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COPY NO. 1

23 June 1982

EUROPEAN COUNCIL, BRUSSELS

28/29 JUNE 1982

EC EXTERNAL TRADE ISSUES

(EXCEPT US)

Brief by Foreign and Commonwealth Office and
Department of Trade

OBJECTIVES (If discussion develops)

1. To encourage development of a firmer Community policy towards Japan.

POINTS TO MAKE

Japan

2. Community united in concern about Japan as shown by decision of March Foreign Affairs Council to take the issue to GATT. Understand Commission officials have made an effective initial presentation of EC case.

3. But needs to be reinforced by firmer, concerted EC approach at political level.

4. Do not underestimate difficulty of getting US to continue to exert effective pressure in a manner which is also helpful to EC, but renewed effort to persuade them is required.

5. Point to make is that it is not just a case of individual Japanese policies causing problems but of Japan's whole economic structure posing a unique threat to open trade and payments system.

6. Important that in representations to Japanese themselves w
emphasise need :

(a) for them not to make their partners' problems worse by inappropriate mix of domestic policies as well as -

(b) for an increase in actual purchases of EC goods, not just statements of good intent.

GATT Ministerial (if raised)

7. Hope build-up of excessive expectations can be avoided. But at a time when open trading system is under such severe strain important GATT Ministerial should be seen as a success. Community needs to make a constructive contribution. Essential for Trade Ministers to have an opportunity for substantive discussion at July Foreign Affairs Council.

BACKGROUND

Reference A - Conclusions on Japan of March European Council and March Foreign Affairs Council.

Japan

8. In GATT Commission officials made initial presentation of EC case against Japan under dispute settlement procedure (Article 23 of the General Agreement) at a meeting in Geneva on 18/19 May. This appeared to make some impression on the Japanese at the time but in the next round of talks (expected to take place on 11-12 July) they are likely to argue that the new trade package announced on 28 May, together with the earlier measures adopted in January, represents an adequate response. Latest moves include further reductions in tariffs (though marginal in some cases), improvement of customs clearance procedures and a statement by Prime Minister Suzuki calling in effect for imports to be given a fair chance to compete. EC assessment is that this gesture has to be welcomed as a further step in the right direction but it is still far from adequate to deal with problems of the scale of those caused by the size and structure of Japan's surpluses. In particular it does not meet EC request for more fundamental changes in Japan's economic and trading policies so as to bring

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about for example an effective increase in imports through public and private sector purchases of foreign manufactured goods; nor does it provide for adjustments to macro-economic policy which March ECOFIN and Foreign Affairs Councils agreed were needed as a complement to action on trade. Proceedings in GATT which provides framework for open trading system, is appropriate place to urge these points on Japanese. Should help generate additional pressure, but unlikely in itself to prove sufficient. UK Ministers have agreed that what is really needed is a powerful consensus of other major developed countries. Although UK should not get itself into an exposed position by taking the lead in advocating such a consensus, we should nonetheless encourage its development. But US, which has greatest economic and political leverage on Japan, likely to remain reticent since the Japanese import package was largely geared to US demands. Parts of US Administration reluctant to appear to 'gang up' with Europeans against Japan. Americans also concerned about possibility of creating a precedent for policy adjustments being brought about as a result of a concerted international campaign. Within EC last consideration weighs to some extent with FRG as well.

9. But Japan's economic structure exceptional. Ratio of manufactured imports to GDP is exceptionally low at 3% compared with 5% for US and 6% for EC as a whole. It is exceptionally dependent for growth on growth of exports and those exports are relatively highly concentrated. Foreigners find it difficult to invest directly in Japan or secure access to very high Japanese savings. The role of the yen in international trade and finance fails to reflect Japan's economic strength. Recent economic management, which has stressed fiscal stringency and kept interest rates relatively low, has helped to produce a weak yen and added to the difficulties caused by structural factors.

