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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

NIC #8950-82
4 November 1982

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
VIA: Chairman, National Intelligence Council
FROM:
NIO for Economics
SUBJECT: Latest Stage of the Shultz Initiative

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1. I attended an interagency meeting at the Assistant/Under Secretary level at Treasury on the next stage of Secretary Shultz' negotiations on pipeline sanctions, etc. A new US draft was prepared (see attached) and there is agreement on almost all points. The only outstanding issues mentioned were:

- o Some differences with the French on the credit issue, although these differences have been greatly narrowed.
- o How to announce the agreement publicly.

2. The interagency group was asked to address not the substance or desirability of the agreement on the "Shultz non-paper," which I gather has been approved by the President, but rather what specific steps the US should take once the remaining issues with our Allies are resolved. State and Commerce indicated that they had tentatively agreed on the following steps:

- o Allow contracts for exports of oil and gas equipment and technology signed before last December to go through, whether these were by US firms or their foreign subsidiaries.
- o For new contracts (post-December), withhold licenses where the oil and gas equipment and technology is:
 - under COCOM controls
 - unique to US producers or licensees, e.g., large capacity down-hole pumps

Exceptions might be made for US firms in cases of severe hardship.

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3. These steps, if approved, would eliminate the retroactive element of US controls. They would maintain the principle of extraterritoriality, but only for unique US technology. They reflect an attempt not to put an undue burden on US firms.

4. The next meeting of the Seven will take place this afternoon. If there is agreement, a working group will be set up to implement it under the sponsorship of the SIG-IEP.



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Attachment,
As stated

cc: DDI

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