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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

OFFICE OF THE
SECRETARY OF DEFENSE

#45

31 OCT 1981

In reply refer to
I-25185/81

INTERNATIONAL
SECURITY POLICY

MEMORANDUM FOR THE SECRETARY OF DEFENSE

THROUGH: USD(P) *7. J* 31 OCT 1981

SUBJECT: Letter to the President on Soviet Energy (U)
ACTION MEMORANDUM

I recommend you sign the attached letter to the President. The letter discusses the disturbing implications of the West Siberian pipeline project and proposes firm U.S. policies aimed at mitigating these consequences. At this state it may be quite difficult to convince our Allies of the profound risks they are imposing on themselves and the Alliance. It strikes me as imperative, however, that we make an honest effort to do so.

Richard Perle
Richard Perle

Attachment
a/s

Office of the Secretary of Defense
Chief, RDD, ESD, WIIS + 5 USC 552
Date: 12 FEB 2018 Authority: EO 13526
Declassify: X Deny in Full: _____
Declassify in Part: _____
Reason: _____
MDR: 18 -M- 0484

Dr. Bryen, DASD/IETSP, 79347

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: FEB 12 2018

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Review on 30 OCTOBER 1987

18-M-0484

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See Def Cont Nr. I-16878

USSR 091.31

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THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA



The President
The White House
Washington, D.C. 20500

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

Dear Mr. President:

(S) Our key Western European allies, especially the Germans, are rapidly deepening their commitment to the Soviet Union to build the West Siberian pipeline.

(S) Contracts for the delivery of equipment and large diameter steel pipe have been signed and the Soviets have maneuvered the Europeans and Japanese businessmen effectively.

(S) Meanwhile, since this past July and your announcement to the allies of our opposition to the pipeline project, the administration has failed to argue its case with the Europeans and, especially, with the Germans who are the main promoters of the pipeline project.

(S) Despite our commitment to do so, no package of viable alternatives to the pipeline has been presented to the Europeans. Nor have we launched a major information campaign pointing out the strategic dangers of the West Siberian pipeline project or its shaky economic underpinnings.

(S) As a result, those who might support our position in Europe have not had the arguments or the political help they need in order to oppose the project.

(S) I believe we should have proceeded differently. Valuable time has been wasted that could have been used more effectively.

(S) We could have moved early on to place oil and gas equipment under national security controls. This would have signaled the Europeans of our determination on this issue and it would have halted the export of American equipment.

(S) Since your announced opposition to the pipeline last July the Commerce Department has approved millions of dollars worth of our equipment in support of Soviet oil and gas development. Aside from the multi-million dollar caterpillar pipelayer deal, Commerce has approved the export of an array of equipment including a \$37 million workover rig, pipe handling equipment valued at

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\$3 million, and a variety of hardware both for on-shore and off-shore oil and gas exploration and development. Indeed, over the past five months since your decision, our administration has authorized more oil and gas equipment for the Soviet Union than the Carter administration approved in all of 1980.

I am convinced that this pipeline deal goes to the heart of the problems we now face in maintaining and strengthening the Atlantic Alliance. It is not merely an economic deal -- its implications are much broader.

As you know, NATO is much more than a collective security arrangement based on purely military ties. The Alliance is a network of political and economic relationships that bind together the industrial democracies. If key NATO countries, as Germany, become ensnared by the Soviet Union in critical sectors such as energy, the freedom of action of the Alliance, even its viability, is gravely curtailed. West Germany, by promoting the West Siberian project, is taking a profound step toward weakening the Atlantic Alliance.

At the diplomatic level the Germans have told us repeatedly that the project would never be allowed to put them in a position of dependence on Soviet energy imports. They told us that there would be a strategic red line -- that Germany would never go over taking 30 percent of their gas imports from the Soviet Union. We now have convincing evidence that the first strand of the pipeline alone (at least one more strand is planned) will boost German dependence significantly above the 30 percent red line level. And, in certain key German industrial sectors, German dependence will be more than 50 percent.

We do not know, with any degree of certainty, why the German government is moving ahead with the pipeline project, knowing the risks involved. There could well be political arrangements with the Soviet Union and East Germany, or at least the assumption on the part of the Germans that they will get political concessions in exchange for their support of the pipeline.

I regard the pipeline project as a major challenge to your leadership of the Atlantic Alliance.

Even at this late date and despite the delays, I believe we must confront this challenge, if only to reduce the attractiveness of this pipeline project for those who, largely for political reasons, are promoting its construction. A strong effort on our part could well discourage further European support for Soviet energy projects or other massive transfers of Western technology to the Soviet Union.

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(U) In addition, I believe that the economic uncertainty of the project itself (combined with the actual cost of the natural gas planned for delivery to Western Europe), may be a sufficient incentive to countries such as France and Italy to drop their support of the project. If that happens it is likely the project will have to be cancelled by the Germans, as they cannot afford to finance it on their own.

(U) A strong United States initiative ought to consist of the following actions:

- Action by the United States placing oil and gas equipment and technology under national security controls-- an important signal we mean business;
- An information campaign here and in Europe explaining the strategic risks and economic uncertainties connected with this project;
- Dispatch of a very high level delegation to Western Europe for serious and intensive discussions of the dangers to the Alliance posed by the pipeline project;
- Development and promotion of a program of energy alternatives to the pipeline including some linked to new U.S. technology for deep well drilling in Western Europe to reduce their dependence on imported energy.

(U) This four point program can mobilize your administration and bring positive results for the Alliance and for your leadership.

Sincerely,

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