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SECRET

BURNING BUSH

DESKBY 012030Z

FROM UKMIS NEW YORK 011918Z OCT 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 1544 DATED 1 OCTOBER 82

INFO IMMEDIATE OTTAWA (FOR SECRETARY OF STATE'S PARTY) BONN,
PARIS, WASHINGTON, UKDEL NATO (PERSONAL FOR AMBASSADOR/MINISTER)

MIPT: EAST/WEST ECONOMIC RELATIONS

1. FOLLOWING IS TEXT OF PAPER AS AGREED AT 1600 GMT ON 1 OCTOBER

BEGINS:

1. THE GOVERNMENTS OF - - - - - RECOGNIZE THE
NECESSITY OF CONDUCTING THEIR RELATIONS WITH THE USSR ON
THE BASIS OF A COMPREHENSIVE POLICY. THEY ARE PARTICULARLY
CONSCIOUS OF THE NEED FOR A COMMON APPROACH IN THE ECONOMIC
FIELD, WHERE THEY REGRET THE DIFFERENCES WHICH HAVE ARISEN
AMONG THEM. THEY ARE RESOLVED TOGETHER TO TAKE THE NECESSARY
STEPS TO REMOVE THESE DIFFERENCES AND TO ENSURE THAT FUTURE
DECISIONS BY THEIR GOVERNMENTS ON THESE ISSUES ARE TAKEN ON
THE BASIS OF AN ANALYSIS OF THE EAST-WEST RELATIONSHIP AS A
WHOLE, WITH DUE REGARD FOR THEIR RESPECTIVE INTERESTS AND IN
A SPIRIT OF MUTUAL TRUST AND CONFIDENCE.

2. THEY AGREE THAT THE FOLLOWING CRITERIA SHOULD GOVERN THE
ECONOMIC DEALINGS OF THEIR COUNTRIES WITH THE SOVIET UNION
AND EASTERN EUROPEAN COUNTRIES.

-- THESE DEALINGS SHOULD IN NO CASE INVOLVE TRANSFER /
OF MILITARILY RELEVANT EQUIPMENTS AND TECHNOLOGIES.

-- THERE IS A NEED TO AVOID ANY ARRANGEMENT BY WHICH /
THE SOVIET UNION WOULD BE GIVEN A PREFERENTIAL TREATMENT OVER
INDUSTRIALIZED OR DEVELOPING COUNTRIES.

-- IT IS PROPER, IN DEALING WITH THE SOVIET UNION, TO /
LOOK FOR A VERY STRICT BALANCE OF ADVANTAGES AND OBLIGATIONS.

-- THAT THEY WILL NOT UNDERTAKE TRADE ARRANGEMENTS /
WHICH HAVE THE EFFECT OF CONTRIBUTING TO THE MILITARY
CAPACITY, ACTUAL OR POTENTIAL, OF THE USSR.

-- THAT IT IS NOT IN THEIR INTEREST TO CONDUCT TRADE WITH
THE USSR WHICH HAS THE EFFECT OF SUBSIDIZING THE SOVIET ECONOMY.

-- THAT THEY WILL TAKE NO STEPS THAT CONTRIBUTE TO THE
STRATEGIC ADVANTAGE OF THE SOVIET UNION.

FOOTNOTE: THERE IS AGREEMENT ON THE NEED FOR SOME GENERAL PRINCIPLES
OR CRITERIA. THE CHOICE AND FORMULATION OF THESE REQUIRES FURTHER
STUDY. THOSE SUGGESTED HERE ARE ILLUSTRATIVE ONLY. THE FIRST
THREE ARE FROM THE FRENCH DRAFT: THE SECOND THREE FROM THE
U.S. DRAFT.

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/THEY AGREE

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THEY AGREE TO EXAMINE THOROUGHLY HOW TO APPLY THESE CRITERIA, TAKING INTO ACCOUNT THE VARIOUS ECONOMIC AND POLITICAL PROBLEMS INVOLVED, WITH THE VIEW TO AGREEING ON A COMMON LINE OF ACTION. THEY WILL PAY DUE ATTENTION IN THE COURSE OF THIS WORK TO THE QUESTION OF HOW BEST TO TAILOR THEIR ECONOMIC RELATIONS WITH EASTERN EUROPEAN COUNTRIES TO THE SPECIFIC SITUATION OF EACH OF THEM.

