

The Director of Central Intelligence

Washington, D. C. 20505

1 September 1982

MEMORANDUM FOR:

25X1

FROM:

DCI

SUBJECT:

Yamal Pipeline

Weinberger made these points about future gas commitments and their possible impact on European competitors in a memorandum that he sent to me which I think you've seen.

Will you see that these points and The Wall Street Journal in which they are made are considered in the work currently being done on a broader look at the pipeline issue.



William J. Casey

Attachment:

Memo dated 3 August 1982

3 August 1982

NOTE FOR: DCI

FROM :

25X1

RE : Yamal Pipeline

1. The attached two articles, both from today's Wall Street Journal, make important points about the pipeline:

- that its construction will commit Western Europe to buying gas at \$10 per 1,000 cubic feet, which corresponds in heat value to \$60 per barrel for crude.
- that the Soviets are already shifting resources from arms production to pipeline-related projects.

2. If accurate, these points have some fairly significant implications:

- Western European enterprises that use Soviet gas--e.g. the chemical industry--will become uncompetitive with counterparts who will be free to shift to cheaper fuels such as oil and coal. Hence the economic outlook for Europe darkens further.
- African countries capable of delivering gas to Europe at less than \$10 per 1,000 cubic feet--Egypt, Cameroon, Gabon, Angola--will be blocked from doing so and thus will also suffer economically from Europe's use of Soviet gas.
- The Administration's policy has already borne fruit, in the form of forcing a re-allocation of Soviet resources away from arms production.

3. If our analysts are not already studying the economic impact on Europe and Africa of the Yamal pipeline, I recommend they be tasked to do so.

4. If our collectors are not now focusing on Soviet efforts to overcome U.S. sanctions by domestic production, with a view toward monitoring the cost to the Soviets of whatever re-allocation is ordered, I recommend that consideration be given to appropriate tasking.

5. This whole issue is too important to let slide merely because the key U.S. policy decisions have now been made.

Attachments: as stated

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