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LUK 713/28

RECEIVED  
BRITISH HIGH COMMISSION  
NEW DELHI  
CHANCERY REGISTRY  
29 SEP 1982  
DUPLICATES  
OF LETTERS  
OF EMBASSY  
LOCAL

FDW F 001/28

OO DELHI (DESKBY 290030Z)  
GPS 817  
D E D I P  
S E C R E T  
BURNING BUSH.  
DESKBY 290030Z  
FROM F C O 282157Z SEP 82  
TO IMMEDIATE NEW DELHI  
TELEGRAM NUMBR 703 OF 28 SEPTEMBER

IMMEDIATE

SECRET *ml 29/9*

FROM RESIDENT CLERK PERSONAL FOR PRIME MINISTER'S PRIVATE SECRETARY.  
1. FOLLOWING TELEGRAM IS BEING REPEATED TO YOU AT REQUEST OF PLANNING STAFF.

BEGINS.  
FM UKMIS NEW YORK 281635Z SEPT 82  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1477 OF 28 SEPTEMBER,  
INFO IMMEDIATE BONN PARIS AND WASHINGTON (PERSONAL FOR AMBASSADORS)  
INFO PRIORITY ROME, MOSCOW, UKDEL NATO (PERSONAL FOR AMBASSADORS).

FOLLOWING FROM PRIVATE SECRETARY.

UNGA: BILATERAL WITH US SECRETARY OF STATE: PIPELINE.

1. THIS SUBJECT WAS TAKEN IN RESTRICTED SESSION, WITH THE SECRETARY OF STATE AND SHULTZ ACCOMPANIED ONLY BY BURT AND MYSELF. SHULTZ BEGAN BY SAYING THAT MR PYM'S HAD BEEN THE MOST CONSTRUCTIVE VOICE AROUND ON THIS SUBJECT, AND WENT ON TO REPORT THE RESULTS OF HIS LENGTHY TETE-A-TETE WITH CHEYSSON. MAIN POINTS ARE AS FOLLOWS:

- I. CHEYSSON HAD NOT BEEN PREPARED TO DISCUSS THE PIPELINE AS SUCH, ON WHICH HE SAID THAT THE TWO SIDES COULD ONLY HAVE REPEATED KNOWN ARGUMENTS. BUT, PROVIDED THAT THE PIPELINE COULD BE LEFT TO ONE SIDE AS AN UNRELATED BONE OF CONTENTION, HE WAS PREPARED TO SEE FURTHER DISCUSSION OF PARTICULAR ASPECTS OF EAST WEST ECONOMIC RELATIONS.
- II. CHEYSSON HAD EXPRESSED STRONG CRITICISM OF SOVIET POLICY ON AFGHANISTAN, POLAND AND THE ARMS BUILD UP, AND HAD WELCOMED THE STRONG US DEFENCE GESTURE.
- III. ON COCOM, THE FRENCH COULD SUPPORT AN EFFECTIVE REVIEW OF THE COCOM LIST AND A STRENGTHENING OF THE COCOM ADMINISTRATIVE MACHINERY.
- IV. ON CREDIT, CHEYSSON AGREED IN PRINCIPLE THAT WESTERN COUNTRIES SHOULD NOT SUBSIDISE THE SOVIET ECONOMY. HE WOULD BE PREPARED TO AGREE TO SOME SORT OF MACHINERY TO MANAGE THE FLOW OF CREDIT TO THIS END. ('MANAGE' WAS SHULTZ'S WORD: HE AGREED IN RESPONSE TO A QUESTION THAT CHEYSSON MIGHT NOT HAVE WISHED TO GO FURTHER THAN 'MONITOR').

