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RESEARCH AND  
ENGINEERING

THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

SECRETARY OF DEFENSE

20 APR 1981

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Chief, Records & Declass Div, WHS  
Date: FEB 12 2018

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SECRETARY OF DEFENSE

#38

20 APR 1981

MEMORANDUM FOR SECRETARY OF DEFENSE  
DEPUTY SECRETARY OF DEFENSE

SUBJECT: Delay of Export License Granted to Caterpillar  
Tractor Company - ACTION MEMORANDUM

USSR 091.31

(U) The attached letter is in response to the delay of an export license granted to Caterpillar Tractor Company for the sale of pipelayers to the Soviet Union. The Soviet Union proposes to build a gas pipeline from Siberia to Eastern Europe where they can then market, and become a supplier of natural gas.

(U) Oil and Gas exploration and production equipment was placed under foreign policy control in August 1978. In February 1980, as part of the post-Afghanistan policy, these controls were reaffirmed and expanded in their coverage of the Soviet Union. In September 1980, the sale of the pipelayers became an issue of national security. Escalation to the National Security Council was recommended, and in November President Carter approved the project and the license was granted. Following the announcement of the decision, Ambassador Mansfield (Japan) sent a message noting the embarrassment of the Japanese government who had restrained their industries participation pending high level discussions between the U.S. and NATO countries.

(U) USDRE opposed support of the pipeline since it would increase dependency of our NATO allies on Soviet natural gas. USDRE also expressed concern about the military logistics of a Soviet gas line to Eastern Europe. ISA, however, recommended approval because they felt the proposal satisfied both the Commodity Control List (CCL) and the National Security Council restrictions on such exports. Due to the lack of consensus within DoD, no formal position has been provided.

(U) Currently, an East-West Economic Interagency Group (IG) chaired by Department of State is reviewing export control guidelines for East-West Trade policy. The IG will also try to consolidate the differing views on energy related export

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policy to the Soviet Union. Concurrently, the Advisory Committee on Export Policy (ACEP) meeting is scheduled at the Department of Commerce on 24 April to discuss these same issues. USDRE representative, RADM Hubbard, is scheduled to attend as well as all other agencies involved in the export license review process.

*Jim Wade*  
James P. Wade, Jr.  
Acting

Attachment

COORDINATION:

*J* (USDP)  
*Feb 8th 4/20* (LA)

*I recommend we  
pursue this if there  
is a chance we can  
get allies to go  
along.*

*Agree*  
*[Signature]*

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SEC DEF HAS 3228 APR 1981

OFFICE OF THE SECRETARY OF DEFENSE  
THE MILITARY ASSISTANT

SEC DEF <sup>4/21</sup> Let's Move This IG  
Along + Inclusion  
Re your question reft  
under -- <sup>having not become</sup> given that this desire  
matter is under actual consideration  
within the government, and that  
other departments will oppose our  
view, it may require a  
Presidential option were we to  
go further than we do in the  
proposed reply. It does imply  
DOD opposition. VR. Carl

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OFFICE OF THE SECRETARY OF DEFENSE

THE MILITARY ASSISTANT

April 23, 1981

NOTE FOR USD(P)  
USD(R&E)

In reviewing a proposed response to MC Michel concerning Caterpillar pipelaying (SECDEF Control Number X-13912), Mr. Weinberger commented:  
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"Let's move this IG along and insist on having this license denied."

*Carl R. Smith*

Carl R. Smith  
Brigadier General, USAF  
Military Assistant to the  
Secretary of Defense

cc: DEPSECDEF  
43352

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Chief, RDD, ESD, WHIS  
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330-83-0104, bx 28, DSSA 091.21 (9- Aug)