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THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

#39

12 JUN 1981

USSR 091.31

Honorable Malcolm Baldrige, Jr.
Secretary of Commerce
Washington, D. C. 20230

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

Dear Mac:

I am writing to respond to you about the proposed sale of 100 pipelayers by the Caterpillar Corporation to the Soviet Union. We discussed this matter recently at a NSC meeting and I know Cap has talked to you about it personally and wants to be as helpful as possible. But we have had serious qualms about this proposal from the beginning. If DoD were pressed for a reaction at this time, we would feel compelled to object to the sale of the pipelayers on national security grounds.

In any event, it is difficult for us to come to a final judgement because the required back-up material we have in hand concerning the sale of these pipelayers is far from being precise or complete. At one point in the descriptive material, for example, we are told the equipment will be used for a pipeline that has already been completed.

Among other things, pipelayers can be used to aid Soviet military industry, by providing oil, oil products, and natural gas. The machines can also assist the Soviet government in carrying out projects with long range implications, e.g., supplying fuel and fuel products to Afghanistan.

Likewise, it may well be that the Soviets actually intend to use the Caterpillar pipelayers, along with others intended to be purchased from Japan, to construct the Yamal pipeline. As you know, we have yet to work out at the interagency level a policy on this large-scale project that seriously impacts on our NATO allies. But we are concerned deeply about the national security implications of that proposal -- and what it represents in terms of hard currency yields and concomitant military-industrial expansion by the Soviet Union.

Should we reach the conclusion that US and alliance security is harmed by the sale of the Caterpillar pipelayers, the Export Administration Act of 1979 requires that the USG do its best to convince its allies not to sell similar


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equipment or know-how. In that connection, we have received encouraging indications that the Government of Japan is prepared to work cooperatively with us. Japan's Komatsu corporation is the only non-US supplier of large diameter pipelayers.

Sincerely,



Frank C. Carlucci

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Chief, Records & Declass Div, WHS
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POLICY

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THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

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OFFICE OF THE
SECRETARY OF DEFENSE

11 JUN 1981

I-09173/81

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

SUBJECT: Letter to Secretary Baldrige -- ACTION MEMORANDUM

Attached is our proposed letter to Secretary Baldrige concerning the Caterpillar pipelayer sale to the Soviet Union.

Recommendation: You sign the enclosed response reflecting our current position.

Attachment

Fred C. Ikle
Fred C. Ikle

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Authority: EO 13526
Chief, Records & Declass Div, WHS
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Office of the Secretary of Defense
Chief, RDD, ESD, WHS
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