to China will also be the subjects of separate papers.

The three options for Allied (COCOM) security controls on exports to the USSR are:

- I) Restrict technology and equipment critical to military production and use;
- II) In addition to I, restrict technology and equipment critical to production in "defense priority industries" which, through development, would significantly enhance Soviet military capability; and
- III) In addition to II, restrict all items for use in these industries.

"Defense priority industries" would include primarily metallurgy, chemicals, heavy vehicular transport, and shipbuilding, for which there is little present COCOM coverage, and would exclude primarily consumer industries.

Option I would not differ greatly from the status quo. COCOM controls on technical data might be strengthened. The objective of options II and III, especially III, would be to slow Soviet economic growth, thereby reducing resources available for consumption, investment, and defense. The difference between options II and III is profound. For example, option II would restrict advanced technology not already in Soviet hands for specialty steels used by the military whereas option III would hold back entire steel mills that produce general purpose steel.

Economic costs to the West would be considerably higher for option II than for option I and considerably higher for option III than for options I and II. Options II or III would

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cause some consternation among our Allies. Option III would be seen as particularly threatening to Western basic industries, especially steel, where unemployment is already high.

Our Allies will resist additional controls unless they are technically precise and we present evidence of military significance. Selling options II or III would require personal efforts by the President and key members of the cabinet.

U.S. industry supports the control of militarily critical technologies but opposes controls which would not apply equally to foreign competitors.

The Export Administration Act encourages exports except for necessary restrictions which would clearly further fundamental national interests.

JUN 26 1981

Security Controls on Exports to USSR

Introduction

Economic relations in general, and trade relations in particular, with the Soviet Union and the East should be conducted within the broad political-security objectives of the Western alliance. The Soviet Union remains the principal threat to Western security and will remain in the posture for the foreseeable future. A large share of the Soviet Union's GNP goes to support the military. The enhancement of Soviet military strength coincides with aggressive Soviet foreign policy -- Afghanistan invasion, visible threats to Poland, theater weapon deployment in Europe (SS-20s) and support for leftist revolutions and terrorism. The Soviets have also recently intensified efforts to gain access to sophisticated Western technology.

In light of Soviet actions and intent, the United States must review its security control policies for exports of goods and technology to the USSR and develop a reasonable approach to controls that can be presented to the Allies.

An important purpose of the current policy review is to structure controls on exports to the USSR in a manner that is clear and predictable to American business and our Allies and which at the same time will safeguard our national security. Clearly, the present system is unwieldy and needs extensive improvement. A streamlined system will more likely gain support domestically Objectives and Approach from U.S. firms and internationally from Allies.

United States objectives vis-a-vis the Soviet Union in trade and export control policies should be reviewed within such broader U.S. objectives for East-West economics relations as:

- nurture cooperation among the Western Allies and enhance the commonality of Alliance purposes and approaches toward the Soviet Union;
- strengthen Western defenses in order to deal with the reality of a rapid Soviet buildup in military power;
- counter both direct and indirect projection of Soviet power;
- encourage Soviet behavior that contributes positively to a pluralistic, free and peaceful world.

There are contrasting policy approaches ranging from the concept that security is enhanced by slowing the Soviet rate of growth to the concept that there are Western security benefits from trade in products not contributing directly and significantly to Soviet military capabilities. Having said this, however, there remain

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fundamental and important questions about the process of how to implement these policies. These range from fewer controls on exports to stricter controls. In any event we should seek less ambiguity about what constitutes permissible exports than at present.

During this decade the Soviet Union faces increasing economic problems: manpower shortages, energy squeeze, declining capital investment and labor productivity. In framing trade policies the Allies should consider the extent to which Western exports might ease Soviet resource constraints and facilitate the support of defense and other militarily relevant sectors, such as metallurgy and chemicals.

There is some evidence (Kama River) that Western exports of technical data and products not associated with weapons systems have a significant impact on Soviet military strength. Soviet imports of machinery and equipment from the West are rising and now contribute around 10% of total Soviet investment in this category. U.S. efforts to expand security controls substantially beyond those directly and significantly related to Soviet military potential would probably not be accepted by our Allies, without the highest levels of our government involved.

Once attention has been focused on the national security importance of a coherent export control policy vis-a-vis the USSR, the prospect for allied cooperation can be improved by carefully justified and precise proposals. Then support must be aggressively sought for these proposals with senior allied defense and national security officials. Foreign economic and trade ministries must also be consulted since economic and commercial considerations are sometimes given equal or more weight among the Allies than security factors. Additionally, any disunity among the Allies can be exploited by the Soviets for political advantage. As we implement one of the policy options below, we will consider the extent to which we can shift our emphasis from controls on equipment to controls on critical technologies, as advocated by J. Fred Bucy. End products often satisfy short-term goals, while leaving the consuming country dependent on continued imports, whereas the sale of technology confers a new capability. In the final analysis, we may be able to decontrol some end products while strengthening controls on technologies.

Policy Options

Three separate policy options are presented.

Aside from the policy pursued, a fundamental tenet of any option chosen must be to achieve consistency and predictability as well as clarity and specificity of U.S. controls, both for American business and our Allies.

The three options presented below: each successive option envisages additional controls. Selection of any of the options presupposes discussions and negotiations to sell the U.S. position in COCOM and to use other appropriate fora, such as NATO, to gain support.

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I Restrict technology and equipment deemed critical to military production and use

This option would cover commodities with substantial potential for military utilization, critical technology and keystone production equipment beyond Soviet capabilities directly related to the performance of Soviet weapons systems. The list of such militarily critical technologies being prepared in Defense may provide a basis for Commerce in cooperation with Defense to develop technically precise proposals to revise the COCOM list. This option would strengthen current COCOM controls on technology (technical data section). It would permit deletion of controls on some end-use products, which do not have significant military applications and for which production technology is not easily extractable. A case in point would be the export of some semi-conductors (e.g., transistors, diodes and microcircuits) the liberalization of which could be coupled with further strengthening of controls on critical technology (keystone equipment, materials, and process know how) which are necessary for their production. We would aim to make permanent the no-exceptions policy to the COCOM list originally intended as a temporary response to the invasion of Afghanistan.

II In addition to I, restrict technology and equipment critical to production in defense priority industries which, through development, would significantly enhance Soviet military capability

This contrasts with option I by also including items and know-how not primarily related to production for direct military consumption but also production which can be used in military sectors. Industries to be covered would include metallurgy, chemicals, heavy vehicular transport, and shipbuilding, for which there is little present COCOM coverage. This option would exclude primarily consumer industries.

III In addition to I and II, restrict all items for use in defense priority industries

This approach goes beyond advanced technology and targets these same industries in their entirety. The difference is profound. Under option II a steel mill could be sold providing there is no transfer of know-how of militarily useful steel alloys not already in Soviet hands; under option III we would hold back on the steel mills that produce general purpose steel.

Background

Security controls are long-term, relatively constant measures which, under current U.S. law, are applied to "goods and technology which would make a significant contribution to the military potential" of U.S. adversaries. This law distinguishes security controls from foreign policy controls, which are more variable measures imposed to further political objectives.

U.S. security controls closely parallel allied controls, as agreed in COCOM, the "Coordinating Committee" of NATO countries and Japan. The shared recognition of the Soviet military threat and the desire to prevent competition in the sale of war-production goods to the Communists have kept COCOM intact for over thirty years, although it is based on no treaty and has no power to sanction any member that violates its rules.

