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TO IMMEDIATE F C O

TELEGRAM NUMBER 2389 OF 9 JULY

INFO PRIORITY BONN, PARIS, ROME.

M I P T: SIBERIAN PIPELINE AND POLAND: NEW YORK TIMES STORY.

1. THE TEXT OF GELB'S STORY FOLLOWS BY BAG. ACCORDING TO GELB, ADMINISTRATION OFFICIALS SAY THE PRESIDENT IS SEARCHING FOR WAYS TO EASE ECONOMIC SANCTIONS INCLUDING A SCALING BACK OF THE BAN ON EQUIPMENT FOR THE SIBERIAN PIPELINE. THEY REPORT QUOTE HEATED EXCHANGES UNQUOTE AT AN QUOTE EXPLOSIVE UNQUOTE MEETING OF THE CABINET ON 27 JUNE. REMARKS, THAT THE DECISION TO EXTEND THE SANCTIONS WAS A DISASTER FOR RELATIONS WITH WESTERN EUROPE, WERE ATTRIBUTED TO BROCK, U.S. TRADE REPRESENTATIVE, AND SOME OTHER UNIDENTIFIED MEMBERS OF THE CABINET. BROCK, WHO WAS IN EUROPE AT THE TIME OF THE EARLIER NSC MEETING WHEN THE DECISION TO EXTEND SANCTIONS WAS TAKEN, IS SAID TO HAVE REPORTED ON HIS RETURN THAT THE PRIVATE REACTION OF GOVERNMENTS IN EUROPE WAS EVEN SHARPER THAN THEIR PUBLISHED REACTION. ADMINISTRATION OFFICIALS ARE SAID TO BELIEVE THAT THE WHITE HOUSE WOULD RELAX THE SANCTIONS

ARE SAID TO BELIEVE THAT THE WHITE HOUSE WOULD RELAX THE SANCTIONS ONLY IF THERE WERE MOVEMENT TOWARDS LIBERALISATION IN POLAND. ACCORDING TO THESE SOURCES, THE WHITE HOUSE IS ATTEMPTING TO INDUCE AMERICAN BUSINESSMEN TO URGE WESTERN EUROPEAN LEADERS TO PRESS THE POLISH AND SOVIET AUTHORITIES TO MAKE THE FIRST MOVE. IN THIS WAY, THE WHITE HOUSE COULD POINT TO THE SUCCESS OF SANCTIONS AND THE PIPELINE COULD GO FORWARD.

2. THIS VIEW IS SAID TO BE SUPPORTED BY A WHITE HOUSE OFFICIAL WHO IS QUOTED AS SAYING THAT IT WAS QUOTE PERHAPS THE FASTEST AND SUREST WAY TO RELIEVE SOME OF THE TENSION WITHIN THE ALLIANCE AS WELL UNQUOTE. THE SAME OFFICIAL IS REPORTED TO HAVE COMMENTED THAT THE 27 JUNE CABINET MEETING WAS NOT INTENDED TO CHALLENGE THE PRESIDENT'S DECISION BUT TO FIND WAYS OF EXPRESSING THE POLICY MORE CONVINCINGLY. THE OFFICIAL CONCERNED IS SAID TO HAVE DENIED THAT THERE HAS BEEN ANY SOFTENING OF THE U.S. POSITION. HE POINTED OUT THAT THERE HAD BEEN NO CHANGE IN THE PRESIDENT'S OUTLOOK SINCE MARCH BUT THAT THERE WERE NOW QUOTE MORE POLITICAL REASONS UNQUOTE TO REDUCE THE SANCTIONS THAN IN MARCH.

3. ADMINISTRATION INTELLIGENCE EXPERTS ARE SAID NOT TO BE OPTIMISTIC ABOUT A POSITIVE POLISH RESPONSE. ACCORDING TO GELB, HOWEVER, THESE EXPERTS BELIEVE THAT THE PRESIDENT'S SANCTIONS AGAINST POLAND HAVE BEEN WORKING AND THAT THERE IS A CHANCE THAT THE WARSAW AUTHORITIES MAY USE POLAND'S NATIONAL HOLIDAY ON 22 JULY TO ANNOUNCE SOME RELAXATION OF MARTIAL LAW WITHOUT APPEARING TO HAVE SUCCUMBED TO U.S. PRESSURES.

4. STATE AND COMMERCE DEPARTMENT OFFICIALS ARE REPORTED NOT TO BELIEVE THAT THE U.S. CAN COUNT ON REAL MOVEMENT TOWARDS LIBERALISATION IN POLAND. THEY HAVE, THEREFORE, BEEN EXPLORING THE POSSIBILITY OF A GENUINE TIGHTENING OF EXPORT CREDITS BY THE WESTERN EUROPEANS.

RESIDENT CLERK PLEASE INFORM BRIDGES BEFORE HE LEAVES FOR PARIS.

ADVANCE COPIES ON 12 JULY TO BULLARD, EVANS, BROOMFIELD (EESD) AND GOWLLAND (TRED).

HENDERSON

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