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THURSDAY, July 9, 1981

NLS M23-1278A#24

NSC MEETING

BY Amf, NARA, DATE 12/14/04

I. INTRODUCTORY REMARKS

We have two important topics to cover today:

- Continue the discussion of last Monday on East-West Trade Controls (__ minutes);
- Discussion of our Caribbean Basin Policy/Program (__ minutes). (Will you ask non-regular members to depart before beginning that discussion? If yes, should so indicate now.)

II. OBJECTIVE OF EAST-WEST TRADE PORTION OF MEETING

- o Decisions are required in the next few days on several complex East-West trade export control issues, so that the President can inform our Allies of our attitudes and intentions at the Ottawa Summit. We need, at that meeting, to seek their support in important initiatives that will have a profound effect on both near- and longer-term military, political and economic facets of East-West relations.
- o Our objective today is to complete the NSC discussion of the East-West trade topics, though the President may choose not to make his final decisions for a few more days.

Poss. Final
CONSIDERATION
NSC

III. PROPOSED STRUCTURE OF EAST-WEST TRADE PORTION OF MEETING

- o There is a great deal of complex material to be covered and we want each agency representative to have an opportunity to advance his key arguments. I therefore propose that we proceed as follows:
 - There appear to be substantial areas of agreement on the Allied Security Controls topic; while there is not unanimity on the precise course to be followed, I believe the positions of individual departments are quite well defined, that the key arguments have been advanced and that the benefits of returning to this topic for further agency statements would be small. On the other hand, there is a much wider disparity of opinions on the Oil/Gas Controls and Siberian

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Pipeline issues and we have new submissions from three of the agencies on these issues. Unless the President wishes to pose questions on this topic, I therefore propose to move promptly to a discussion of the Oil/Gas and Siberian Pipeline issues.

- o For the discussions on the Oil/Gas and Siberian Pipeline issues, I propose the following procedure:

- I have two stage-setting questions for Secretary Haig and two for Secretary Weinberger. These questions relate to the scenarios they submitted yesterday which were provided to all of you this morning and which I expect will be the focal point of discussions today. I will pose the two questions to Secretary Haig. He will then have an opportunity to respond. I will then pose two additional questions to Secretary Weinberger and he will then have an opportunity to respond. To stay within our time limits, the responses should not exceed four minutes.

Game Show

- Next we will go around the table and each of the remaining participants will have an opportunity to comment on, support, critique, or ask questions about either or both of the scenarios submitted by Secretaries Haig and Weinberger. To stay within our time schedule, each participant in this round should confine his remarks to two minutes.

- *Prefer* Secretaries Haig and Weinberger ~~will~~ not respond to any of the participants' questions and comments until we have gone around the table. Each will then have four minutes to provide their responses and rebuttals.

- o After completion of this cycle, the President will then pose his questions or comments.

IV. ALLIED SECURITY CONTROLS

- o Mr. President, do you have any questions on the Allied Security Controls issue you would like to raise at this time?

- o If not, I propose to move on to the Oil/Gas and Siberian Pipeline issues.

V. OIL/GAS AND SIBERIAN PIPELINE ISSUES

- o Secretary Haig, I would like to pose to you the following two questions, which I have also provided you in written form. These two questions relate to the scenario proposed in your July 8 submission.
 - Your July 8 paper proposes a "very tough option III" under which we would "press" our Allies to take several specific measures to minimize their dependency 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? Also, what kind of pressure would we put on our Allies to get them to give anything more than lip service to the program of minimizing dependence you have outlined?
 - Would it be inconsistent with your scenario to press very strongly at Ottawa, especially on the Germans and French, perhaps privately, for their agreement to delay further negotiations on the pipeline for, say a six month, pending a thorough inter-Allied review of the project and alternatives to it? Our schedule allows not more than four minutes for your response.
- o ~~Response~~ by Secretary Haig.
- o Secretary Weinberger, I have ~~two~~ questions which I also furnished you in written form. These questions relate to your scenario submission of July 8:
 - 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?
 - As you indicated, ~~compressors~~ that must come from either the U.S. or the UK 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 British economy with a current unemployment rate of about 10 percent. 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 the Allies that the pipeline be permanently blocked? Our schedule allows four minutes for your response.

- o Response by Secretary Weinberger.
- o We are now ready to take comments and questions from our remaining participants. Again, you may ^{wish to} support, critique, or ask questions about either or both of the submitted scenarios. You should, however, confine your comments to two minutes. Secretaries Haig and Weinberger will not respond to your questions until we have been around the table.

If it will aid your brevity, I would also like to indicate that we are prepared to take for the President your final arguments, of not more than three pages, up until close of business tomorrow. We do not require such submissions. Indeed, we do not even encourage them, but we will take them and use them, under the length and time guidelines I have noted.

- o Execute the cycle.
- o Secretary Haig, our schedule allows you four minutes for response.
- o Secretary Haig's response.
- o Secretary Weinberger, under our equal time rules, you also have four minutes for response.
- o Secretary Weinberger's response.
- o Mr. President, do you have any questions or comments at this time?
- o President's questions/comments.

VI. CLOSING REMARKS ON OIL/GAS AND SIBERIAN PIPELINE

- o Richard Allen: I want to thank all of you for ~~my~~ ^{The Pres. deal} not being able to read about Monday's meeting in the New York Times or the Washington Post. ^{I'm sure he} ~~my~~ hopes also to be unable to learn about this meeting from the media.

We will be in touch with you for any further information the President needs to make his decisions.

Ask those not essential to remainder of meeting to leave?

VII. CARIBBEAN BASIN PORTION OF MEETING