

Commerce Memo

**SECRET**

Approved For Release 2008/06/04 : CIA-RDP85M00364R000400500007-9

## **U.S. Oil and Gas Export Controls**

**USSR**

### **Issue**

Should the United States now impose national security controls, unilaterally, on oil and gas equipment exports to the Soviet Union; or should we continue existing foreign policy controls pending the outcome of U.S. efforts with the allies for multilateral controls. (C)

A number of licenses are pending for oil and gas equipment exports to the USSR (roughly \$125 million), most for oil exploration and production equipment, such as deep submersible pumps, offshore oil drilling rigs, etc. (C)

### **Background**

The Assistant Secretary-level Advisory Committee on Export Policy (ACEP) recommended the application of national security controls for oil and gas equipment exports to the USSR, at a meeting on September 13. (S)

The historical evolution of oil and gas export controls toward the Soviet Union began in 1978 under the Carter Administration when validated licenses were first imposed for foreign policy reasons on oil and gas production and exploration equipment. Human rights violations, stemming from the Scharansky trial were the basis for this regulatory change. The Administration response to the invasion of Afghanistan in December 1979 was a change in licensing policy from a presumption of approval to a revocation of outstanding licenses and a suspension of licensing oil and gas equipment. This policy was later revised and oil and gas items were reviewed with a presumption of approval. (U)

President Reagan in late December 1981, in response to the declaration of martial law in Poland expanded foreign policy controls against the oil and gas sector in the USSR, e.g. Siberia-West European gas pipeline. Licensing controls were expanded to cover oil and gas refining and transmission equipment in addition to production and exploration equipment. Licensing of all products was suspended. Our allies opposed this action. (C)

In November 1982, the President removed controls against the USSR for oil and gas transmission and refining equipment so that controls reverted to the status of those in existence prior to December 1981. In return for this action, our European allies and friends agreed to undertake a number of multilateral cooperative studies designed to explore opportunities for increased Western economic and energy security. We also obtained agreement to consider new controls on oil and gas equipment and technology within COCOM. (U)

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Classified by: W. T. Archey  
Declassify on: OADR

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Not referred to DOC. Waiver applies.

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In early 1983, the allies agreed with us that COCOM would establish an Ad Hoc Group to identify and consider (emphasis added) the case for controlling other high technology items (equipment, materials, and technical data), including those with oil and gas applications, not now controlled. (C)

This COCOM group became known as the Ad Hoc Group on Other High Technologies, including Oil and Gas. The United States originally proposed a list of seventeen oil and gas items for control in April 1983. A High Level Meeting (Under Secretary level) of COCOM representatives in late April reaffirmed their government's commitment to the work of the Ad Hoc Group and agreed regarding oil and gas items that, "the primary objective is to identify in order to correct deficiencies and loopholes in the international lists." (C)

The U.S. proposal was subsequently refined and now covers twenty-one items deemed to meet the COCOM strategic criteria. An index of the oil and gas items included in the U.S. COCOM proposal for control is attached. This list was tabled at a meeting in July but we agreed internationally not to discuss it until January 1984. (C)

Bilateral discussions on the U.S. proposal were held in late October with most of our COCOM partners. These bilaterals were preparatory to the fourth meeting (January 9-12) of the Ad Hoc Group. Most countries agreed with the U.S. view that the work of the Ad Hoc Group is nearly complete and that the Group should refer the U.S. proposal for multilateral oil and gas equipment and technology controls to the full Committee for review and consideration for inclusion on the embargo list. The European nations visited were unanimous that before they agreed to such controls the items must meet the COCOM strategic criteria. (C)

The Europeans do not yet seem completely persuaded by the United States proposals and are, therefore, unlikely to agree to control all the items. Although items such as oil and gas equipment were multilaterally controlled in the early years of COCOM, the organization's strategic criteria is now interpreted to apply to items with only significant and direct applications in military systems. (C)

#### Arguments For National Security Controls (S)

- o Demonstrates to allies in concrete way strong U.S. belief that such equipment is, in fact, strategic within COCOM meaning, reinforcing U.S. arguments against Soviet oil and gas development.
- o Insures consistency between U.S. COCOM proposal for national security control on oil and gas equipment and U.S. export control policy.
- o Anticipates future large-scale Soviet development efforts (e.g., Barents Sea, etc.) which will require massive amounts of Western equipment and technology.

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- o Sends a clear signal of United States' opposition to assisting the Soviet Union in developing its energy resources with Western equipment and technology.
- o Is a potential brake on long-term Soviet hard currency earnings.

Arguments for Foreign Policy Controls (S)

- o To shift basis of controls is a major policy change not technical adjustment in regulations. Individual licenses for exploration and production equipment can now be denied.
- o Adoption of national security controls would send the wrong signal to our allies. It would raise new fears among our allies over our Soviet policy and would also harm our COCOM negotiating position.
- o Administration retains maximum flexibility if COCOM nations do not agree to U.S. proposals or if foreign policy situation changes.
- o Unilateral restrictions, that take American suppliers out of the competition, would give others an incentive to avoid or delay agreement in order to retain the market for themselves.
- o Retention of foreign policy controls rather than national security controls skirts major Congressional debate at same time. Administration's Congressional efforts must focus on new export control authority, including President's foreign policy authority.
- o Widespread foreign availability in COCOM for the items proposed for control would yield little real results if our COCOM allies do not agree to national security controls.

DOC/ITA/TA  
November 30, 1983

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**CONFIDENTIAL****OIL AND GAS EQUIPMENT AND TECHNOLOGY****PROPOSED FOR COCOM CONTROL**

IL-1131  
 IL-1416  
 IL-1501  
 IL-1510  
 IL-1595  
 IL-1100  
 IL-1100  
 IL-1100  
 IL-1500  
 IL-1500  
 IL-1500  
 Watch List  
 Tech Data  
 Tech Data Integration  
 Tech Data Integration  
 Tech Data Integration  
 Tech Data Integration  
 Tech Data Design, Dev. Prod.  
 Tech Data Design, Dev. Prod.  
 Tech Data Design, Dev. Prod.  
 Tech Data Design, Dev. Prod.  
 Tech Data Design, Dev. Prod.

Pumps, deep submersible  
 Geophysical - seismic survey vessels  
 Navigation equipment  
 Acoustic/ultrasonic underwater equipment  
 Gravity meters  
 Corrosion resistant o/g equipment  
 High pressure/temperature o/g equipment  
 Deep well drilling rigs  
 Magneto-telluric systems  
 Well logging equipment  
 Mud logging equipment  
 Oil and gas equipment  
 Feasibility studies  
 Magneto telluric systems  
 Survey vessels  
 Submersible vehicles  
 Offshore posit & navigation systems  
 Deep well rigs  
 Hi-pressure temperature corrosive o/g systems  
 Deep submersible pumps  
 Hi-pressure temp. o/g systems  
 Corrosion resistant oil and gas systems

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