10. The Japanese seem to have given up, at least temporarily, using the lack of a common EC import regime as a pretext for doing nothing, though they have made a low-key reference in the GATT proceedings to individual Member States' remaining import

restrictions. Within EC the question is next likely to come up at the July Foreign Affairs Council, which is expected to have before it a report from the high level official group examining link between trade restraints and industrial restructuring.

GATT Ministerial

11. Meeting (scheduled for 23/26 November) first in GATT at Ministerial level for nine years. Intended primarily as political demonstration of continued commitment to open trading system at time of severe recession. Preparatory work however making slow progress. Partly for this reason Commission have not been able to finalise a paper in time for June Foreign Affairs Council which was intended to provide Ministers with their first opportunity for a detailed discussion of EC position. As a result intention now is to have only an oral introduction by Haferkamp this month. French originally protested that delay would make it harder to work out EC position and could leave Community with no alternative but to take a defensive line. We have some sympathy with the point about timing but on substance of issues such as agriculture and safeguards (the rules for emergency action to limit disruptive surges of imports) it is the French themselves who are amongst those in the Community with the most restrictive attitudes and are consequently most likely to make it difficult for the EC to agree on what can be represented as a positive approach.

12. We regard it as essential that there should be a full discussion by Ministers at the July Council. There has been an indication that the incoming Danish Presidency may yet need to be convinced of this.

Foreign and Commonwealth Office/
Department of Trade
23 June 1982

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Reference A

EXTRACT FROM CONCLUSIONS OF EUROPEAN COUNCIL

29-30 MARCH 1982

The Community urged Japan to open its market and integrate it more fully into international trade. Japan should follow an economic, commercial and exchange policy which was more compatible with the balance of responsibilities to be borne by the whole of the industrialised world, thereby contributing to economic recovery.

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FOREIGN AFFAIRS COUNCIL, BRUSSELS 22-23 MARCH 1982
COUNCIL CONCLUSIONS ON EEC/JAPAN RELATIONS

1. The Council examined the question of relations with Japan, which remained a matter of serious bilateral concern and which raised numerous multi-lateral issues affecting the functioning of the international trading system. In this connection the Council considered that the measures recently announced by the Japanese Government, aimed at further opening the Japanese market, reflected an encouraging political awareness but that their practical effect on the evolution of trade would be very limited and could not therefore constitute the response expected by the Community.

As part of a comprehensive common strategy the Council agreed that the following course of action should be pursued.

2. Efforts should be continued in bilateral contacts and multi-lateral fora to persuade Japan to modify its trading and economic policies and to achieve a more balanced integration of the Japanese economy with that of its main industrialised partners. The aim here will be to address the cause of economic friction at its root, ie Japanese low import propensity. While the removal of specific barriers to imports at the frontier remains welcome, what is needed, beyond that, is determined and swift action by the Japanese Government positively to promote imports, eg through guidance to public and private sectors.

3. Japan is again called upon to provide tangible assurances that, from 1982 onwards, it will pursue a policy of effective moderation towards the Community as a whole as regards Japanese exports in sectors where an increase in Japanese exports to the Community would cause significant problems, notably passenger cars, colour television sets and tubes, certain machine tools including numerically controlled lathes and machining centres, in order to improve the situation.

4. The Council reiterated the conclusions of the ECO/FIN Council on 15 March 1982, according to which the common position of the Community should cover besides trade aspects, aspects of macro-economic policies and the development of the Yen. It noted that it has been agreed to examine these aspects in depth at a forthcoming session with a view to forthcoming international Conferences. Japan's policy in these areas had to take account of Japan's international responsibilities. This is an essential complement to action in the field of trade.

5. The Council recalled the need for European industries to strengthen their international competitiveness through adequate investment and modernisation efforts. The Council recognised the need to complete a Community policy within which European firms will be better able to develop positive strategies to meet Japanese competition. The Council instructed the Permanent Representatives Committee to establish a high-level Working Party to consider the issues involved, from the point

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of view of structural adjustment in industry linked to trade policy. This Working Party should also review the general Japanese export strategy and its implications for European industry. It should report to the Permanent Representatives Committee within the near future making appropriate recommendations.

