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SENIOR INTERDEPARTMENTAL GROUP--INTERNATIONAL ECONOMIC POLICY

September 16, 1982

4:30 p.m.

Old Executive Office Building (Room 305)

ATTENDEES:

Treasury

Secretary Regan (Chairman)
Marc Leland

Office of the Vice President
Admiral Daniel Murphy
Donald Gregg

State

Secretary Shultz
James Buckley

USTR

Ambassador Brock

Defense

Secretary Weinberger
Fred Ikle

OMB

David Stockman

White House

Robert C. McFarlane

Agriculture

Secretary Block

OPD

Roger Porter

Commerce

Secretary Baldrige
Lionel Olmer

CEA

Geoffrey Carliner

Justice

Jonathan Rose

NSC

Norman Bailey
Roger Robinson
Dennis Blair

CIA

William J. Casey
Maurice Ernest

The Chairman stated the purpose of the meeting was to discuss possible sanctions that might be considered to be imposed by the United States and its allies in exchange for the current U.S. unilateral sanctions imposed in December 1981 and June 1982 in reaction to events in Poland. He stated that it was not the intent of the United States to make any proposals nor was the United States looking for a way out of the sanctions but that since there were indications that the Europeans wanted to discuss alternatives the U.S. Government needed to consider what these alternatives might be.

Secretary Shultz reviewed the overall objectives of the West toward the USSR and analyzed the sanctions that were intended as a reaction to the events in Poland and that were to be lifted in the event the President's conditions for

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improvement of the situation in Poland were met. He then reviewed the other unified allied actions toward the Soviet Union that might be considered as part of a long range economic relations with the Soviet Union. He stated that, as he was responsible for preparing for the talks with the Europeans, he needed to have a set of measures that would have clarity and would effect the Soviet Union, could be sustained, and could have broad Western support.

The group then reviewed elements that might be included in an alternative sanctions package. The first element was credit on which some work had begun before the Versailles Summit, and on which some progress had been made at Versailles, and on which more work was needed to get agreement on concrete credit restrictions and a monitoring body. The second item was confirming and expanding COCOM. The third area related to restriction of the export of oil and gas technology on any future contracts with the Soviet Union. The fourth area was alternative energy sources. If any alternative package is agreed to, it must be at least as painful to the Soviet Union as the current sanctions and must be broadly supported by Europe and Japan. There was then discussion as to which of the sanctions might have the most impact on the Soviet Union.

Secretary Baldrige raised the problem of specific hardship cases as well as unintended effects of the sanctions.

The group concluded that Secretary Shultz should hold discussions with his allied counterparts with the broad instruction that any alternative package should cause equal pain to the Soviet Union as that presently being inflicted by existing sanctions. If no European offer results from his discussions, the SIG-IEP would then re-evaluate the situation. Any questions about consultations with the Europeans would be referred for response to Secretary Shultz.

The group also decided that there should be an IG to consider the Department of Commerce's guidelines for exceptions to the denial order and come up with suggestions about where and when exceptions might be made.

The CIA was urged to proceed quickly with the intelligence estimate presently underway with the results of the pipeline sanctions.

All agreed that current sanctions will continue to be imposed but that the United States is prepared to listen to any allied proposals for alternative sanctions against the Soviet Union.

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The meeting concluded with the instruction that a status report for transmittal to the President should be prepared on the alternative package and on the methods for considering alternatives to existing sanctions.

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