

RESISTING PIPELINE PRESSURES

President Reagan's ban on sales of U.S. technology for the Soviet gas pipeline was the right decision, at the right time, in the right way. Had it been taken by a President several years earlier, it would have been much better. But even late, it had to be done.

The pipeline poses a clear strategic threat to the NATO alliance, has been moving forward while the Kremlin is crushing Poland, and symptomizes Western Europe's disturbing emerging attitude of appeasement. By standing firm on principle, Reagan demonstrates the sort of moral leadership expected of America. Yet short-sighted European leaders are mounting pressure on the administration to reverse its pipeline decision. Pipeline advocates, regrettably, see the issue as a simple business deal, ignoring economic, strategic, and political implications.

Among the most important of these considerations is the enormous transfer of wealth from the West to Moscow. European governments are granting subsidized loans--at interest rates as low as 7.8 percent (about half the market rate)--to pay nearly the full cost of the line. The contracts determining the price Europe eventually will pay for the Soviet gas could be far above the world market price.

The cascade of hard currency from gas sales will allow Moscow to divert substantial amounts of its GNP to military spending. This NATO will have to match, meaning increased defense outlays for the U.S. and its allies.

Pipeline boosters argue that the European sale of technology to Moscow is no different than U.S. grain sales to the Soviets. This is simplistic nonsense. While a grain embargo on the U.S.S.R., in fact, is desirable, grain sales are a one-way transaction. The U.S. sells Moscow grain and for it receives hard currency. The pipeline is quite a different matter. For one thing, though Europe will sell some technology to Moscow, it will buy far more from Moscow in gas; it is even loaning the Kremlin the money to buy the technology. With grain sales, hard currency flows from the U.S.S.R. With the pipeline, it flows to the U.S.S.R.

For another thing--and more critical--with grain sales, the U.S. is furnishing a commodity which is immediately consumed and whose future deliveries can be halted at short notice. Grain gives the West leverage over Moscow. With the pipeline, however, the Kremlin

will enjoy the leverage. The Soviets will be furnishing a vital commodity and the pipeline will be permanent, part of the U.S.S.R.'s industrial and strategic infrastructure lasting for decades. Once it is in, it is in.

Western Europe's reasons for favoring the pipeline are understandable: jobs and energy. The U.S. should address these concerns in at least two ways.

The first is to allow West European firms to work with U.S. firms in the major and lucrative task of deepening American ports and harbors. This could be linked to a commitment to grant Western Europe long-term access to U.S. coal. This would address Europe's energy and employment concerns. A second option would be to encourage Europe to look at Norwegian gas as an alternative to Moscow's. Norway's North Sea gas fields contain four times the gas found on Alaska's North Slope. The gas should be ready for export around 1990--not much later than Moscow realistically can be expected to start full-scale delivery of Siberian gas.

The Reagan Administration made a mistake in linking American opposition to the pipeline to Soviet pressure on Poland. The issue is much more basic: the security of the Western alliance. The pipeline will pose a strategic threat no matter what happens in Poland. U.S. opposition should remain firm even if conditions in Poland improve. It would be all too easy for Poland's military dictators or the Kremlin to relax their grip on Poland until the technology transfer is complete and then turn around and strangle Polish liberties once again.

The so-called contract issue also is muddled. Pipeline advocates claim that the sanctity of their contracts with Moscow would be violated if they complied with the sanctions imposed by Reagan. This conveniently ignores the fact of the prior contracts with U.S. firms which contain clauses carefully regulating technology transfers. Should European firms ignore the U.S. ban and thus violate their contracts with U.S. firms, they should be prosecuted to the full extent of the law. While there are risks in this, there are major gains in standing firm. It would highlight the need for the West to look more closely at strategic trade with Moscow. More important, the U.S. would be demonstrating the leadership--which often is lonely--that its allies in recent years have complained has been lacking.

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For further information see: Heritage Backgrounders #171, "Is the Soviet Pipeline a Steel Noose?"; #179, "The Norwegian Nature Gas Option"; and #190, "New Opportunities for Coal." Also see "Breach of Contract," editorial, The Wall Street Journal, July 23, 1982; and, Senator William L. Armstrong, "Soviet Pipeline Impossible Without Massive Forced Labor," The Washington Times, June 28, 1982.