The COCOM list now covers munitions, atomic energy equipment and materials, dual-use (civilian/military) equipment and materials primarily in the computer, electronics, and machine tools areas, and technical data related to the foregoing. Exceptions to the controls may be approved at national discretion for the low performance end of the spectrum; but exports of higher performance listed goods and technology require unanimous agreement within COCOM. In the past, most exception requests were approved; but, following the invasion of Afghanistan, the U.S. won de facto allied acceptance of a policy of approving no exceptions for exports to the USSR.

COCOM did not accept the U.S. post-Afghanistan proposal for informal consultation concerning plant and technology exports which would advance the growth of sectors of the Soviet industrial base that contribute indirectly to military strength. Our Allies criticized the proposal's lack of specificity. The United States recently submitted a proposal to add to the COCOM list three specific items in the metallurgy sector.

Securing a strengthened security control policy among our Allies, which is implied with the selection of any of the three options, will require an understanding at the highest levels as to the direction in which the alliance will move in strategic trade with the USSR. Effective restraint of high technology transfers to the USSR by COCOM members will require consultations with economic and trade ministers as well as defense leaders and NATO.

Attachments

1. Impact on Soviet military potential
2. Allies' attitude toward controls
3. Impact on U.S. and Western economy

BY AM, NARA, DATE IMPACT ON SOVIET MILITARY POTENTIAL10/31/05

The Soviet Union has had a high degree of success in developing its military capabilities. This has been achieved through a combination of indigenous efforts and Western technology; much Western production equipment and technology having military relevance either is not controlled or leaks through illegal trade and clandestine channels. The impact of these items on Soviet military potential is difficult to measure, but withholding them would certainly help to restrain industrial growth and productivity supporting the military sector.

Option (I) Restrict technology and equipment deemed critical to military production and use

A more refined assessment of the military impact could be made when a definitive list of critical technologies becomes available. This option would continue approximately the current level of impact on Soviet weapons manufacturing industries.

Option (II) Option I plus restriction of technology and equipment deemed critical to production in defense priority industries which, through development, would significantly enhance Soviet military capability

This option would sharpen the COCOM controls in advanced technology for industrial sectors that support military production, and would more clearly define controls on technical data.

It would also create a technology gap in industrial sectors largely unaffected by current controls, thus forcing the Soviets to expand and diversify R&D efforts to stay abreast of the West, delaying and impeding progress (as well as reducing reliability) in at least some military development and production programs. The military impact of this option would be cumulative and longer-term. Examples of additional COCOM coverage which might be negotiated under this option would be advanced technology for steel mills and for large floating drydocks (useful for the repair of not only merchant marine vessels but also large combat vessels such as the Soviet Kiev class helicopter carriers or the new nuclear-powered cruiser Kirov).

Option (III) Options I and II plus control all items for use in defense priority industries (e.g. metallurgy, chemicals, heavy vehicular transport, shipbuilding, etc.)

This option would have significant additional effect (beyond the first two options) in these militarily related industries. In the short-run this would contribute to the slowing of Soviet economic growth, thereby reducing the total resources available for consumption, investment and defense. Under these conditions a constant (or increasing) rate of military expenditures could be maintained only at the expense of the Soviet consumer. Examples of additional coverage would be entire turn-key projects, such as all items for the Kama River Truck Plant and for ferrous and non-ferrous production facilities even if the Soviet Union possessed the technologies involved.

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ALLIES' ATTITUDE TOWARD CONTROLS ON EXPORTS TO THE USSR

Western Europe and Japan have encouraged trade with the USSR for both economic and political reasons since the early 1950's. Western European governments have often promoted it as a long-range means to better East-West relations. They view the Soviet Union as a natural market for their industrial products, especially capital equipment and as an important source of energy and other raw materials. They accept controls over specific strategic items, but they typically expect to decontrol items which become technologically less critical. Proposals for new export controls must bear the burden of proof. Historically COCOM governments have accepted new controls when the military importance is clearly demonstrated or when the controls will have little effect on European and Japanese firms.

Since the invasion of Afghanistan, several COCOM governments have expressed their willingness to consider additional precisely defined controls on technology transfers to the Soviet Union provided the U.S. could demonstrate their strategic relevance in an area of Soviet technological deficiency.

Option I, which is little more than a reaffirmation of current COCOM controls plus making permanent the "no-exceptions" policy on exports to the USSR, would probably be accepted by our allies, since basically it's the status quo. It would permit some strengthening of controls on technology transfers as well as permitting deletion of some controls on end-use products which do not have significant military applications. The trade effect of Option I is probably neutral in the sense that there would be no significant additional impact on allied exports (compared to post Afghanistan levels).

Options II or III would cause some consternation among our allies since they would affect a larger part of Western industrial exports to the USSR. Option III would be seen in Western Europe as particularly threatening to their basic industries (especially steel) and their capital good sectors, where unemployment is already high. If the items or projects proposed for control are available to the USSR from non-COCOM sources, even at higher cost, Western Europeans will probably resist any new controls. Since industrial exports to the USSR are less important to the U.S., both absolutely and relatively, than to the FRG, France, and Italy, it will be politically difficult to gain European acceptance to a substantially tightened controls policy.

Industrial trade with the USSR is less important to Japan than to the major industrial countries of Western Europe, but more important to Japan than to the U.S. The Japanese were more cooperative than most Europeans in observing sanctions imposed after the Soviet invasion of Afghanistan. Japan, nevertheless, probably will not accept sharper controls for strategic purposes unless the major

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European Allies clearly support them. Japan believes there is considerable scope for expanding exports to the Soviet market, especially for the economic development of Siberia, and will scrutinize closely the actions of its competitors before agreeing to tighter controls.

New controls are thus much more likely to be accepted if they would (1) affect a small proportion of our Allies' current exports, (2) clearly demonstrate, through well justified and technically precise proposals, a direct or significant indirect effect on Soviet military potential, (3) cover items not available from non-COCOM sources, and (4) avoid appearing to shift commercial advantages among COCOM members. An approach to strategic controls, targeted to military applications and those industrial sectors clearly supporting military applications, is the most likely to be accepted.

Coordination with Our Allies

Given the present economic crisis in Western Europe, with the highest unemployment since World War II, even modest changes in controls will require thorough technical justification and a major effort at high political levels. If we wish to move toward more sweeping controls, we should expect to undertake an intense process of education to persuade our Allies at Presidential and Ministerial levels of the overriding need to strengthen the controls and the relevance of the proposed measures to increased security. Since decisions on export control policies are made in Western Europe by political parties and economic ministries, rather than defense ministries, it will not be sufficient for the U.S. to convince the latter (which are, in many cases, more sympathetic to U.S. views on security controls).

The U.S. has little effective economic leverage to speed up the education process. U.S. trade concessions to Western European countries are balanced by concessions they give us; a withdrawal of U.S. GATT commitments would inevitably lead to retaliation. The \$20 billion trade surplus we enjoyed with the European Community in 1980 is based in part on concessions which European governments find inconvenient (e.g., existing tariff levels on soybeans, feed supplements, petrochemicals, synthetic fibers, textiles).