THIS OVERALL ANALYSIS WILL TOUCH IN PARTICULAR ON THE FOLLOWING AREAS:

- STRATEGIC GOODS AND TECHNOLOGY (COCOM)
- AGRICULTURAL COMMODITIES, EQUIPMENT AND TECHNOLOGY
- OTHER TRADE
- CREDIT POLICY
- ENERGY SQUARE BRACKETS , INCLUDING HIGH TECHNOLOGY OIL AND GAS EQUIPMENT SQUARE BRACKETS END (UK AND FRENCH SQUARE BRACKETS).

IN THE FIELD OF ENERGY THE EUROPEAN GOVERNMENTS, WITH U.S. PARTICIPATION, WILL INITIATE A STUDY OF PROJECTED EUROPEAN ENERGY REQUIREMENTS OVER THE NEXT DECADE AND BEYOND AND POSSIBLE MEANS OF MEETING THOSE REQUIREMENTS. THIS STUDY WILL BE PREPARED UNDER THE AUSPICES OF THE OECD.

3. AS AN IMMEDIATE DECISION, THEY HAVE AGREED ON THE FOLLOWING:

(A) THEY WILL WORK TOGETHER WITHIN THE FRAMEWORK OF THE COORDINATING COMMITTEE (COCOM) TO PROTECT THE CONTEMPORARY SECURITY INTERESTS OF THE ALLIANCE. THE LIST OF STRATEGIC ITEMS WOULD BE EVALUATED AND, IF NECESSARY, MODIFIED. THIS OBJECTIVE WILL BE PURSUED AT THE COCOM REVIEW MEETING BEGINNING OCTOBER 4 IN PARIS SQUARE BRACKETS BEGIN , AND FOLLOWED UP AT A HIGH LEVEL MEETING IN EARLY 1983 SQUARE BRACKETS END. THEY FURTHER AGREE TO TAKE THE NECESSARY MEASURES TO STRENGTHEN THE EFFECTIVENESS AND RESPONSIVENESS OF COCOM AND TO ENHANCE THEIR NATIONAL MECHANISMS AS NECESSARY TO ENFORCE COCOM DECISIONS. (FRG AND FRENCH SQUARE BRACKETS).

(B) IT WAS AGREED AT VERSAILLES THAT THE DEVELOPMENT OF ECONOMIC AND FINANCIAL RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE WOULD BE SUBJECT TO PERIODIC EX POST REVIEW. THE ALLIES ARE AGREED ON THE NEED TO ESTABLISH WITHOUT DELAY THE NECESSARY MECHANISM FOR THIS PURPOSE. SQUARE BRACKETS BEGIN ALLIED GOVERNMENTS WILL ALSO ESTABLISH THE MEANS TO SUPERVISE THE EXTENSION OF OFFICIAL CREDITS, COVERING INTEREST RATES, MATURITIES, DOWN PAYMENTS, AND FEES. SQUARE BRACKETS END SQUARE BRACKETS BEGIN ALLIED GOVERNMENTS WILL ENDEAVOR TO HARMONIZE NATIONAL POLICIES WITH RESPECT TO MATURITIES, DOWN PAYMENTS, AND SUBSIDIES FOR INTEREST RATES. SQUARE BRACKETS END (FIRST SQUARE BRACKETS FRANCE AND FRG. SECOND SQUARE BRACKETS FRANCE, US, UK).

(C) DURING THE COURSE OF THE STUDY ON ENERGY, ALLIED GOVERNMENTS WILL EXERCISE RESTRAINT WITH REGARD TO ENTERING INTO ANY NEW CONTRACTS WITH THE SOVIET UNION FOR THE PURCHASE OF NATURAL GAS.

