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DDI# 6302-82
30 July 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM : Henry S. Rowen
Chairman, NIC

SUBJECT : Report on SIG-IEP Meeting Friday, 30 July

1. Present were Regan, Baldridge, Weinberger, Stockman, Buckley, Adm. Murphy, MacDonald, Leland, Niskanen, Bailey, Nau, Schneider, Porter, Rowen.

2. After a brief discussion on grain sales, Regan raised some points on pipeline sanctions: Shouldn't we have an alternative or fallback position; We need a legal opinion in view of the European's response; our "net" seems to be catching firms we didn't intend to catch. Weinberger agreed that we need to review our definition of high technology, need to find another argument than Poland (because the Polish government may ease up further), and do more to develop energy alternatives. Buckley said there weren't any applicable to the 1980s (except perhaps more gas from the Dutch and a small Norwegian field). Baldridge then reported on a conversation [redacted] STAT had with the Soviet Deputy Trade Minister (attached) to the effect that the Soviets would deliver the contracted gas. I commented that while the details sounded exaggerated the basic claim was probably right.

3. On credits to the USSR. There was agreement that although the French protocol with the Soviets (which we haven't seen in full) seems to constrain the terms on which the French sell, they can limit the number of transactions or the value of sales. Weinberger said that we should shift our arguments to the strengthening of Soviet military power; Baldridge replied that that would be economic warfare; a charge leveled against us by the Europeans anyway.

4. On "extraterritorialty," Weinberger said that this is a bad term, we simply want to see contracts honored. This produced a general discussion on the legal status of foreign subsidiaries, sub-contractors, etc.

5. On steel, Baldridge said that he was trying to get the EC to agree to a Community-wide quota as an alternative to countervailing duties in order to avoid redirection of steel from the UK, France, Italy and Belgium to other European markets (which would be divisive and damaging in Europe and also to avoid diversion to uncovered items which would hurt us. This policy was

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challenged on the ground that the use of duties would do less damage to the US economy than would strengthening the European cartel. Stockman asked if we wanted to keep out European subsidies or European steel.

6. Regan said that State's judgment on European political aspects of our handling of steel were needed.

7. The SIG will return to this subject next week.

HSR

Henry S. Rowen

Attachment: a/s

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DDI# 6301-82
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MEMORANDUM OF CONVERSATION

1. Secretary of Interior Baldridge tells me that [redacted] STAT
[redacted] has told him of a conversation he had with Vladimir Sushkov, the Soviet STAT
Deputy Minister of Trade, about the Yamal pipeline. [redacted] had asked whether STAT
it would be completed in 1984? Sushkov said yes and the United States had spurred on Europeans with its actions; the French and the Germans have told them they would not abide by our sanctions. He was also told that well pressure is so high in the gas field that they don't need many compressors in order to move the contracted for gas to Western Europe anyway. Also, the Soviet internal gas grid at its nearest point is within 60 miles of a possible connection to Western Europe and that if the Yamal line is delayed they could tap into this domestic grid.

2. In short they will deliver on time.

HSR
Henry S. Rowen

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