Withholding of existing technical or military cooperation could reduce alliance capability although withholding certain advanced military technologies (Data Exchange Agreements, etc.) may provide the U.S. some leverage. The allies could well react strongly to any attempt to coerce their cooperation; the result would then be less cooperation on other issues, including force enhancement. It might be more effective to make offers of new technology conditional upon expanded controls, if we are confident that the benefits of the new controls would be greater than the costs to our security of delaying our allies' military modernization, and if we are confident that this would not be portrayed publicly as undercutting our allies. U.S. industry would react favorably to this approach since they perceive transferring technology without selling military equipment as losing market share.

There are some signs that the climate for more restrictive proposals within the alliance may be improving. Mrs. Thatcher seems receptive to our overall security objectives. The French use their relations with the Soviets as an opportunity to demonstrate their independence from American policy, but they share with us many strategic concerns and may well be moving toward a more compatible course. The Italian attitude is conditioned in part by the strength of the Italian Communist Party. The Japanese view access to Soviet raw materials as important to their future development, but they are wary of the risks of overinvolvement. Even the Germans, who have been wedded so closely to Ostpolitik, appear to be a little more on the defensive. All this is not to say that the allies would leap to embrace our proposals, but simply that we should not set our sights too low in advance.

What all of the allies have in common is a keen sense of commercial competition. They resist being talked into partial measures whose sole effect, they suspect, is to hand over a sale to another country's exporters. The nightmare shared by virtually all of their trade officials is restraining one of their own companies from making a sale to the Soviets, only to read in the newspaper that the sale has gone to the French or the Germans. This, alas, has happened. The Soviets and their Warsaw Pact partners have exploited these fears very skillfully, creating upward-ratcheting political and economic pressures.

U.S. proposals for new controls will require a major effort to persuade the allies, no matter which of the three options is selected. Even new technology controls under Option I will probably not be agreed unless they are technically precise and we present evidence of military significance. A permanent "no exceptions" policy under Option I may be difficult to achieve without a reduction of coverage from the present COCOM list. Selling Options

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II or III will require personal efforts by the President and key members of the Cabinet. In addition, we would have to make our case for such controls with key economic policy officials and defense ministers in allied capitals, while at the same time presenting precise proposals and careful technical arguments in COCOM.

There is one other aspect to the problem which concerns the legal ability of the allies to control technology transfers absent equipment controls. U.S. interests in strengthening technology controls must recognize this possible allied constraint.

In the end it seems possible to reach an allied consensus if we successfully build upon genuine and common concerns for security while assigning due weight to the economic interests at stake.

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ECONOMIC IMPACT ON U.S. AND WESTERN COUNTRIESSummary

The economic impact on COCOM countries of the various options for refined security controls on exports to the USSR would vary substantially among options as well as among countries.

According to the methods used to estimate trade impact associated with the three options, it is estimated that the direct trade effect (1979 pre-Afghanistan base) on all COCOM countries would be as follows (on a yearly basis):

Loss of trade: (I) \$423 million; (II) \$845 million, and (III) \$1.7 billion. The corresponding number of jobs (1979 base) associated with this trade loss for COCOM countries collectively is: (I) 19,838 jobs; (II) 39,646 jobs; and (III) 79,322 jobs.

Countries hardest hit among COCOM would be Germany, France, Italy and Japan, both in terms of trade and job loss.

Methodology

The following describes the methodology used in estimating the economic effect of the three options for tightening security controls on exports to the USSR.

For an approximation of the order of magnitude of "high technology exports" to the USSR, the commodity categories (SITC basis) listed in Table I were selected. There is general agreement that this list encompasses virtually all U.S. and allied high technology exports. COCOM exports in these goods to the USSR in 1979 totaled \$1.7 billion. This figure understates the importance of such technology transfer trade to the USSR since it does not include the value of technical data transfers, except to the extent that it is included in the price of the product export. Conversely, it overstates the amount of high-technology trade since the categories are broad and include some low-technology items in the baskets.

The principal economic effects on the west from tightened controls would be reductions in (1) income from exports related to stricter COCOM controls and (2) employment associated with the reduced exports of technology (either as technical data or equipment). In order to estimate the possible economic impact of the policy options, the following assumptions were made:

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- (1) COCOM exports of high technology products to the USSR would fall by 25% from 1979 levels (pre Afghanistan) under Option I;
- (2) COCOM exports of high technology products to the USSR would fall by at least 50% from 1979 levels under Option II;
- (3) COCOM exports to the USSR of high technology products would be eliminated under Option III.

The trade and employment effects for the COCOM countries (except Greece, Portugal and Turkey) are summarized in Table 2.

The bulk of the reduced trade falls on the key industrial nations, e.g., Germany, Japan, France, and Italy. German exports of high technology products to the USSR would be affected within a range from about \$150 million to slightly more than \$600 million depending upon the option. The effect on Japanese exports falls within a \$80 to \$325 million range for the three options, while French and Italian exports affected range from \$60-250 million and \$50-200 million, respectively. The corresponding employment effects range from a high of from 5,000-20,000 in Germany to 3,000-11,000 in France. Both the United Kingdom and the United States are affected less than the other four countries (see Table 2). Impact on the remaining COCOM members is slight, both in trade and employment terms.

The trade and employment effects are estimates from a 1979 base and are believed to be reasonably indicative of the impact of the three options. Even if the figures were off by a factor of two or more, due to a particularly large project in any given year, employment and trade effects for COCOM as a portion of total trade and employment would remain small. This seems particularly unlikely since the Soviets tend to import to make up shortfalls in production or for reverse engineering purposes.

It is not surprising that the European nations and Japan are most affected by tighter controls. What is surprising is the relatively modest impact of either Option I or II on total trade or employment which seems to suggest that the economic trade off for tighter national security controls vis-a-vis USSR might not be as difficult, once it is defined, as sometimes suggested. Indeed to the extent that high technology products are capital vs labor intensive the employment impact may be overstated.

TABLE I
HIGH TECHNOLOGY PRODUCTS

GROUP/SITC#

DEFINITION

Aerospace

71142 Jet and Gas Turbines for Aircraft
7341 Aircraft, Heavier-than-air
73492 Parts of Aircraft, Airships, etc.

Computers

7142 Calculating and Accounting Machines, etc.
7143 Statistical Machines - Cards or Tapes
71492 Parts of Office Machinery, N.E.S.

Machinery

7116 Gas Turbines; Other than for Aircraft
7151 Machine - Tools for Working Metals
71523 Gas-operated Welding, Cutting etc., Appliances
7185 Mineral Crushing etc, and Glass-working Machinery
71852 Machinery and Appliances-non Electrical - parts
71911 Gas Generators
7192 Pumps and Centrifuges
71952 Machine - Tools for Working Wood, Plastics, etc.
71954 Parts and Accessories of Machine - tools
7197 Ball, Roller or Needle-roller Bearings
7199 Parts and Accessories of Machinery, N.E.S.
7296 Electro-mechanical Hand Tools

Electrical

7249 Telecommunications Equipment, N.E.S.
72911 Primary Batteries and Cells
7293 Thermionic Valves and Tubes, Transistors, etc.
72952 Other Electrical Measuring and Controlling
Instruments

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TABLE 2

SUMMARY OF TRADE AND EMPLOYMENT EFFECTS
(Strengthened Security Controls on High Technology Exports to USSR)

