

SECRET

45164 - 1

OO WASHINGTON

GRS 610

SECRET

FM FCO 181615Z JAN 82

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 59 OF 18 JANUARY

AND TO IMMEDIATE PARIS, BONN

INFO IMMEDIATE UKREP BRUSSELS, UKDEL NATO

POLAND : ECONOMIC MEASURES TOWARDS THE SOVIET UNION

1. I AM CONCERNED THAT THE UNITY ACHIEVED AMONG THE ALLIES AT THE NATO MINISTERIAL MEETING ON 11 JANUARY MAY ALREADY BE IN DANGER, BECAUSE OF THE US POSITION ABOUT EXISTING EXPORT CONTACTS AND GERMAN RELUCTANCE TO TAKE MEASURES AGAINST THE USSR.
2. THERE SEEMS TO BE A REAL RISK THAT THE AMERICANS WILL APPLY THEIR OWN MEASURES TOWARDS THE SOVIET UNION IN SUCH A WAY AS TO PREVENT THE INCLUSION OF US ITEMS IN EQUIPMENT SUPPLIED BY THE EUROPEANS TO THE SOVIET UNION UNDER EXISTING CONTRACTS (YOUR TELSNO 132 AND 133). THAT WOULD OF COURSE PREVENT OR GREATLY DELAY THE PIPELINE PROJECT. YET THE GERMANS INTEND TO PERSEVERE WITH THE PIPELINE (PARA 6 OF PARIS TELNO 27) AND MANY EUROPEANS HAVE STRONG VIEWS ABOUT NOT INTERFERING WITH EXISTING CONTRACTS. AND SUCH CHANCES AS THERE ARE THAT THE GERMANS AND SOME OTHERS WILL TAKE WORTHWHILE MEASURES OF THEIR OWN TOWARDS THE SOVIET UNION, IN ACCORDANCE WITH THE NATO DECLARATION OF 11 JANUARY, WOULD PROBABLY BE DESTROYED BY US INTERFERENCE WITH EXISTING EUROPEAN CONTRACTS.
3. THE UK HAS AN INTEREST IN THE PIPELINE GOING AHEAD, NOTABLY BECAUSE OF THE JOHN BROWN CONTRACT. CANCELLATION OF THE PIPELINE MIGHT COST UK FIRMS POUNDS STERLING 170 MILLION. WE ALSO HAVE THE IMPORTANT GENERAL INTEREST THAT NATO'S RESPONSE TO THE POLISH CRISIS SHOULD BE SEEN TO BE ADEQUATE AND REASONABLY UNITED. THE QUESTION IS WHETHER WE CAN DO ANYTHING TO AVERT THE SERIOUS PROBLEMS AHEAD.
4. THE FOLLOWING ARE SOME OF THE CONSIDERATIONS:
 - (A) SEVERAL OTHER EUROPEANS, AND NOTABLY THE GERMANS, HAVE A FAR GREATER INTEREST THAN THE UK IN THE PIPELINE PROJECT.

1

SECRET

SECRET

45164 - 1

- (B) WE CANNOT BE SURE THAT, EVEN IF THE AMERICANS WERE TO EXEMPT EXISTING EUROPEAN CONTRACTS FROM THEIR MEASURES, ALL THE EUROPEAN MEMBERS OF NATO WOULD TAKE WORTHWHILE MEASURES UNDER THE NATO DECLARATION.
- (C) YET SUCH EUROPEAN MEASURES, COUPLED WITH THE AMERICAN WISH FOR A UNITED ALLIED RESPONSE ON POLAND, ARE THE ONLY LEVERAGE AVAILABLE FOR PRESSING THE AMERICANS TO EXEMPT EXISTING EUROPEAN CONTRACTS.
- (D) WE ASSUME THAT HAIG REALISES THAT INTERFERENCE WITH EXISTING EUROPEAN CONTRACTS WILL CAUSE A MAJOR TRANSATLANTIC ROW. SUBJECT TO YOUR VIEWS, WE THEREFORE WONDER WHETHER ANYONE IN WASHINGTON EXCEPT THE PRESIDENT COULD TAKE THE DECISION TO EXEMPT EUROPEAN CONTRACTS (ASSUMING THAT EUROPEAN ONES CAN BE SEPARATED FROM PURELY AMERICAN ONES IN SUCH A DECISION).
5. WE SHOULD BE GTEFUL FOR YOUR VIEWS. ONE COURSE WOULD BE TO WAIT FOR THE GERMANS TO REALISE FULLY THAT A MAJOR ROW IS LOOMING, IN THE HOPE THAT THEY WILL THEMSELVES DECIDE TO TACKLE THE AMERICANS. BUT DURING THE DELAY THE MEDIA MIGHT WELL DIRECT MUCH MORE ATTENTION TO TRANSATLANTIC DIFFERENCES. ANOTHER APPROACH WOULD BE FOR US TO DISCUSS THE MATTER AT A HIGH LEVEL WITH THE GERMANS AND FRENCH, AND THEN TO MAKE SEPARATE APPROACHES TO THE AMERICANS. YET SUCH CONCERTATION MIGHT ALIENATE THE LATTER ALTERNATIVELY, WE MIGHT SUGGEST THAT SCHMIDT SHOULD APPROACH REAGAN, FOLLOWING UP THEIR RECENT SUCCESSFUL MEETING (EVEN THOUGH THE PIPELINE WAS NOT THEN DISCUSSED). IN ANY CASE, AN APPROACH TO THE AMERICANS WOULD PROBABLY NEED TO IMPLY A DEAL WHEREBY THE AMERICANS WOULD RELAX THEIR POSITION ON EXISTING EUROPEAN CONTRACTS IN RETURN FOR EUROPEAN UNDERTAKINGS TO TAKE WORTHWHILE ACTION TOWARDS THE SOVIET UNION IN LINE WITH THE NATO DECLARATION. THE NATURE OF SUCH ACTION WOULD NO DOUBT NEED TO BE INDICATED. ONE OF THE SUPPORTING ARGUMENTS WOULD BE THAT THE NATO CONTINGENCY PLANNING ABOUT POLAND FORESAW NO INTERRUPTION OF EXISTING EXPORT CONTRACTS.
6. PARIS PLEASE PASS COPY TO BRIDGES AND UKREP TO BULLARD.

CARRINGTON

LIMITED	PS		
PLANNING STAFF	PS/LORD TREFGARNE	COPIES TO:	
EESD	LORD BRIDGES	MR GAINES	DOT
TRED	MR BULLARD		
NEWS D	MR GOODISON	MR HAINES	DOI
ERD	MR EVANS		
ECD (E)	CABINET OFFICE		

2

SECRET