6. The Council also agreed that the possibilities of scientific and technological cooperation between the Community and Japan should be explored. The appropriate Community bodies should examine the specific sectors which might be envisaged, with a view to achieving balanced cooperation.

7. Since the benefits expected by the Community as a result of successive GATT negotiations with Japan have not been realised, and since the results of bilateral discussions have been unsatisfactory, the Council agreed that the procedures of Article XXIII of GATT will be initiated with Japan.

The detailed aspects of the representations to be made will be finalised in consultation with the Article 113 Committee and the Permanent Representatives Committee. The objective will be to secure prompt action by Japan on the lines of that described in paragraph 2.

8. The Commission was requested to report to the Council as appropriate and to submit a comprehensive report for consideration, at the earliest opportune meeting of the Council.

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12. Publicly we should speak cautiously. Important to discourage media from inflating this issue into a fundamental US/European row.

BACKGROUND

References A - Statement by Foreign Affairs Council on 22 June
B - Commission communication to the European Council
(to be circulated when available)
C - Statement by President Reagan on Gas Pipeline

13. A meeting is taking place in Brussels on 23 June between the Commission and US Trade Representative Brock, the Member of the US Cabinet who normally takes the lead on international trade issues, though primary responsibility for imports into the US (including steel) rests with Commerce Secretary Baldrige.

Steel Measures

14. US procedure for investigation of allegations of unfair subsidisation and dumping against EC steel exports still has several months to run. At the beginning of June Commission made considerable effort to secure a negotiated settlement based on quantitative restraint, but this broke down because US insisted on market share no higher than 5.5% (minimum EC was prepared to concede was about 6.5%) and inclusion of pipe and tube (products on which Community reluctant to give undertakings to limit exports since even on US interpretation of GATT rules, case for restraint is weak; UK however made clear to Commission we would not regard this as sticking point provided figures were reasonable).

15. Meanwhile US Department of Commerce announced decision on 11 June to impose provisional anti-subsidy ('countervailing') duties which range between around 1% or less for Dutch, Luxembourg and German companies (also British private sector) to 40% for BSC. Others (French, Belgian and Italian companies) face duties of 20-30%. Despite initial indications that effect might be to split EC, Community has in fact held together so far. Even countries

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subject to low provisional duties (which ought therefore to be able to maintain direct exports to US) are concerned about indirect effects on their markets of major diversion of trade away from US. Other countries including UK face virtual exclusion from US market in products to which duties apply. For BSC this represents sales of 200,000 tonnes plus in 1981 worth over £50 million (total UK steel exports to US last year were 574,000 tonnes, the bulk accounted for by BSC).

16. We support decisions by June Foreign Affairs Council to consider retaliation against US DISC export subsidies and to challenge US in OECD and (more importantly) in GATT. EC regards US action as unjustified under relevant GATT agreement. In Community's view countervailing duties should not be levied indiscriminately on whole range of finance from official sources. We also believe criteria of material injury must be judged in respect of each supplier individually not on cumulative effect of total imports as is US practice. We cannot therefore afford to allow the Americans' action to go unchallenged for fear of creating a precedent. However GATT action offers no prospect of an effective remedy in the short term which BSC badly need.

17. There is general recognition in EC that if trade is to resume it is vital to secure a settlement with the US (though Germans have presentational difficulty with use of terms "negotiated settlement" and "arrangement" and prefer euphemisms like "constructive discussions" used in Foreign Affairs Council Statement). The US Administration too say they would still like to resolve the problem through negotiation and we are inclined to believe them though they will probably need to exert more pressure on their industry than they have so far. On the Community side an EC-wide arrangement remains the best option (even leaving aside the legalities it is more likely to be attractive to the Americans). But unless the EC approach produces an acceptable solution soon Member States may have to consider taking the initiative in seeking bilateral arrangements. We should be careful therefore not to agree to anything at the European Council which

appears to rule out this possibility, though it would be counter-productive to make too much of it.