1979

Country	Total Trade (\$ Mil)	Labor Force (Mil)	Unemployment (%)	High-Tech Trade (Loss)			Employment (Loss) High-Tech			GNP (\$ Mil)
				I \$ Mil	II	III	I (Persons)	II	III	
<u>Europe</u>										
Belgium	56,250	4.5 ^a	6.5	2.2	4.5	8.9	100 ^a	200 ^a	375 ^a	112,316
Denmark	14,613	2.7 ^a	5.5 ^a	3.0	6.0	12.0	155 ^a	275 ^a	600 ^a	58,927
France	100,700	22.5	5.9	62.2	124.4	240.7	2,012	5,625	11,250	502,376
Germany	171,890	25.9	3.0	153.2	306.4	612.8	5,242	10,425	20,850	761,008
Italy	72,230	22.0	7.5	52.3	104.7	209.3	3,552	7,105	14,211	324,050
Netherlands	63,670	4.8	4.5	1.2	2.4	4.8	30	76	153	149,917
Norway	13,470	1.9	2.0	1.5	2.9	5.9	62	125	251	44,477
United Kingdom	91,016	26.0	5.1	22.7	45.3	90.7	1,496	2,992	5,985	393,930
Total Europe	583,039	110.0	--	291.3	596.6	1,193.1	13,427	26,023	53,675	2,347,009
<u>North America</u>										
Canada	58,190	11.3	6.7	5.0	11.6	23.1	294	500	1,176	222,212
United States	181,802	102.9	5.7	36.9	73.8	147.7	1,603	3,207	6,414	2,368,800
Total North America	239,992	114.2	--	42.7	85.4	170.8	1,897	3,795	7,590	2,591,012
Japan	102,300	56.0	2.1	01.5	163.0	326.0	4,514	9,028	18,057	1,010,906
COCOA^{aa}	926,131	280.2	--	422.5	845.0	1,689.9	19,038	39,646	79,322	5,949,087

^a Estimated^{aa} Excluding Greece, Portugal and Turkey~~SECRET~~

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8

POLICY OPTIONS PAPER

Controls on Export to the USSR of Oil
and Gas Equipment and Technology

ISSUE: What policy should the United States adopt on controlling oil and gas equipment and technology exports to the Soviet Union? Should the United States treat Soviet oil and gas development and exports to Western Europe as a national security concern?

APPROACH: The Administration's decision on this issue should take into account:

- the extent to which we wish to impede Soviet energy development and exports;
- the political costs vis-a-vis our allies we are willing to pay in pursuit of this policy; and,
- the extent to which we wish to control export of technology.

In order to make those options that restrict energy exchange with the Soviet Union both effective and equitable, the U.S. should present a substantial incentives package which will contribute to Allied energy security. Such a package should aim at increasing alliance access to additional sources of energy and at furthering sustained Alliance cooperation on energy security concerns.

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~~SECRET~~BY LOT, NAKA, DATE 10/31/05Option I:

The U.S. will actively impede Soviet oil and gas production and export projects. The U.S. will impose national security controls on, and deny exports licenses for, all oil and gas equipment and technology. We will use our available leverage to pressure our allies and friends to adopt similarly restrictive measures.

Pro:

(a) Hinders development of a strategically significant industry which is a key component of the Soviet's military-industrial base. Insofar as oil and gas production is an instrument of Soviet domestic and foreign policy, we should actively impede the Soviets' economic strength, political influence and military potential.

(b) Diminishes Soviet ability to earn hard currency through energy exports to the West. Frustrates the Soviets' professed aim to acquire Western technology. Promotes increased competition between the military and civilian sectors.

(c) Discourages European dependence on Soviet natural gas, thereby avoiding a potential weakening of NATO Alliance cohesion.

Con:

(a) Experts disagree on whether, without Allied cooperation, an embargo would have a significant effect on Soviet energy production, and on Soviet ability to pursue major export projects including the Siberian pipeline.

(b) Would strain US and Allied relations. Europeans would view US action as insensitive to their economic and energy needs. This would contribute to long-term Soviet objective of driving a wedge between the US and our NATO Allies and Japan.

(c) Hindering Soviet energy development could prompt further Soviet adventurism or efforts to increase their influence in the Middle East.

Option II:

The US will attempt to impede Soviet oil and gas production and export projects. Recognizing that our Allies and friends may not follow suit without unacceptably high political costs, we will use less leverage than in Option I. We would consider, after consultations with our Allies,

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adopting a multilateral approach less restrictive than implied in Option I. Until this is worked out, the US will deny export licenses for technology and equipment.

Pro:

Retains the basic benefits of Option I, but is more flexible and thereby avoids straining relations with Allies.

Con:

Contains same drawbacks as Option I, but additionally may indicate less US resolve to limit Soviet energy developments.

Option III:

The US is most concerned about major Soviet projects which contribute to Soviet production capability and our Allies' vulnerability to Soviet energy leverage (e.g., West Siberian Pipeline). The US will make a major effort with other countries to restrict exports of equipment and technology for such projects. Until this is worked out the US will deny all technology and end-use equipment exports for major projects while approving end-use equipment exports not for major projects.

Pro:

- (a) Would focus US leverage on major projects.
- (b) More likely to be accepted by Allies because it is more closely related to Western security concerns.
- (c) Offers commercial benefits to US and Allied exporters in areas not of major security concerns.

Con:

- (a) Difficult to identify discrete major projects or to prevent diversion of mobile oil/gas equipment. Opportunities for leverage may therefore be limited to those items which are essentially stationary, such as pipe, wellhead assemblies, down hole equipment, and compressors.
- (b) Effectiveness would be limited unless Allies agree to restrict comparable sales of technology and equipment to the Soviets. To the extent Allies fail to cooperate, compromises Western security.
- (c) Denies possibility to US companies of participating in major Soviet oil and gas related trade opportunities.

Option IV

Rather than attempting to impede oil and gas production and exports, our goal will be to deny exports of technology that allow the Soviets to replicate advanced Western equipment; this technology would give them an independent capability to improve oil and gas output and infrastructure. The US will approve exports of end-use equipment.

Pro:

(a) Hinders Soviet energy independence by impeding their efforts to develop technological capabilities. Denying certain critical equipment and expertise in conjunction with our Allies could also retard Soviet oil/gas production, distribution, and exports.

(b) Reduces possibility of confrontation with Allies. Would permit continued European purchases of Soviet energy which acts as a hedge against dependence on Middle Eastern oil and gas from less reliable suppliers.

(c) Encourages some Soviet dependence on imports of US equipment and contributes positively to the US balance of payments.

Con:

(a) Increases European reliance on Soviet energy, which, regardless of any safety net, could to some extent make our Allies more vulnerable to Soviet pressure.

(b) To some extent, supports inefficient Soviet civilian sector by giving USSR access to equipment it chooses not to develop, thereby perhaps facilitating resource allocation to the military.

(c) Prevents US companies from competing for some Soviet oil and gas related trade opportunities, and creates disincentives for the Soviets to seek US imports.

Option V:

The US will lift special foreign policy controls on the export of oil and gas technology and equipment. (Existing strategic controls under COCOM will remain in place, some of which may incidentally cover equipment and technology for oil and gas production and exploration).

Pro:

(a) Promotes the expansion of world energy supplies and helps reduce pressures on Free World oil prices, thereby aiding Western economic growth.

(b) Provides fewer incentives for the USSR to adopt an adventuristic policy towards the Persian Gulf and other oil producing regions.

(c) Promotes Soviet dependence on US imports and contributes positively to the US balance of payments.

Con:

(a) Signals our Allies and the Soviets that we are less concerned than before about Soviet policies.

(b) Supports inefficient Soviet civilian sector by giving USSR access to equipment and technology it chooses not to develop, thereby facilitating resource allocation to the military.

