

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
<del>001. memo</del>	<del>Shelia Heslin and Carlos Pascual to Anthony Lake re: Cutting Russian Assistance Strategically (3 pages)</del>	<del>08/14/1995</del>	<del>P1/b(1)</del> KBH 4/12/2022

### COLLECTION:

Clinton Presidential Records  
NSC Records Management  
([Congress and Russia])  
OA/Box Number: 2317

### FOLDER TITLE:

9506221

2015-0183-S

rs1164

### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

→ R

Natl Sec Advisor  
has seen

DECLASSIFIED  
PER E.O. 13526

August 14, 1995

2016-0575-M (1.01)  
KBH 5/4/2021

→ Chip -  
In bureaucratic  
terms, will these  
cuts in energy  
sector affect  
dynamics of Gore/Chern  
discussions on  
Fusion  
reactor?

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: COIT D. BLACKER *CSB*

FROM: SHEILA HESLIN *SH* / CARLOS PASCUAL *CP*

SUBJECT: Cutting Russian Assistance Strategically

Purpose

Whether to rescind \$20 million from an energy and environment program with Russia; targeting Gazprom.

Background

Upcoming Rescissions. The Congress passed on July 21 a \$16 billion rescission package that requires \$25 million in cuts to FY94/95 assistance which benefits the Russian Government. Support for these cuts is strong. We now need to identify programs we will have to cut, while shielding priority programs. We need to decide quickly in order to notify Congress, notify the Russians and renegotiate contracts as necessary before a legislative deadline of September 30.

Q  
→  
R  
Chip says  
no to  
above  
Q.  
Q

Since about 70 percent of our assistance goes to the grass roots, our options for cutting assistance to the Russian government are limited to two possibilities: (1) reducing the Commodity Import Program (CIP) by \$15 million for gas pipeline compressors and by \$5 million for contingency funds, or (2) making across-the-board cuts to programs that promote market institutions.

The Commodity Import Program for Energy. The President announced at the 1993 Tokyo G-7 meeting a package of assistance for Russia that included a CIP for energy and environment. The \$125 million program was agreed at the December 1993 Gore-Chernomyrdin Commission and later reduced to \$90 million due to an FY94 rescission. The CIP was intended to introduce U.S. technology to a weak Russian gas company at highly subsidized prices (50 percent), both to improve energy efficiency and environmental quality and to build links between Russia's energy industry and American business. \$15 million for compressor control systems was approved to help Gazprom reduce gas losses by \$1-2 million

per year as well as nitrous oxide and carbon dioxide emissions. Given the commercial benefits, Gazprom is likely to buy the equipment whether the CIP is available or not.

Over the past two years, however, the "weak" Russian gas company has emerged as the largest energy producing company in the world. It supplies over half of Europe's total gas imports. And, it is viewed throughout the region as a key lever for advancing CIS reintegration through its strategic use of pipelines and pricing policy. In fact, Gazprom is playing an increasingly important role as an equity owner in thousands of enterprises throughout the former Soviet Union and has received special protection from the Russian Government.

*Across the Board Cuts.* With so little of our funding meeting the rescission requirement of cutting assistance that benefits the "Russian Government," our alternative is to cut across the portfolio. \$21 million would have to be cut from programs benefiting the GOR in the economic policy area, including support for tax reform, commercial law development, creating a securities exchange commission, municipal finance, and ongoing privatization. Another \$4 million could be cut from two specific programs: \$2 million dollars from energy and environment activities and another \$2 million through cost savings from the Russian Officer Resettlement program.

### Options

#### Option 1: Cut the CIP, targeting Gazprom

##### Pros

- *Sends a signal that we will not subsidize Gazprom and that we do not support instruments being used by Gazprom to advance the purchase of strategic assets throughout the FSU.*
- *Reinforces Russia's integration on market terms.* Subsidizing Gazprom's upgrades through the CIP would be inconsistent with our commitment to integrate Russian commercial entities into the global economy on market terms. We can finance competitively U.S. compressor equipment on commercial terms through a \$750 million agreement between EXIM and Gazprom.
- *Focuses U.S. Support on Building Market Institutions.* We could avoid across the board cuts and focus our efforts on the development of commercial laws and institutions that create a foundation for expanded U.S. business for the long haul.

Cons

- *Presidential Commitments.* We would have to amend an existing agreement by the President and Vice President to de-commit funds. (Either way, however, the rescission requires us to cut funding from other previously committed programs too.)
- *Chernomyrdin.* Targeting Gazprom could be perceived by Chernomyrdin as a challenge to (his) gas interests.
- *Competition.* Russia has shown extensive interest in U.S. oil and gas equipment but could buy from a non-U.S. supplier, such as a European country that purchases Russian gas, though Russia has shown extensive interest in U.S. energy equipment.

Option 2: Cross-the-Board Cuts


Pros

- *Low Visibility.*
- *Promote U.S. Exports.* Retaining funding for the CIP would assure U.S. firms of contracts for compressor instrumentation.

Cons

- *Subsidized Trade.* We forego an opportunity to turn the rescission into a positive statement of oil and gas policy. U.S. subsidies for Gazprom under the CIP reduce our credibility when insisting on international commercial standards in the oil and gas sector.
- We cripple our ability to pursue U.S. business interests through reform of Russia's commercial regime, which U.S. businesses cite as the biggest obstacle to expanded trade.
- The fundamental laws and institutions for Russia's economy are taking shape now. Reducing our ability to help shape the foundations of Russian policy on these issues will prejudice our economic and commercial interests into the next decade.

Concurrence by:

<sup>WFC</sup> Leon Fuerth, Richard Morningstar 

RECOMMENDATION

That you approve rescinding \$20 million from the Russia Commodity Import Program.

Approve  Disapprove