EC/US Agriculture

18. Problems over agriculture also contributing to current tension in EC/US Trade relations. Producers in US (as in e.g. Australia, New Zealand) resent EC disposal of high cost surpluses with the aid of export subsidies. US Administration have mounted series of cases against EC in GATT but so far at least have made poor showing in attempt to demonstrate that Community has failed to respect GATT rules. (GATT permits payment of export subsidies for primary products provided exporting country does not obtain a 'more than equitable share' of world market or undercut prevailing world market price). Weak US case on sugar recently withdrawn. We hope this may indicate increased awareness in Washington of desirability of 'truce' with EC in agricultural sector. Commission say they too support idea of 'truce' and indeed claim credit for launching it. But there have been recent instances where they have themselves proposed action provocative to US (e.g. that the US should be forced into negotiations to limit EC imports of maize gluten feed) So far however they have been restrained by opposition from UK, FRG and other 'liberals' and have agreed to put the proposal on maize gluten feed on ice. French may suggest reviving it now as a form of retaliation for US action on steel. We should be cautious about this.

Textiles

19. Davignon has said textiles will be covered in Commission communication to the European Council. In 1980-81 there was considerable pressure from imports of certain synthetic fibres, carpets and bedlinen from the US (particularly on UK for which imports of two types of yarn were subject to safeguard quotas during most of 1980). But pressure has diminished with appreciation of dollar and we are not aware of any particular current problems. However EC analysis of US producers' costs suggested part of their competitive edge could be attributed to their access to oil and gas feedstocks at less than the prevailing

world price as a result of US price controls. In early 1981 one of the first acts of the Reagan Administration was to accelerate the removal of price controls on oil (due anyway in mid-1981). But after considering similar action on gas they eventually announced that gas price controls would remain until 1985/87. It may be that the Commission communication will propose mounting a renewed attack. If so we should need to examine the implications carefully. Consideration has already been given to possible scope for countervailing action on goods which benefit from price controlled components/feedstocks. But in the past the conclusion has always been that it would not be in the wider interest of the UK/EC to create a precedent for such a loose definition of what constitutes an export subsidy.

Oil and Gas Equipment for USSR

20. Prime Minister sought release from American licensing and relicensing requirements for General Electric rotors for John Brown's contracts for Siberian pipeline in messages of 29 January and 5 April to President Reagan (our partners do not know about these messages). She raised question personally with him at Versailles and in London on 9 June. John Brown are due to begin turbine deliveries on 2 July.

21. President Reagan announced on 18 June that existing sanctions against Soviet Union would be extended to cover equipment produced by US subsidiaries and licensees. Aim is to prevent a French licensee of General Electric (Alsthom) from supplying rotors to replace blocked American ones. John Brown is not directly affected by the extension, but its contract remains blocked. Although we have not yet seen the text of the US regulations, the extended measures are likely to affect other valuable contracts won by British companies for the pipeline if only through the delays caused to the project. US action is both retrospective and extraterritorial.

22. John Brown told the Department of Trade on 21 June that they are not prepared to proceed with deliveries without assurances

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that they will not be blacklisted by the American Administration. British officials are studying the possibility of invoking the Protection of Trading Interests Act of 1980 against the new US measures on the grounds that they are against UK trading interest, (though John Brown do not wish the Act to be invoked for themm at this stage). Discussion with other European countries affected will take place in the margins of the Council. Since other European countries have a bigger stake, we should avoid getting into the lead.