(c) Contributes to continued Soviet energy supplies to Eastern Europe.

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POLICY OPTIONS PAPER
US Position on the Siberian Pipeline

ISSUE: What position should the U.S. adopt towards the proposed pipeline designed to supply Siberian natural gas to Western Europe?

OPTION I

The U.S. will signal its disapproval of the project by denying all exports to the USSR for the pipeline, and press our allies to cancel further project negotiations.

PRO

- (a) Heads off potential Western European dependence on Soviet energy supplies, reducing the likelihood for Soviet leverage and European vulnerability.
- (b) Indicates unambiguously that the U.S. is determined to hamper development of a strategically significant Soviet industry by denying the equipment and expertise to accelerate development of Soviet gas reserves, the most readily available means to replace hard currency earnings from declining oil exports.
- (c) Contributes to Soviet economic difficulties by promoting resource allocation debate between Soviet military and civilian sectors.

CON

- (a) Creates tension between the U.S. and its Allies and could contribute to the long-term Soviet objective of separating the U.S. from Western Europe. Severely limits U.S. ability to influence the details of the project and the safety net should the Europeans proceed despite our objections.
- (b) The Western Europeans are committed to the project and would likely proceed despite U.S. opposition, unless the U.S. were prepared to apply leverage at the highest levels and to offer an "incentive package" to offset the Western European loss of potential energy supplies and related export contracts from the USSR.
- (c) Experts disagree on whether, without Allied cooperation, an embargo would have a significant effect on Soviet energy production, and on Soviet ability to pursue major export projects including the Siberian pipeline.

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DATE 10/31/05

OPTION II

The U.S. will communicate to our Allies and friends that we oppose the project, will withhold relevant export licensing, and encourage them to do the same, until our Allies have committed to constructing an adequate safety net of emergency supply.

PRO

- (a) Indicates U.S. concern about major Soviet projects which contribute to Soviet energy production capabilities and our Allies' vulnerability to Soviet energy leverage.
- (b) Offers U.S. more time to encourage Europeans to derail, delay or scale-down the project, and to work with them to explore alternate energy sources and an emergency safety net.
- (c) Heads off increased Western European dependence on Soviet energy supplies and reduces the likelihood of Soviet leverage.

CON

- (a) U.S. might appear to be waffling. Does not clearly indicate to our Allies the degree of U.S. concerns regarding the strategic implications of expanded European dependence on Soviet energy.
- (b) Contributes to the development of a vital sector of the Soviet economy, thereby enhancing Soviet economic strength, political influences, and military potential.
- (c) Even with a safety net, the pipeline would expand East-West trade links and could reduce Western European willingness to actively oppose the Soviets.

OPTION III

The U.S. recognizes its inability to cancel or significantly delay the pipeline project. The U.S. will, however, work with its allies and friends to minimize the strategic implications of the project.

PRO

- (a) U.S. would appear sensitive to Western European economic and energy needs and their desire to diversify energy supplies. Avoids possibility
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of straining relations with these Allies, who are committed to the project but are cognizant of the need to develop a safety net. U.S. leverage could be used to influence further the details of the project and safety net.

- (b) If Europeans scale back the pipeline sufficiently and develop adequate safety provisions, the West's leverage as a unified buyer could exceed that of the USSR as a seller.
- (c) Promotes expansion of world energy supplies and alleviates European dependence on OPEC resources. Also reduces possibility of economically-motivated Soviet adventurism in the Middle East.

CON

- (a) Sends an improper signal to our Allies and to the Soviet Union regarding U.S. views toward the USSR, and implicit U.S. acceptance of Western exports for the development of Soviet energy resources
- (b) If an adequate safety net is not developed, allows possibility of Soviet political leverage over six Western European countries, and reduces likelihood of European opposition to the USSR on key international issues.
- (c) Provides for continued high level of Soviet hard currency earnings which could range from \$5-15 billion annually, thereby making it easier for Soviet leaders to allocate resources to the military sector.

OPTION IV

Adopt a laissez faire approach on the pipeline, allowing market considerations to determine European energy import and energy security policies.

PRO

- (a) Avoids friction with key Allies on East-West energy relations.
 - (b) Reduces Soviet energy incentives for adopting an adventuristic policy towards the Persian Gulf and other producing areas.
 - (c) Enables U.S. firms to compete for commercial opportunities generated by the project.
-

Con

- (a) Signals to our Allies and the Soviets that we are less concerned than before about Soviet policies and enhances Soviet ability to manipulate commercial relations to their political advantage over the longer term.
- (b) Increases European dependence on Soviet energy and weakens Allies' ability to resist Soviet pressure.
- (c) Supports inefficient Soviet energy sector by giving USSR access to equipment and technology it chooses not to develop, thereby easing resource allocation to the civilian sector.

POLICY OPTIONS PAPER

License for Caterpillar Company

To Export 100 Pipelayers to the Soviet Union

ISSUE: Should the United States Government grant a license to the Caterpillar Tractor Company for the export of 100 pipelayers to the Soviet Union?

BACKGROUND: The Carter Administration in 1978 imposed license requirements on the export of oil and gas technology and equipment to the USSR, and tightened controls following the Soviet invasion of Afghanistan. These controls are based on foreign policy considerations, and have not been adopted by our Allies and other equipment and technology exporters. Prior to the imposition of controls Caterpillar sold over 900 pipelayers to the USSR.

On November 15, 1980, the President directed that a license be approved for Caterpillar to export 200 large-diameter pipelayers, valued at \$79 million, to the Soviet Union for use on the construction of a gas pipeline linking West Siberia and six Western European countries. On January 26, 1981, Caterpillar requested an amendment to that license. The amended application seeks approval of a license to export 100 pipelayers, valued at \$40 million, for use on Soviet petroleum projects other than the Siberian pipeline. The amended application states that the 100 pipelayers would be used as replacement units on the following projects:

-- 30 units for use in West Siberia on construction of main and feeder lines of the Urenjorj project to carry gas from West Siberia to Moscow;

-- 25 units for use in Central Asia on construction of a local oil pipeline;

-- 45 units for use in European USSR on the western end of the Urenjorj project from Yaroslavl to Polotsk.

The amendment request was circulated for interagency review on March 4, 1981. Commerce, in circulating the case for review, recommended that the license, if approved, contain the condition that no military or military-support use of the pipelayers be permitted, and that an end-use statement to that effect be required. The case was subsequently discussed without agreement at the Assistant Secretary level in the Commerce-chaired Advisory Committee on Export Policy.

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BY WJS , TE 10/31/05

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Under the time limits for licensing decision set forth in the Export Administration Act of 1979, the Government has until early August to decide this case. However, Caterpillar has already missed contract delivery deadlines and feels that it must have an early decision in order to prevent Soviet cancellation of the contract, and consequent Japanese replacement sales to the USSR. Komatsu, a Japanese firm, is currently the only non-U.S. producer of pipelaying equipment and has sold over 500 pipelayers to the USSR in the past ten years.

OPTION I

Deny the Caterpillar export license application.

PRO

(A) Reduces Soviet capability to carry out oil and gas projects with long range strategic implications. Impedes Soviet economic strength, political influence, and military potential.

(B) Despite end-use assurances, inherent fungibility of pipelayers means that they could be used in developing Soviet military infrastructure.

(C) Signals that US desires to inhibit Soviet energy production.

(D) Denies USSR access to equipment it chooses not to develop, facilitating resource allocation to military sector.