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(D) ALLIED GOVERNMENTS AGREE TO SQUARE BRACKETS BEGIN STUDY WHETHER THEIR SECURITY INTERESTS REQUIRE CONTROLS ON SQUARE BRACKETS END SQUARE BRACKETS BEGIN CONTROL SQUARE BRACKETS END THE EXPORT TO THE SOVIET UNION AND EASTERN EUROPE OF CERTAIN ADVANCED TECHNOLOGY AND EQUIPMENT, TO BE JOINTLY DETERMINED, WITH DIRECT APPLICATION TO THE OIL AND GAS SECTOR. ACTIONS WOULD BE AGREED UPON AND IMPLEMENTED WITHIN THE COCOM FRAMEWORK. (FIRST SQUARE BRACKETS U.S. SECOND SQUARE BRACKETS FRG AND UK. FRANCE BRACKETS ENTIRE PARAGRAPH)

NOTE: THE EUROPEAN GOVERNMENTS ARE AGREED TO BEAR IN MIND THE COMPETENCIES OF THE EUROPEAN COMMUNITIES.

OCTOBER 1, 1982
NEW YORK

ENDS

2. FCO PLEASE ADVANCE AS IN MY IMMEDIATELY PRECEEDING TELEGRAM

THOMSON

[ADVANCED AS REQUESTED]

LIMITED	
HD/PLANNING STAFF	PS/PUS
HD/EESD	MR EVANS
HD/TRED	MR WRIGHT
HD/ECD (E)	MR THOMAS
PS	MR GILLMORE

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DEDIP
BURNING BUSH
DESKBY 012030Z
FM UKMIS NEW YORK 011915Z OCT 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 1543 OF 1 OCTOBER
INFO IMMEDIATE OTTAWA (FOR SECRETARY OF STATE' PARTY) BONN, PARIS,
WASHINGTON, UKDEL NATO (PERSONAL FOR AMBASSADOR/MINISTER).

MY TELNOS 1532 AND 1533: EAST/WEST ECONOMIC RELATIONS
FROM BULLARD

1. THIS EXERCISE TOOK A NEW TURN OVERNIGHT AS A RESULT OF INSTRUCTIONS FROM CHEYSSON TO HIS POLITICAL DIRECTOR THAT AN EFFORT BE MADE TO RECONCILE THE FRENCH AND AMERICAN POSITIONS WHICH HAD BEEN SO FAR APART YESTERDAY. WHEN TODAY'S MEETING BEGAN ANDREANI CIRCULATED A NEW DRAFT WHICH PRESENTED THE ITEMS ON THE AMERICAN LIST, TO THE EXTENT THAT THESE WERE ACCEPTABLE TO THE REST OF THE FOUR, AS DECISIONS TO BE TAKEN IMMEDIATELY BUT IN THE CONTEXT OF A RESOLVE BY THE FOUR GOVERNMENTS TO CONDUCT RELATIONS WITH THE SOVIET UNION ON THE BASIS OF AN AGREED AND COMPREHENSIVE POLICY INCLUDING THE ECONOMIC DIMENSION. IT WAS AGREED TO WORK ON THIS FRENCH DRAFT. IT HELPED A GREAT DEAL THAT BURT HAD BEEN SUMMONED TO WASHINGTON ON BUSINESS CONNECTED WITH CONFIRMATION BY THE SENATE, LEAVING THE AMERICAN CHAIR TO BE TAKEN BY THE MUCH MORE EFFECTIVE EAGLEBURGER.
2. MIFT CONTAINS THE FINAL VERSION OF THE PAPER WHICH IT WAS AGREED TO RECOMMEND TO THE FOUR FOREIGN MINISTERS. THERE WAS A GENERAL SENSE THAT IT WAS BETTER TO SPELL OUT THE DIFFERENCES OF APPROACH BY MEANS OF SQUARE BRACKETS, RATHER THAN TRY TO CONCEAL THEM BY VERBAL FUDGING.
3. COMMENT. THE PAPER SEEMS TO ME TO TAKE ACCOUNT OF THE SIGNIFICANT POINTS IN YOUR TELNO 820, FOR WHICH MANY THANKS. IT ALSO OPENS THE WAY TO THE KIND OF COMPREHENSIVE POLICY TOWARDS THE EAST FOR WHICH THE SECRETARY OF STATE HAS BEEN ARGUING IN RECENT MONTHS. WHETHER IT GIVES THE UNITED STATES ENOUGH FOR SHULTZ TO BE ABLE TO PERSUADE THE PRESIDENT TO LIFT THE AMERICAN MEASURES AGAINST THE SOVIET UNION IS DOUBTFUL: EAGLEBURGER WAS PESSIMISTIC.