- V. MORE GENERALLY, CHEYSSON COULD AGREE TO SETTING UP SOME MECHANISM TO MONITOR EAST WEST TRADE.
- VI. ON OIL AND GAS EQUIPMENT, SHULTZ HAD ARGUED FOR A LIST OF CRITICAL ITEMS THE WITHHOLDING OF WHICH WOULD HAVE A STRONG IMPACT ON THE SOVIET ABILITY TO GENERATE FOREIGN CURRENCY. HE ACCEPTED THAT THIS WAS A DISTINCT PURPOSE FROM THAT OF COCOM, BUT THOUGHT THAT A STRENGTHENED COCOM MACHINE MIGHT POSSIBLY DEAL ALSO WITH ITEMS ON THE OIL AND GAS LIST. HE WAS NOT SURE HOW FAR CHEYSSON WOULD BE PREPARED TO GO ON THIS POINT, BUT HE HAD APPEARED GENERALLY FORTHCOMING.
- VII. GAS. SHULTZ HAD EMPHASISED THE DANGER THAT THE RUSSIANS MIGHT PURSUE PRICING POLICIES DESIGNED TO MAKE UNATTRACTIVE THE SEARCH FOR NEW RESOURCES IN WESTERN EUROPE. HE HAD PROPOSED THAT THE QUESTION BE STUDIED, AND THAT THERE SHOULD BE COMMITMENT NOT TO ENTER INTO FURTHER AGREEMENTS FOR THE PURPOSE OF SOVIET GAS IN THE MEANTIME. THE AMERICANS WOULD PARTICIPATE IN SUCH A STUDY, BUT THOUGHT THAT THE LEAD SHOULD COME FROM THE EUROPEAN SIDE. CHEYSSON SEEMED GENERALLY IN AGREEMENT.
- VIII CHEYSSON HAD RAISED THE QUESTION OF SUBSIDISED SALES OF FOOD PRODUCTS FROM THE UNITED STATES. SHULTZ COMMENTED THAT, ON AN ANALOGY WITH CREDIT, THE US SHOULD HAVE NO DIFFICULTY IN AGREEING TO NON-SUBSIDISATION.

2. SHULTZ DREW FROM THIS THE CONCLUSION THAT THERE WAS A MAKINGS OF A PACKAGE ON EAST WEST ECONOMIC RELATIONS. TO MEET THE SUSCEPTIBILITIES OF THE FRENCH IT COULD NOT BE PRESENTED AS A QUID PRO QUO FOR AN AMERICAN LIFTING OF PIPELINE SANCTIONS. BUT, IF HE COULD SHOW THE PRESIDENT THAT THE ALLIES WERE ABLE TO AGREE ON SUCH A PACKAGE, HE THOUGHT THAT THE PRESIDENT WOULD BE PREPARED TO LIFT SANCTIONS. HE DID NOT RULE OUT THE POSSIBILITY OF THIS BEING DONE BEFORE THE MID-TERM ELECTIONS. PROCEDURALLY, THE NEXT STEP SHOULD BE FOR THE FOUR TO TAKE THINGS FORWARD, AND FOR THE ITALIANS AND JAPANESE TO BE BROUGHT INTO THE PICTURE.

3. IN RESPONSE, THE SECRETARY OF STATE REGRETTED THAT THE FRENCH POSITION MADE IT IMPOSSIBLE FOR US TO TACKLE THE PIPELINE QUESTION DIRECTLY: THE SANCTIONS WERE A MATTER OF GREAT CONCERN TO US AND WERE HAVING AN UNEXPECTEDLY HARSH IMPACT ON JOHN BROWN. BUT HE WAS READY TO BUILD ON WHAT THE FRENCH COULD BE BROUGHT TO ACCEPT AND TO SUPPORT FURTHER WORK IN THE FOUR. HE HOPED THAT THE FOUR MINISTERS WOULD ALSO GO FURTHER AND INSTRUCT POLITICAL DIRECTORS TO LOOK MORE GENERALLY AT WHAT SHOULD BE THE MAIN ELEMENTS OF WESTERN POLICY IN EAST WEST RELATIONS IN THE YEARS AHEAD. THESE QUESTIONS WERE OF IMPORTANCE TO THE ALLIANCE AS A WHOLE, BUT THE FRENCH WOULD BE MORE LIKELY TO COOPERATE EFFECTIVELY IN THE FOUR.

4. SHULTZ, WHO WAS CLEARLY IN A HURRY TO PUSH AHEAD, EXPRESSED CONCERN THAT VON STADEN WOULD FEEL OBLIGED TO TAKE A VERY CAUTIOUS LINE AT THE QUADRIPARTITE MEETING ON 29 SEPTEMBER. A SUBSEQUENT BILATERAL MEETING BETWEEN THE SECRETARY OF STATE AND VON STADEN TENDED TO CONFIRM THIS.

THOMSON  
ENDS  
PYM

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