CON

(A) Without cooperation from Japan, US license refusal would have no appreciable effect because Japanese could supply pipelayers.

(B) Pipelayers have no clear cut military application and their relation to enhancing Soviet military capability is tenuous.

(C) Possibility that Caterpillar and other US firms will be denied opportunity for future sales to the USSR. Key Congressional leaders Percy and Michel support sales.

(D) Given US lifting of grain embargo, US refusal of export license could appear inconsistent.

OPTION II

Deny export license application if Japanese agree to stop similar sales by Komatsu.

PRO

Retains basic benefits of Option I plus indicates that US can work with Allies to hinder Soviet economic and energy growth.

CON

Contains same drawbacks as Option I plus Japanese cooperation could entail major political effort by US. Japanese are currently angry at US lifting of grain embargo without prior consultation.

OPTION III

Approve the Caterpillar Export license application.

PRO

(A) Assures a substantial commercial contract for a major US manufacturer for equipment which is readily available from Japan.

(B) Fosters Soviet dependence on US imports and contributes positively to US balance of payments. Only marginally contributes to Soviet energy production capability.

(C) By aiding in Soviet development of domestic energy resources, provides fewer incentives for adventurous policy in Persian Gulf and other energy-producing areas.

CON

(A) Supports inefficient Soviet energy sector and gives USSR access to equipment it chooses not to develop, facilitating resource allocation to military sector and development of military infrastructure.

(B) Implies US acceptance of Western exports for development of Soviet energy resources.

(C) Grave risks of misinterpretation by Soviets and Allies at time when US is adopting a tougher line towards the USSR.

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FROM LENZ

DOCDATE 29 JUL 81

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KEYWORDS: EAST WEST TRADE EXPORT CONTROLS
USSR MEDIA
EAST WEST ECONOMICS NSC

SUBJECT: DRAFT PRESS RELEASES ON SALE OF US PIPELAYERS & EAST WEST ECONOMICRE
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MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~ Attachment

INFORMATION

July 29, 1981

MEMORANDUM FOR RICHARD V. ALLEN

FROM: ALLEN J. LENZ *AL*

SUBJECT: Press Releases

Attached are the two press releases we worked on at lunch today. You are anticipating tabling these at the Friday NSPG meeting. However, to cover the possibility that we may not be able to wait that long on a press release, I have provided copies to State and Defense for their review and comment.

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W.P. 4/2/88

DRAFT COMMERCE DEPARTMENT PRESS RELEASE

Sale of US Pipelayers to USSR ApprovedWashington

The Administration has approved the license for the proposed sale of 100 pipelayers to the Soviet Union, the Commerce Department announced today.

FOIA(b)(3) The Model 594 pipelayers supplied by the [REDACTED] [REDACTED] are replacements for units exported to the USSR in previous years. The Soviet Union has imported more than 1500 pipelayers, principally from Japan and the US, for various oil and gas pipeline projects over the past decade.

The pipelayers represent low technology equipment, the export of which is controlled by the US for foreign policy reasons. The units are not designated as strategic and are not multilaterally controlled by our allies in the Coordinating Committee on Export Controls (COCOM) to which the US and 15 other nations adhere.

Under the terms of the agreement, the pipelayers involved in the transaction are not to be used in the construction of the proposed 3,000 mile Siberian-West European gas pipeline project. Commerce officials said denial of the US equipment sale would be an ineffective control since this equipment is readily available from other foreign suppliers.

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DRAFT WHITE HOUSE PRESS RELEASE

East-West Economic Relations

The Administration has established a senior interagency group, consisting of undersecretaries of cabinet departments concerned and the National Security Council Staff, to develop specific proposals for early discussion with the industrial allies on the regulation of strategic trade with the Soviet Union and means of avoiding excessive dependency by Western European countries on Soviet energy sources.

This process of consultation will carry out general policy lines adopted at the Ottawa Summit Conference last week.

It is the Administration's intention to assure that all avenues for minimizing strategic vulnerability to economic pressures are taken into account by the industrial democracies in the pursuit of our common national economic interests. The United States will discuss with the allied countries concerned Europe's projected needs for additional gas imports and alternative sources of gas and other energy supplies, as well as means of mitigating the political risks of proceeding with plans to import additional natural gas from the Soviet Union.

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Declassify upon Release

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NLS M03-1281 #9

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BY LOI, NARA, DATE 10/31/05

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FROM LENZ

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KEYWORDS: USSR

EXPORT CONTROLS

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SUBJECT: EXPORT CONTROL POLICY TWDS USSR

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THE WHITE HOUSE
WASHINGTON

July 9, 1981

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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD V. ALLEN *RA*

SUBJECT: Secretary Haig's Memorandum on Controls on Exports to the Soviet Union

Secretary Haig has written you (Tab A) indicating his deep concerns about the soon to be made decisions on controls on exports to the Soviet Union.

His memo reiterates the positions and arguments he stated at the July 6 NSC meeting and again emphasizes the need for and difficulties of obtaining Allied cooperation in the implementation of export controls.

Attachment

Tab A Memo from Secretary Haig

cc: Ed Meese
Jim Baker
Mike Deaver

DECLASSIFIED
White House Guidelines, August 28, 1997
By 40/ NARA, Date 4/16/03


~~SECRET~~
Review July 8, 1981

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THE SECRETARY OF STATE
WASHINGTON

~~SECRET~~

July 8, 1981

MEMORANDUM FOR: THE PRESIDENT
From: Alexander M. Haig, Jr. 
Subject: Controls on Exports to the Soviet Union

As you consider the issues discussed at Monday's NSC meeting on East/West trade, I wanted you to be aware of my deep concerns on the subject. Your decisions will have a profound effect on our Alliances and our relations with the Soviets for years to come. For that reason I want to convey an approach which in my judgment meets your desire for a consistent policy which weakens the Soviets' military capability without weakening our Alliance.

Like you I believe Western assistance to the Soviet energy sector in many respects runs contrary to our security interests. It relieves the Soviets of an important resource burden; it can provide them with equipment and technology with potential military applications; it may increase their leverage over our Allies; and the pipeline particularly would provide them with large sums of hard currency. If I had my preference, I would take an extremely restrictive approach to trade with the Soviets.

However, for any controls to work we need the cooperation of our Allies. For us to attempt to get straight across-the-board restrictions, which some of the more restrictive alternatives before you imply, or to press the Europeans with an approach which they will find completely unacceptable, and threaten to withhold licenses unless they comply, would make it virtually impossible to get their support for a reasonable set of controls. By pursuing our maximum objectives, we run the risk of coming away with very little, severely weakening the Alliance and isolating us from our Allies.

Our European Allies have legitimate and urgent interests in seeking additional and diversified sources of energy, and the decision, in the end, is theirs. Therefore, we must consider what we can realistically expect to achieve in limiting their involvement with the Soviet energy sector and at what cost. The cost that concerns me most is not lost business opportunities but rather the prospects of divisions within the Alliance. An overly rigid position could produce a confrontation with our Allies that would not only fail to produce any restraint on Soviet energy sales but would itself be an enormous positive gain for the Russians. We do not want to repeat, on a larger scale, the Carter Administration's disastrous confrontation with the Germans over the sale of German nuclear technology to Brazil.