Foreign and Commonwealth Office/
Department of Trade

23 June 1982

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GRS 1000
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FRAME ECONOMIC
FRAME EXTERNAL
FRAME INDUSTRIAL
DESKBY 221800Z
FM LUXEMBOURG 221601Z JUN 82
TO IMMEDIATE FCO

TELEGRAM NUMBER 232 OF 22 JUNE
AND TO IMMEDIATE WASHINGTON UKMIS NEW YORK (FOR PS/PRIME MINISTER)
INFO IMMEDIATE UKREP BRUSSELS ROUTINE BRUSSELS COPENHAGEN THE
HAGUE ROME DUBLIN PARIS BONN LUXEMBOURG ATHENS UKMIS GENEVA

FM UKREP BRUSSELS

FOREIGN AFFAIRS COUNCIL: 22 JUNE
EC/US STEEL

1. FOLLOWING IS TEXT OF STATEMENT AGREED IN FOREIGN
AFFAIRS COUNCIL THIS AFTERNOON:

THE COUNCIL HAS TAKEN NOTE WITH GRAVE CONCERN OF THE
ANNOUNCEMENT ON JUNE 11 BY THE UNITED STATES DEPARTMENT OF COMMERCE
OF PRELIMINARY DETERMINATIONS IN THEIR COUNTERVAILING INVEST-
IGATIONS AGAINST COMMUNITY STEEL EXPORTS TO THE UNITED STATES.
THIS DECISION WILL DISRUPT TRADITIONAL TRADE FLOWS, VIRTUALLY
ELIMINATE STEEL EXPORTS OF SUBSTANTIAL VALUE FROM CERTAIN MEMBER
STATES AND HAVE SERIOUS INDIRECT EFFECTS FOR OTHER MEMBER STATES.
IT SHOULD BE VIEWED AGAINST THE GENERAL BACKGROUND OF ESCALATING
TRADE DISPUTES BETWEEN THE UNITED STATES AND THE COMMUNITY, NOT
JUST IN RELATION TO STEEL, BUT ALSO TO AGRICULTURE, EXPORT
CREDITS AND TEXTILES.

THE COMMUNITY HAS OVER THESE LAST FEW YEARS ADOPTED A NUMBER
OF DIFFICULT, PAINFUL AND FAR-REACHING MEASURES IN ORDER TO
RESTRUCTURE ITS STEEL INDUSTRY. IT HAS ALREADY REDUCED AND WILL
CONTINUE TO REDUCE PRODUCTION CAPACITY VERY CONSIDERABLY, ALL
AIDS GRANTED BY NATIONAL GOVERNMENTS TO THEIR STEEL INDUSTRY
MUST BE SUBMITTED TO THE COMMISSION AND AUTHORIZED: ONLY AIDS
WHICH CONTRIBUTE TO RESTRUCTURING AND REDUCTION OF CAPACITY CAN
BE AUTHORIZED: NO AIDS WILL BE AUTHORIZED AFTER 1985. THE RECENT
DECISION BY THE DEPARTMENT OF COMMERCE WILL UNDERMINE THE
COMMUNITY'S EFFORTS TOWARDS RESTRUCTURING IN SO FAR AS THEY
WILL SERIOUSLY AGGRAVATE ALL PROBLEMS LEADING TO A LOWERING
OF PRICES ON THE INTERNAL COMMUNITY MARKET, GROWING UNEMPLOYMENT,
AND CONSEQUENT PRESSURES FOR INCREASED AID.

