

RESTRICTED

GRS 570

RESTRICTED

FM WASHINGTON 012215Z SEP 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 2916 OF 1 SEPTEMBER
AND TO PARIS, PRIORITY ROME, BONN.

EAST WEST ECONOMIC RELATIONS: SIBERIAN PIPELINE.

ASSOCIATED PRESS THIS AFTERNOON REPORT THE FOLLOWING: QUOTE
THE REAGAN ADMINISTRATION ACKNOWLEDGING THAT ITS ORIGINAL PENALTIES
WERE TOO SWEEPING, PLANS TO IMPOSE MORE LIMITED TRADE SANCTIONS
AGAINST EUROPEAN COMPANIES THAT ARE HELPING CONSTRUCTION OF THE
SOVIET NATURAL GAS PIPELINE, TREASURY SECRETARY DONALD REGAN SAID
TODAY. HE TOLD REPORTERS THE ADMINISTRATION INTENDS ONLY TO BAR THE
COMPANIES FROM RECEIVING AMERICAN EXPORTS OF OIL AND GAS EQUIPMENT
AND TECHNOLOGY.

THAT REPRESENTS A RELAXATION FROM THE TOTAL EXPORT BAN THAT
THE COMMERCE DEPARTMENT IMPOSED LAST WEEK AGAINST THE FRENCH
SUBSIDIARY OF DALLAS-BASED DRESSER INDUSTRIES AND ANOTHER FRENCH
COMPANY FOR SHIPPING PIPELINE PARTS TO THE SOVIETS.

REGAN SAID LAST WEEK'S ORDER BANNING THE FIRMS FROM RECEIVING
ANY U.S. GOODS QUOTE MAY NEED A LITTLE REDEFINITION A
CLARIFICATION OF WHAT WAS MEANT. UNQUOTE HE SAID THE MORE STRINGENT
COMMERCE DEPARTMENT ORDER QUOTE WAS, PERHAPS, MISINTERPRETED OR,
PERHAPS, IN ITS ORIGINAL, PRISTINE FORM, WAS A LITTLE TOO
SWEEPING WITHOUT GIVING A PRECISE DEFINITION OF WHAT WAS MEANT.
UNQUOTE THE REVISED ORDER WOULD IMPOSE SANCTIONS QUOTE REGARDING
PURCHASES AND USE OF OIL AND GAS EQUIPMENT AND TECHNOLOGICAL
INFORMATION FROM U.S. SOURCES. UNQUOTE

REGAN SAID HE EXPECTS THE QUOTE REDEFINED UNQUOTE PENALTIES WILL
BE IMPOSED SOON ON THE JOHN BROWN ENGINEERING CO OF GLASGOW, SCOT-
LAND, FOR ITS SHIPMENT OF PIPELINE EQUIPMENT MANUFACTURED WITH
AMERICAN TECHNOLOGY. HE REJECTED SUGGESTIONS THAT THE UNITED
STATES WAS EASING ITS ORIGINAL SANCTIONS, QUOTE OUR SANCTIONS HAVE
TO DO WITH OIL AND GAS. THEY CERTAINLY WOULDN'T INVOLVE, LET'S

RESTRICTED

/ SAY,

RESTRICTED

SAY, IBM TYPEWRITERS VERSUS OLIVETTI TYPEWRITERS BEING PURCHASED BY DRESSER OF FRANCE. UNQUOTE HE ALSO DENIED THAT THE ADMINISTRATION WAS LOOSENING ITS RESTRICTIONS.

STATE DEPARTMENT SPOKESMAN JOHN HUGHES SAID HERE THAT QUOTE MEASURED UNQUOTE AND QUOTE APPROPRIATE UNQUOTE PUNITIVE ACTION WILL BE TAKEN BY THE COMMERCE DEPARTMENT AGAINST JOHN BROWN AS SOON AS A LEGAL DETERMINATION IS MADE THAT THE PARTS HAVE BEEN SHIPPED, EVEN THOUGH THE EXACT NATURE OF THE PENALTY REMAINS TO BE DETERMINED. UNQUOTE

COMMENT: THIS DEVELOPMENT TYPIFIES THE ADMINISTRATION'S CONFUSION OVER THE ISSUE AS REFLECTED IN OUR TELNO 2897 OF 31 AUGUST. IT DOES HOWEVER SUGGEST THAT THE ADMINISTRATION HAS SEEN THE DANGER OF ATTEMPTING TO DRIVE A WEDGE BETWEEN BRITAIN AND FRANCE.

ADVANCE TO BROOMFIELD (ESSD) AND MCCLEAN (TRED)

FCO PLEASE PASS TO BOURKE (OT2) DOT.

THOMAS

[COPIES SENT TO NO 10 DOWNING ST]

LIMITED

TRED

ESSD

NAD

PLANNING STAFF

DEFENCE D

ECD(E)

WED

ESID

PUSD

ESSD

NEWS D

ERD

PS

PS/MRHURD

PS/MR RIFKIND

PS/PUS

SIR J BULLARD

MR GOODISON

MR ADAMS

MR HANNAY

ADDITIONAL DISTN

POLAND SPECIAL

COPIES TO:

PS/S OF S DOT

MR BOURKE OT2/DOT

-2-

RESTRICTED