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- 2 -

Therefore, my own position is shaped by weighing what I would like to achieve against what I believe we can actually accomplish. I think that one of our most important objectives is tightening up on technology transfers, including COCOM controls. The past record suggests that this task alone will be very difficult to accomplish. I therefore do not believe that we should be taking categorical negative positions on the sale of end-use equipment or striking a categorical opposition to the pipeline.

Whatever position you ultimately decide on, Mr. President, it is equally important to stipulate appropriate tactics and style with which to approach our Allies. We must, above all, not adopt a confrontational posture or an inflexible position. We must recognize that they have much more serious energy problems than we do, and that the sacrifices we are proposing would be borne much more heavily by them than by us.

If we are to have any chance of persuading them to modify their current positions (or at the very least to scale down the size of their proposed dependence on Soviet energy) we must take a stronger lead in evolving a better Energy Cooperation Package. This will require that the United States play a much more practical role than we have in the past in boosting Alaskan oil exports, increasing the pace of U.S. natural gas deregulation, increasing U.S. coal exports, providing a coal gasification program, addressing the major problem of nuclear wastes, pressing Holland and Norway to develop natural gas surge capacity and developing new initiatives. This may even involve increased resource commitments on our part. But if we expect our Allies to bear a burden we must be prepared to do so ourselves in the general interest of Western security. There is no free lunch.

The development of alternative energy sources is something which we should pursue urgently, whatever we do on the subject of Soviet energy development.

Attachment:

Tab A - The Issues

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MEMORANDUM

NATIONAL SECURITY COUNCIL

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July 8, 1981

MEMORANDUM FOR RICHARD V. ALLEN

FROM: ALLEN J. LENZ *agf*

SUBJECT: Secretary Haig's Memo on Controls on Exports to the Soviet Union

The attached memo (Tab A) contains little that is new concerning our export control policy toward the USSR, except that one might detect some movement to develop a positive program that would scale down the pipeline and push more actively for safety net procedures. The response to your tasking memo providing the scenario for implementing his options choices, due this evening, should, however, be more revealing.

I recommend that you forward the memo to the President at Tab I immediately (Haig might ask the President at the Thursday NSC meeting if he has received it).

RECOMMENDATION

That you sign the forwarding memo at Tab I.

Approve

Disapprove

Attachments

- Tab I Memo to the President
- A Secretary Haig's Memo to the President

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Review July 8, 1981

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BY LOJ, NARA, DATE 10/31/05

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FROM POATS

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KEYWORDS: INTL TRADE

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SUBJECT: CARIBBEAN BASIN PLAN SUMMARY

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MEMORANDUM

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NATIONAL SECURITY COUNCIL

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INFORMATION

July 14, 1981

MEMORANDUM FOR RICHARD V. ALLEN

FROM: RUTHERFORD POATS *RP*

SUBJECT: Caribbean Basin Development Plan

Last weekend's Nassau consultations on Caribbean Basin development among the four sponsoring governments submerged the grand conference idea and agreed on a process of further multilateral elaboration of new development measures (trade, investment, aid) but did not deal with the particular measures. The four foreign ministers agreed that their subcabinet representatives would hold three exploratory meetings -- one with interested Central American governments, one with Caribbean governments, and one with other OECD governments -- over the next two to three months.

In preparation for further international consultation and for more systematic discussions with US business and Congressional committees, the STR-chaired interagency task force will examine more closely the attached list of program options during the next month. In support of the Washington cogitations, State will canvass US embassies in the Basin countries on specific trade and investment needs and problems that the program might usefully address. I resisted inviting the embassies to propose economic aid measures at this stage because these requests might leak locally and arouse false expectations.

*the -
Lague
Thanks, kid!
7/16
RVA*

Attachment

Tab I Options Paper

cc: Norman Bailey
Henry Nau
Roger Fontaine

CONFIDENTIAL ATTACHMENT

~~CONFIDENTIAL~~

Trade Options

- Expand market access for Caribbean products through GSP.
- Grant GSP guarantee up to predetermined ceiling which would not be affected by normal GSP qualifying criteria.
- Reduce tariffs on an MFN basis using Section 124 Authority of 1974 Trade Act.
- Request new tariff cutting authority to be used to liberalize tariffs for the Caribbean.
- Grant Caribbean countries increased access for apparel in context of overall textile policy to be more forthcoming to smaller suppliers.
- Review access for Caribbean under meat import program.
- If sugar protectionist legislation is to be passed, consider special provisions for Caribbean.
- Encourage Far East to take advantage of Caribbean proximity to U.S. by doing final processing there as opposed to Far East.
- Establish a pilot program of USDA Inspection and Fumigation stations.
- *Assume trade obligations consistent with level of development which can include:
 - a) joining GATT
 - b) joining MTN codes particularly government procurement code
 - c) negotiating select tariff bindings.
- Encourage increased regional trade.
- Negotiate treatment providing for Caribbean foreign convention tax exemption.
- Increase the tourist allowance.
- Establish customs preclearance stations in one or more Caribbean airports.
- Promote tourism by encouraging the Sister City Program and providing funds to develop tourism promotion capability.

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NLS M03-1281 #12

BY LSJ, NAW, DAE 10/31/05

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Investment Options

- *Negotiate Bilateral Investment Treaties.
- *Negotiate a model contract either government to government or private sector to private sector.
- *Developing a joint or bilateral Charter of Investment Principles.
- Establish a Caribbean Basin Insurance Consortium through a World Bank affiliate.
- Provide OPIC and TDP feasibility studies.
- Consider tax treaties covering treatment of remitted earnings in light of tax holidays, depreciation, etc.

Financial Assistance Options

- Increase economic support funds.
- Increase development assistance.
- Increase F.L. 480 (food) funds.
- Increase flow of housing investment guarantee resources.
- Assess Inter-American Development Bank Sixth Replenishment.
- Encourage Caribbean countries to request structural adjustment loans from World Bank.
- Augment IMF assistance.
- Create a Central America Group for Cooperation and Economic Development to parallel Caribbean group.

Other

- Support expansion of West-Indian University
- Support training-technical, agriculture, management.
- * These measures develop atmosphere conducive to economic growth and investment while benefitting U.S. business.

~~CONFIDENTIAL~~

MEMORANDUM

4069 (add-on)

NATIONAL SECURITY COUNCIL

CONFIDENTIAL ATTACHMENT

INFORMATION

July 9, 1981

MEMORANDUM FOR RICHARD V. ALLEN

THROUGH: NORMAN BAILEY *NB*
FROM: RUTHERFORD POATS *RP*
SUBJECT: Caribbean Basin Plan

I suggest the attached plan of organizing the discussion on the Caribbean Basin matter at today's NSC meeting (Tab I).

RF
Rogers Fontaine concurs.

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MAR 24 1988

CONFIDENTIAL ATTACHMENT

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NLS MO3-1281 #13

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BY WRT, DATE 10/31/05

NSC AGENDA PAPER
July 9, 1981

Caribbean Basin Plan

Purpose of Discussion: To get the President's guidance on the substance and process of launching Caribbean Basin economic cooperation, prior to this weekend's Nassau planning meeting of the four prospective sponsoring governments.

I. Substance.

(Introduction) Bill Brock is here to report on his assignment by the President to develop and assess the feasibility of trade, investment and aid measures that might constitute the substance of the proposed program. He will join Al Haig at the Nassau planning meeting this weekend with the foreign ministers of Canada, Mexico and Venezuela.

