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SYSTEM II

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

90080



INTERNATIONAL
SECURITY POLICY

2 December 1981

In reply refer to:
I-24873/81

MEMORANDUM FOR ASSISTANT TO THE PRESIDENT FOR NATIONAL
SECURITY AFFAIRS

SUBJECT: Controls on Exports to the USSR of Oil and Gas
Equipment and Technology (U)

(S) I have reviewed the Department of State's paper on oil and gas equipment and technology export controls and have a number of serious reservations about its recommendations. The revised Option IV does little to achieve the objectives of this Administration to impede Soviet energy development and limit the vulnerability of our Allies to Soviet energy diplomacy.

(S) Perhaps the most troubling aspects of the State Department option is that it will assure American support through exports of equipment for the construction of both the first and second strand of the West Siberian pipeline. While we have felt it would be difficult to stop the first strand of the pipeline, there has always been a consensus that the second strand should be stopped. A second strand would significantly increase the vulnerability and dependency of our key Western European allies and send absolutely the wrong signal to the Soviets. It seems prudent that we should shape our policy to preclude the construction of the second pipeline strand by applying national security controls on exports of essential equipment and technology.

(S) The various elements of the revised Option IV fail to affect Soviet oil and gas production in a meaningful way. They would have little, if any, impact on the West Siberian to Western European natural gas pipeline project. Adoption of this option would be tantamount to dropping our opposition to that project and would signal a lack of seriousness of intent regarding our objection to increasing Allied dependence on Soviet energy sources. Specific comments follow:

State Revised Option IV

1) embargo all technology - - All technical data requires a validated license for export to the USSR, according to Commerce Department regulations. Current practice is to deny these...

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licences for national security reasons. This element does not materially alter existing regulations inherited from the previous Administration. The definition of technology is inherently vague. Much end-use equipment has technology indistinguishably embedded in it.

2) embargo equipment exports when this would hurt the Soviets more than the U.S., i.e. when it would be effective - - This element is terribly ambiguous. A simple economic analysis is insufficient to reveal the long-term, strategic damage done to U.S. interests by Soviet energy development, increased reliance of our Allies on Soviet energy sources and the Western involvement in developing the Soviet Union's energy infrastructure. There are many cases when we must be inclined to suffer some economic penalty to achieve national security objectives.

3) senior level review of equipment exports, with an immediate effort to identify equipment areas where the West has leverage - - While higher level attention to the dangers of exporting of oil and gas equipment and technology to the USSR is desirable, without greater clarification of the relation of export controls to national objectives, this sounds like a formula for increasing interagency disagreement and hence policy uncertainty.

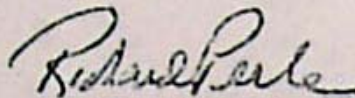
4) seek European and Japanese support - - Without a demonstration of our seriousness of purpose, there seems little point in doing so and even less chance of success.

5) withhold approval of licenses for submersible pumps and other equipment that the Soviets can acquire only from the U.S. - - This element falls short of capturing that equipment made abroad under license from U.S. companies. In order to have a serious impact on Soviet production capabilities and to reduce the Western stake in Soviet energy production we should aim for the broadest possible denial of equipment and technology derived from U.S. sources, including U.S. subsidiaries, licensees and manufacturing associates.

(8) I believe that the State Department overstates the difficulties involved in dampening down the trade in energy technology and equipment with the Soviet Union. While there surely would be short term problems with some of our European Allies if we effectively opposed projects such as the West Siberian pipeline, we feel that these would be balanced out by the avoidance

of longer term difficulties brought on by closer Soviet-West European energy ties. Many segments in the participating governments already recognize this. It is well to remember that we will have to live with the consequences of these ties for decades to come. Arguments against asserting U.S. leadership on an issue so close to the core of Alliance - - the political, military, economic and energy security base of Western co-operation - - should be treated with great caution. U.S. leadership is critical to virtually every aspect of Alliance cohesion. We doubt that the Atlantic Alliance could survive without continual U.S. initiative, not only on this energy security issue, but every issue noted in the State discussion.

(8) In a follow-up memo I will be proposing specific actions that we might take now that will be more effective in implementing the basic objectives of this Administration in the area of Soviet energy development than those proposed in the State paper.


Richard Perle