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THE COUNCIL HAS NOTED WITH PARTICULAR CONCERN THAT THE DEPARTMENT OF COMMERCE PRELIMINARY DETERMINATIONS CONSTITUTE A MAJOR INNOVATION IN WORLD TRADING RULES IN THAT THEY REFLECT A SERIES OF EXTREME AND UNILATERAL FINDINGS ON SUBSIDIES WITH FAR-REACHING IMPLICATIONS FOR MANY COUNTRIES AND INDUSTRIES CURRENTLY EXPORTING TO THE UNITED STATES. IN THE COUNCIL'S VIEW THESE DEPARTMENT OF COMMERCE DECISIONS DID NOT TAKE ADEQUATE ACCOUNT OF THE REASONED CASE SUBMITTED BY THE COMMISSION AND WILL RESULT IN SIGNIFICANT TRADE DISRUPTION AND PREEMPT FUTURE GATT POLICY UNDER THE SUBSIDIES CODE IF THEY BECOME US POLICY FOR ALL COUNTER-VAILING DUTY INVESTIGATIONS. FOR THAT REASON THE COMMUNITY IS CALLING FOR AN IMMEDIATE MEETING OF THE GATT SUBSIDIES COMMITTEE. AT THAT MEETING IT IS THE COMMUNITY'S INTENTION TO CONTEST CERTAIN OF THE DEPARTMENT OF COMMERCE DECISIONS (E.G. AS TO WHAT PROGRAMMES CONSTITUTE SUBSIDIES AND THE METHOD USED FOR CALCULATING THE LEVEL OF SUBSIDIES). THE SUBSIDIES CODE PROCEDURES PROVIDE FOR THE POSSIBILITY OF THE COMMUNITY BEING AUTHORIZED TO TAKE COUNTER MEASURES IF ITS CONTENTION MEETS WITH GENERAL ACCEPTANCE.

THE COMMUNITY INTENDS TO TAKE THE OCCASION OF THE FORTHCOMING MEETING OF THE OECD STEEL COMMITTEE TO CHALLENGE THE COMPATIBILITY OF THE US ACTION WITH THE AIMS AND COMMITMENTS OF THE OECD CONSENSUS ON STEEL.

THE UNITED STATES ACTION ON ALLEGED SUBSIDIES TO COMMUNITY STEEL EXPORTS TO THE UNITED STATES HAS LED THE COUNCIL TO CONSIDER THE UNITED STATES SYSTEM OF DISC (WHEREBY EXPORT SUBSIDIARIES OF A WIDE RANGE OF UNITED STATES FIRMS ARE IN EFFECT DEFERRING FOR AN INDEFINITE PERIOD OF TIME PAYMENT OF PART OF US CORPORATE INCOME TAX). THE GATT HAS FOUND THAT THIS PRACTICE, WHICH COSTS THE US TREASURY APPROACHING ONE BILLION DOLLARS A YEAR, MUST BE REGARDED AS AN EXPORT SUBSIDY. THE COMMISSION WILL THEREFORE PUT FORWARD PROPOSALS FOR CONSIDERATION AT THE NEXT MEETING OF THE COUNCIL AS TO THE ACTION WHICH THE COMMUNITY MIGHT TAKE UNDER THE GATT RULES.

/THE ATTENTION

2
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THE ATTENTION OF THE COUNCIL HAS ALSO BEEN DRAWN TO THE RECENT DECISION OF THE UNITED STATES ADMINISTRATION TO EXTEND SANCTIONS ON THE EXPORT OF OIL AND GAS EQUIPMENT TO THE SOVIET UNION THROUGH THE ADOPTION OF NEW REGULATIONS TO INCLUDE EQUIPMENT PRODUCED BY SUBSIDIARIES OF US COMPANIES ABROAD AS WELL AS EQUIPMENT PRODUCED ABROAD UNDER LICENCES ISSUED BY US COMPANIES. THIS ACTION TAKEN WITHOUT ANY CONSULTATION WITH THE COMMUNITY IMPLIES AN EXTRATERRITORIAL EXTENSION OF US JURISDICTION WHICH IN THE CIRCUMSTANCES IS CONTRARY TO THE PRINCIPLES OF INTERNATIONAL LAW, UNACCEPTABLE TO THE COMMUNITY AND UNLIKELY TO BE RECOGNIZED IN COURTS IN THE EEC.