(Call on Brock)

(Close discussion with recapitulation of the conceptual framework): Our idea is integrated, long-term, cooperative effort consisting of three inter-dependent elements:

First, greatly increased trade within the Basin and between Basin countries and other markets, stimulated by both reduction of trade barriers and positive policies of participating governments;

Second, greatly increased private investment -- mainly indigenous but also intraregional and foreign -- so as to reduce the flight of capital and talent from the Basin and increase employment and earnings, this burgeoning investment responding to improved trade opportunities, more favorable tax and other incentives, greater assurances against confiscation or abrogation of contracts, and greater availability of long-term loan capital;

Third, increased official aid from the US and other external governments, primarily focused on supporting trade and investment activities rather than a general augmentation of existing aid programs.

Our formulation should disabuse all parties of expectations of a Marshall Plan or Reagan Plan providing large amounts of governmental grants and loans. Our central idea is development through private enterprise exploiting

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expanding trade opportunities, supported where necessary by official aid in training, technical services and capital for productive trade and investment programs.

II. Process.

(Introduction) Secretary Haig should speak to the plan of organizing the effort on a multilateral basis and how to deal with the Cuban issue.

Points for discussion: Is a formal launching conference in early 1982 the best way to launch the scheme? Can the Cuban attendance issue be finessed by convening a series of technical conferences on private investment and trade, which Cuba might boycott? Is it crucial that we keep Cuba out of a general discussion of Caribbean Basin development, as well as out of the programs that we financially support?

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NATIONAL SECURITY COUNCIL

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INFORMATION

July 8, 1981

MEMORANDUM FOR RICHARD W. ALLEN

FROM: RUTHERFORD POATS *RP*SUBJECT: Caribbean Basin Discussion in Trade Policy
Committee, July 7, 1981 (U)

After your departure Brock reiterated the necessity of making politically costly decisions if we are to offer anything new to the Caribbean countries, and he indicated that specific options would be put to the Trade Policy Committee members for recommendation to the President after this weekend's meeting in Nassau of potential sponsors. He also said a larger sponsoring group, including several developing countries of the Caribbean Basin, would be formed to flesh out the concept. (U)

There was no discussion of the problem with Mexico created by Enders' proposal of a formal launching conference from which Cuba would be barred. I spoke to Tom after the meeting and suggested that if this remains a serious obstacle to Mexican participation we should scrap the conference idea and propose, instead, a meeting on Caribbean Basin trade and private investment. This would reduce the aid element to its proper, supporting role, rather than invite LDC expectations of aid pledges as the central -- and disappointing -- feature of a general Caribbean Basin Development Conference. I predicted that Cuba would not seek to attend a conference on private investment and trade. Tom is wedded to the grand conference idea and is skeptical that my limited meeting would either appeal to the Mexicans or avoid the Cuban attendance issue. (U)

He agreed, as did Brock's assistant, Steve Lande, that the US concept presented to the President on Thursday and to the other prospective sponsors on Saturday should be:

(1) joint action, including preferential measures, to increase trade within the Caribbean Basin and between the Basin and other markets;

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(2) greatly increased private investment -- mainly domestic but also intraregional and foreign -- induced by expanding trade opportunities, more favorable tax and other conditions, greater assurances of protection against confiscation, and the availability of long-term loan funds; and

yes

(3) increased official aid, primarily focused on facilitating private investment and trade. (Q)

This puts the emphasis on private enterprise and keeps our limited aid possibilities in the right proportion, minimizing the expectation of or demand for a huge "Reagan Plan" aid program. I suggest you refocus the NSC discussion around this conceptual framework. (Q)

✓ ok -
+ will

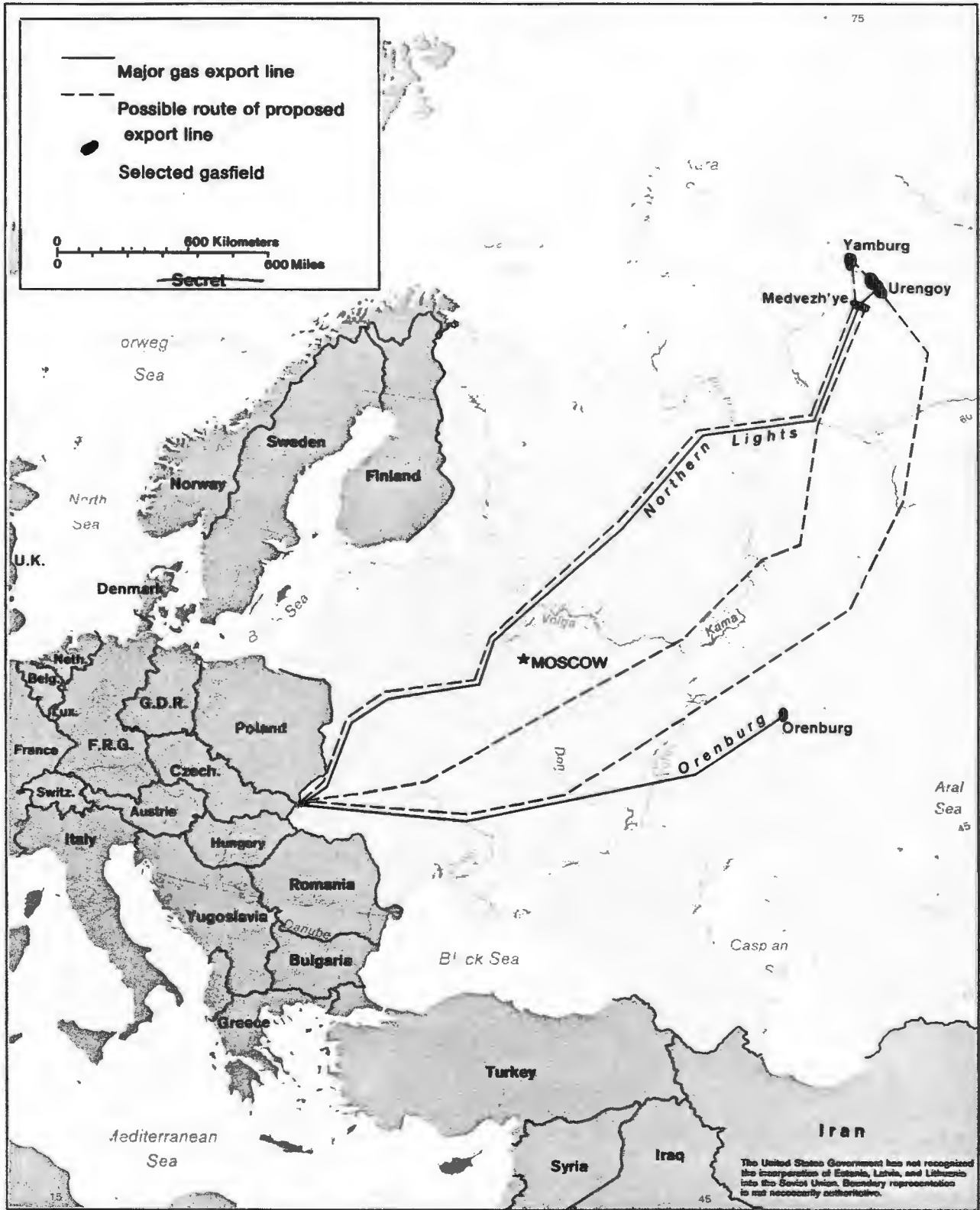
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cc: Norman Bailey
Roger Fontaine

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Soviet Union: Major Gas Export Pipelines



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