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THE WHITE HOUSE
WASHINGTON

September 2, 1978

ADMINISTRATIVELY CONFIDENTIAL - NOT FOR CIRCULATION

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: Dresser Decision

You will soon be reconsidering your decision on the Dresser export license. While I have not been directly involved in this matter, I am concerned about the decision and would like you to know my position.

On the merits, the Dresser matter is a very close call. On the one hand, I think we need to take actions which retaliate for the Scharansky and Ginzburg convictions; our oil and gas technology is something clearly needed and coveted by the Soviet Union; part of the technology involved cannot be obtained from other countries; the Dresser sale has recently been one of the most publicized United States-Soviet Union commerce agreements.

On the other hand, we have already taken some retaliatory action by withholding the computer to Tass; the welding equipment that is the focus of this issue is worth less than $1 million out of the $144 million factory to be built by Dresser, and is thus a relatively insignificant item to use as a retaliatory symbol (the license for the factory is not questioned by any of your advisers); the Defense Department has not determined that our national security would be injured by the sale of the welding machine; and we have not yet made an Administration determination that minimizing Soviet oil and gas production is in fact in our national interests.

Since the merits are balanced, I can understand why some of your advisers, and some Members of Congress, may have been disappointed by what appeared to be your initial decision. There are clearly some strong points to be made in favor of denying the export license, or at least postponing a final decision until Senator Jackson's subcommittee has completed
hearings (particularly in light of his central role in our energy bill). However, you have already made a decision in this matter, there are equally strong points supporting that decision, and the decision has been well publicized. Since that is the case, I strongly recommend, for the following reasons, that you not reverse your initial decision:

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One of the major charges raised against the Administration during the first 18 months has been that we change positions on major issues. Recently, I think that charge has died down somewhat, and we now have flexibility to compromise on issues without having to fear so greatly that any compromise will be seen as a flip-flop. I think that a reversal of this well-publicized decision would revive the flip-flop charge and would thereby harm the Administration greatly by enabling our critics to point to a recent instance of perceived indecision and vacillation.

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A reversal at this point, when no new facts have been developed, essentially tells the country that you either made a mistake two weeks ago or that all of your advisers' views had not been known at the time of the initial decision. In either situation, I think the Administration is harmed. It will be an invitation to reverse decisions after they are made. Alternatively, it will appear to be an admission that the process for making the important Dresser decision was faulty.

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There are numerous other opportunities to retaliate for Scharansky and Ginzburg by denying high-level technology to the Soviet Union. The Commerce Department has dozens of export licenses to the Soviet Union presented to it every month. Some of these other licenses could be denied, achieving our original purposes without raising the problems that I have just mentioned above.

I think it has been a disservice to you to have this issue raised again so visibly. I think holding to what is perceived as the original decision is the best way to minimize damage.

If you do maintain your initial decision, I think that there are several things which should be done immediately following the decision:
You should personally inform Senator Jackson prior to the announcement of your final decision, and we should attempt to do as much as possible in the way of explaining the final decision to him. Senator Jackson could be told that other actions are available and may be taken soon in response to the Soviet trials. We particularly cannot offend him so shortly before the critical natural gas vote in the Senate.

You should ask your foreign policy advisers for a series of export-related (or other) actions which might be announced in the next several weeks or months to counter the charge that we are blinking at Soviet human rights violations. This should be done on an expedited basis so that critics of the initial Dresser decision can be quieted relatively soon after your final decision is announced.

Jody and Jerry need to develop a press strategy to explain why the decision was reopened and why the initial decision is being maintained.

Members of Congress who will be supportive of your final decision should be contacted in advance of the announcement by Frank Moore, Cy Vance or Juanita Kreps, and should be informed that a positive statement by them would be greatly appreciated. We should not allow only the critics of the final decision to dominate the news about that decision.

Finally, some better mechanism must be developed to handle export license decisions. My impression, from speaking to some of those involved in this decision, is that the process is very ad hoc and not well designed to meet your needs. I suggest that you ask Zbig to review the decisionmaking process at once and to present to you ways which will ensure an improved decisionmaking process in the future.
9-2-78

Tody:

1) Expedite Dresser Statement
2) Advise on WR involvement in GSA investigations
THE WHITE HOUSE
WASHINGTON

9-2-78

Ham.

Move on Tom

Bryant.

[Signature]
THE WHITE HOUSE
WASHINGTON
September 2, 1978

Mr. President:

Bob Lipshutz called from Atlanta requesting a few minutes with you on Monday before you leave for Camp David.

Shall I schedule him after Ed Sanders?