THESE UNITED STATES ACTIONS NOT ONLY HAVE GRAVE CONSEQUENCES FOR INTERNATIONAL TRADE BUT IN THE CASE OF STEEL CLEARLY REPRESENT AN ATTEMPT TO OVERTURN IN THE INTERESTS OF ONE CONTRACTING PARTY THE GENERAL BALANCE OF ADVANTAGE REACHED IN THE TOKYO ROUND IN THE RULES DEALING WITH SUBSIDIES AND COUNTERVAILING DUTIES. THE COUNCIL DEEPLY REGRETS THE UNILATERAL NATURE OF THE US RESPONSE TO THESE PROBLEMS, AND CONSIDERS THAT, IN VIEW OF THE IMPLICATIONS FOR WHAT WAS DECIDED AT THE VERSAILLES SUMMIT IN THE FIELD OF INTERNATIONAL TRADE, AND IN PARTICULAR THE IMPORTANCE ATTACHED TO THE MINISTERIAL MEETING OF THE GATT PLANNED FOR NOVEMBER OF THIS YEAR, ACTION IS NEEDED AT THE HIGHEST LEVELS TO FIND SOLUTIONS THROUGH CONSTRUCTIVE DISCUSSIONS.

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FM WASHINGTON 182259Z JUN 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 2194 OF 18 JUNE
INFO PRIORITY MOSCOW, PARIS AND BONN

MY TELNO 2193: SIBERIAN PIPELINE

STATEMENT BY THE PRESIDENT: FOLLOWING IS TEXT.
BEGINS:-

I HAVE REVIEWED THE SANCTIONS AND THE EXPORT OF OIL AND GAS EQUIPMENT TO THE SOVIET UNION IMPOSED ON DECEMBER 30 1981 AND HAVE DECIDED TO EXTEND THESE SANCTIONS THROUGH ADOPTION OF NEW REGULATIONS TO INCLUDE EQUIPMENT PRODUCED BY SUBSIDIARIES OF US COMPANIES ABROAD AS WELL AS EQUIPMENT PRODUCED ABROAD UNDER LICENSES ISSUED BY US COMPANIES.

THE OBJECTIVE OF THE UNITED STATES IN IMPOSING THE SANCTIONS HAS BEEN AND CONTINUES TO BE TO ADVANCE RECONCILIATION IN POLAND. SINCE DECEMBER 30 1981 LITTLE HAS CHANGED CONCERNING THE SITUATION IN POLAND: THERE HAS BEEN NO MOVEMENT THAT WOULD ENABLE US TO UNDERTAKE POSITIVE RECIPROCAL MEASURES.

THE DECISION TAKEN TODAY WILL, WE BELIEVE, ADVANCE OUR OBJECTIVES OF RECONCILIATION IN POLAND. ENDS.

RESIDENT CLERK PLEASE INFORM BRIDGES AND GOWLLAND (TRED)

FCO PLEASE PASS ADVANCE COPIES TO CORLEY (DOT) AND HAVELOCK (DOI)

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EHG(B2)(82)7A Addendum

Copy No. 1

European Council Brussels
28/29 June 1982

EC Trade Issues with US

ADDITIONAL BACKGROUND

French Memorandum on External Trade Policy

1. In discussion of US action on steel at the Foreign Affairs Council on 22 June M Chandernagor referred to his proposals for improving the Common Commercial Policy as the means for dealing with problems like the one under discussion. He received support from Italy. The French may revert to this theme at the European Council.

2. The French have proposed:

(a) a regular assessment of the results of European surveillance of imports;

(b) new procedures to enable EC to restrict imports in the same way as the US (by implication in ways not compatible with the GATT).

The proposals have not yet been considered within the Community in any detail. We have some sympathy with the French ideas on surveillance. But given extensive efforts to secure public commitments to the open trading system both at Versailles and the GATT Ministerial Meeting, it is hardly an auspicious moment for the EC to embark on moves which would be interpreted as overtly protectionist. Other Member States, notably the FRG, have similar or greater reservations. So we need not take the lead in responding cautiously.

Commission Talks with US Trade Representative Brock: 24 June

3. Commission have reported Brock was impressed by strength of EC feeling but held out little hope of change on pipeline. While appearing more forthcoming on steel, he emphasised he had not been actively involved during the last couple of months.