



~~SECRET~~
THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

74

MEMORANDUM

Subject: Determination of Policy Regarding Proposed Exports of Petroleum Exploration and Refining Equipment and Technology to Rumania.

A meeting of the Export Control Review Board took place on April 1, 1965 to make a final determination with regard to fourteen export license applications for Rumania, all for technology and equipment for the petroleum industry. These applications had been reviewed at lower levels by the Departments of Commerce, State, Interior, and Defense, with intelligence advice from CIA. The Departments of Commerce, Interior and Defense had proposed denial of all the applications; the Department of State had urged approval of all. The April 1 meeting was called pursuant to an appeal by the Department of State for top level review.

Specifically these export license applications cover advanced technology relating to petroleum refining catalysts; catalyst material; advance types of equipment for petroleum exploration and drilling, containing extractable technology; and anti-knock compound for upgrading gasoline.

During the course of the ECRB meeting Secretary Rusk urged approval of all cases for foreign policy considerations. Deputy Secretary Vance (Defense) proposed approval of all items, excepting the catalyst technology on which he was uncertain. Secretary Udall (invited to participate) gave reasons for denying the catalyst technology and the exploration and drilling equipment, but concluded that, while his staff and the American petroleum industry continued to be opposed to such export licenses, he would defer to State.

I determined that the export license for the catalyst material should be approved, but that the applications for the exploration and drilling equipment, the catalyst technology, and anti-knock compound should be denied. Secretary Rusk maintained the position that all cases should be approved, and it was agreed to submit the matter to you for final decision.

~~SECRET~~

DECLASSIFIED

(ERUS 64-68, vol. 17, # 150)

Authority Commerce Guidelines 3-21-96

By gc, NARA, Date 1-4-01

~~SECRET~~

-2-

The grounds for my proposed denial are the following:

1. Rumania manufactures and supplies, according to CIA reports, substantial quantities of motor and diesel fuel to North Viet-Nam (about 20% of its requirements), and much larger quantities of these items, plus; lubricants, kerosene, and jet fuel to Communist China.

The anti-knock compound, though available from other free world sources, could enable Rumania to upgrade the octane rating of the gasoline it is supplying to those countries. This could subject us to strong public criticism at this time.

2. Rumania manufactures, and supplies, to Cuba, the USSR, Communist China, and other Communist countries, substantial quantities of oil well exploration and drilling equipment. That equipment is significantly inferior to the equipment Rumania is presently seeking from us.

3. Our catalyst technology, going well beyond normal operating and maintenance instructions, would improve Rumania's ability to reduce gasoline production costs. Commercially comparable technology is not available to Rumania from other sources.

4. Our oil field exploration and drilling equipment is needed by Rumania and the other East European Communist countries to discover and develop deep wells as their shallow wells are near depletion. Equipment comparable to ours is not available to Rumania from other sources.

5. The significantly advanced technology which makes our oil field and drilling equipment superior is extractable from the equipment by examination and analysis.

6. The USSR is known to have a strong need and desire for advanced U.S. technology and equipment in the petroleum exploration, drilling, production, and refining industries, which we have regularly denied to it.

7. Although Rumania, in our 1964 negotiations, promised not to re-export our products and technology, there are reasons to question whether Rumania will be able to live up to its commitments.

~~SECRET~~

Rumania is a member of CEMA, the Soviet Bloc economic organization, whose objectives include the exchange of technology among its members. By a 1964 agreement, Rumania has agreed to exchange with the USSR technology relating to the oil, chemical, and other industrial fields. Further, Rumania's 1965 trade agreement with Communist China provides that Rumania will supply petroleum equipment. Also, Rumania's 1965 trade agreement with North Viet-Nam includes sales of petroleum products.

These obligations could put Rumania in a difficult position to adhere to its 1964 promises to us.

Rumania's promise not to "copy" our equipment would not preclude it from adapting, for incorporation in its own equipment, the most desirable technological features of the U.S. equipment and supplying its own improved equipment to the USSR, Communist China and Cuba.

8. During the Board's meeting, Secretary Rusk expressed the view that, with a few exceptions, we should be prepared to license freely to Rumania everything not barred by the international (COCOM) controls. I appreciate the foreign policy considerations advanced by Secretary Rusk for that course of action.

9. The Export Control Act requires denial of equipment, materials and technology, that would contribute significantly to the military or economic potential of the Communist countries in ways that would be detrimental to our security and welfare. Few U.S. industries are more advanced and more important to our economic and military security and welfare than our petroleum industry. Few of our important industries could be more adversely affected by the objectives of Rumania, the USSR and the other Communist countries to expand their oil production and sales into the free world.

Approval of these cases, which embody advanced technology on sensitive, economic and potential military items, would be a significant departure from our existing East-West trade policies regarding the petroleum industry. Even our 1964 negotiations with Rumania, recognized the economic and military importance of the petroleum industry. We went a long way to accommodate Rumania (--for example, approving advanced synthetic rubber plant and technology --) to establish more friendly relations. However, we drew a line between petroleum technology and equipment which is available elsewhere in comparable quality and that which is not. We agreed to license some petroleum technology which was available from the free world in comparable quality. We also agreed to license advanced petroleum drilling equipment when the technology was found

~~SECRET~~

-4-

not to be extractable. We refused to license petroleum production technology not available elsewhere, and advanced equipment embodying extractable technology.

Further, it should be recognized that there is a substantial difference between our continuing to deny Rumania items that help it to export petroleum products to North Viet-Nam, Communist China, and the USSR and our instituting new denial policies to friendly countries that may be shipping non-military items to those countries.

10. The transactions which we approved in July 1964, as part of our negotiations with Rumania are, for a variety of commercial reasons, only now being finalized. This means it is too early to determine whether Rumania's assurances can be relied upon.

11. It is an established fact that the U.S. petroleum industry is strongly opposed to assisting the petroleum industry of the USSR and other East European Communist countries for strategic and economic reasons. This view was recently expressed by A.L. Nickerson, chairman of the board of Socony Mobil Oil Company, to the Fulbright Committee. In substance he told that group, the primary aim of Russia's foreign trade policy was to strengthen the power of the Soviet State. Behind the Soviet drive for expanded trade with the western world was its vital need for foreign exchange with which to buy modern petroleum producing and refining equipment and technology. Without this knowledge and specialized equipment, the Soviet could not quickly realize its vast reserves and disrupt free enterprise economies of the free world.

12. The value of the equipment, under discussion, is about one million dollars; the value of the technology is not known. These cases cannot, therefore, be regarded as commercially important, nor in light of the various circumstances as following a "normal trade" pattern.

~~SECRET~~