Phil

(He needs no appointment)
THE WHITE HOUSE
WASHINGTON

TCS

Now uneasy balance

So believe they will
have advantage in early '80s

SALT II. full constraints

SU continue present plans
US offer for new
2500 to 2250 Conversions
(8520 build up, Bism
bombers to tankers, etc)

Backfire = 852?}
Administration Divided on Spy Arrests

By John M. Gould
Washington Post Staff Writer

The State Department and Justice Department are locked in a bitter behind-the-scenes dispute about whether the FBI bombarded a U.S. diplomat in Moscow with false information as a prelude to a series of espionage arrests.

The FBI has been accused of providing false information to the State Department in the case of the Soviet spy, Colonel John E. Isaacson, who was arrested in Moscow last month. The FBI claimed that Isaacson had been arrested for espionage and that he had been accompanied by other Soviet agents. The State Department, however, has denied making any such claim.

The dispute centers on the question of whether the FBI has been trying to deflect attention from its own shortcomings in the area of espionage arrests. The FBI has been accused of failing to provide accurate information to the State Department, which is responsible for coordinating foreign policy.

In a statement released yesterday, the FBI said that it had provided the State Department with accurate information about Isaacson's activities. The FBI also said that it had provided the State Department with information about other Soviet agents who had been arrested in Moscow.

The State Department, in turn, has accused the FBI of providing false information. The State Department said that it had received no information about Isaacson's arrest or about other Soviet agents who had been arrested in Moscow.

The dispute between the FBI and the State Department has raised questions about the ability of the U.S. government to coordinate its foreign policy efforts. The FBI and the State Department have a long history of disputes over the handling of espionage cases.

The FBI has been accused of providing false information to the State Department in the past. In 1986, for example, the FBI provided the State Department with information about a Soviet spy, Alexander Litvinenko, who was later shown to be innocent. The FBI has also been accused of providing false information about a Soviet spy, George Blake, who was later shown to be innocent.

The dispute between the FBI and the State Department is likely to continue. The FBI and the State Department are both powerful and influential agencies, and they are likely to continue to disagree on the handling of espionage cases.
To Ly Vance

Do you know the source of this story? There is a continuing series of State Dept. criticisms of me, WH staff, etc., Cabinet members. I realize it is partially uncorrectable, but if there are spokesmen in your dept who cannot support me & my policies, they should resign.

J.C.
MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

SUBJECT: White House Staff

I think the recent changes you have made in the White House staff have been necessary and will prove to be of enormous benefit to all of us.

Even with those changes, however, I feel that the White House staff needs more seasoned Washington experience -- from individuals who have served in Congress, in the Cabinet, or on a White House staff. You, and all of us, will be much better served than we collectively can do now.

In developing policy, in lobbying Congress, in educating the public, and in motivating the interest groups and our constituents, there is a role to play for someone who has extensive Washington experience and knows the players in Washington and around the board rooms of America. Such a person could be added to the staff, without portfolio, but with license to assist others on the staff and to troubleshoot for you and your senior advisers. People who would be ideal for such an assignment might be: Harry McPherson, who has served as Counsel to President Johnson; Lloyd Hackler, who also worked with President Johnson; or Paul Rogers, who is retiring this year from Congress. Bob Strauss could easily do this if he was here with no other responsibilities.

I recommend that you authorize Hamilton to review the possibility of bringing on the type of person I have described.
Mr. President,

I suggest that you have this announcement made by Rep. Daley on Tubs or WGB. There is no need for a Presidential statement to be issued over your name. That could seem to make it into a big deal with the press. It isn’t now. They expect you to maintain your position and let Jackson to stomp around some. They are largely indifferent.

If have attached suggested press guidance for your approval. The opening graph can easily be changed to first person if you wish.
Before he left for Idaho, the President asked for a thorough review of the Dresser export license decision. That review has been completed. The President's advisors were divided in their recommendations. After careful consideration, the President has determined that it is in the national interest for the export license to remain in force.

Q: Why did he ask for a review?
A: He was concerned that the initial decision making process may not have been thorough enough.

Q: Did the review bring to light new information?
A: Yes. Some new information was brought to light on both sides of the question.

Q: Will any changes be made to insure that the process works better in the future?
A: The presidential expression of concern and directive that this decision be reviewed will no doubt contribute to that end. Beyond that, there are no plans for any significant changes.
Q: What about reports that the SCC voted 3-2 against the position the President has taken?

A: As I said, the President's advisors were divided. This is not unusual. In such cases, the President must assess all the arguments and make a decision from the perspective of the Oval Office -- which only he can do. He has done that, and you know his decision.

Q: Which advisors recommended which option?

A: As you know, we do not generally comment on the private advice given to the President by his advisors.