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4. YOU WILL NO DOUBT SEND THE SECRETARY OF STATE ANY FURTHER BRIEFING WHICH HE MAY REQUIRE AT THE NATO WEEKEND MEETING. THE UNDERSTANDING AMONG POLITICAL DIRECTORS WAS THAT THE FOREIGN MINISTERS WOULD PROBABLY WANT TO TALK ABOUT THE PAPER PREPARED HERE, BUT NOT TO DISCUSS IT IN DETAIL, AND THAT FURTHER WORK COULD BEST BE CONCENTRATED FOR THE TIME BEING IN WASHINGTON IN A GROUP OF FOUR COMPRISING THE THREE EMBASSIES AND THE STATE DEPARTMENT.

FCO PLEASE ADVANCE COPIES TO:-

PS, PS/PUS MR EVANS, MR WRIGHT, MR THOMAS, MR GILLMORE,
HEAD/EESD, HEAD/ PLANNING STAFF, HEAD/TRED.

THOMSON

[ADVANCED AS REQUESTED]

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HD/PLANNING STAFF
HD/EESD
HD/TRED
HD/ECD (E)
PS
PS/PUS
MR EVANS
MR WRIGHT
MR THOMAS
MR GILLMORE

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ZZ UKMIS NEW YORK
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SECRET/DEDIP/BURNING BUSH
FM FCO 011115Z OCTOBER 82
FLASH UKMIS NEW YORK

TELEGRAM NUMBER 820 OF 1 OCTOBER
INFO IMMEDIATE BONN, PARIS, WASHINGTON, UKDEL
NATO, UKREP BRUSSELS, (PERSONAL FOR AMBASSADOR/MINISTER)
YOUR TELNOS 1532-3: EAST/WEST ECONOMIC RELATIONS

1. OFFICIALS CONCERNED FIND LATEST VERSION OF PAPER BROADLY ACCEPTABLE, SUBJECT TO THE FOLLOWING POINTS.
2. WORDING OF PREAMBLE AND (A) CAUSES US NO PROBLEM. IN (B) WE WOULD LIKE THE FIRST BRACKET DELETED: OR IF IT REMAINS, QUOTE NO SUBSIDISATION UNQUOTE SHOULD BE CHANGED TO QUOTE WITH A VIEW TO MINIMISING SUBSIDISATION UNQUOTE. THE NEXT SENTENCE SHOULD READ QUOTE TO THIS END ALLIED GOVERNMENTS WILL ESTABLISH THE MEANS TO SUPERVISE THE EXTENSION OF OFFICIAL CREDITS, COVERING INTEREST RATES, MATURITIES, DOWN PAYMENTS, AND FEES UNQUOTE. IF THE WORD OFFICIAL IS DELETED WE NEED THE WORDS QUOTE TO THE EXTENT POSSIBLE UNQUOTE, AS WE WOULD IF THE WORD QUOTE VOLUME UNQUOTE IS ADDED. SUBSTITUTION OF THE WORD SUPERVISE FOR MANAGE IS A STICKING POINT FOR THE TREASURY, AND THE DEPARTMENTS OF TRADE AND INDUSTRY. THE FINAL, BRACKETTED SENTENCE OF (B) SHOULD BE DELETED.
3. IN (C) DELETE VERB QUOTE CONTROL UNQUOTE AND SUBSTITUTE FIRST PASSAGE IN BRACKETS. THIS IS A STICKING POINT. WE ALSO WANT TO INCLUDE SECOND BRACKET, AND OTHERWISE STICK TO EXISTING TEXT, WHICH SUITS US ADMIRABLY.
4. (D) IS ACCEPTABLE BUT WE WOULD PREFER THE FIRST SENTENCE TO BEGIN QUOTE THE EUROPEAN GOVERNMENTS, WITH US PARTICIPATION, WILL STUDY PROJECTED EUROPEAN ENERGY REQUIREMENTSUNQUOTE. THE WORD QUOTE DELIVERY UNQUOTE IS AMBIGUOUS (IT MIGHT REFER TO WESTERN EXPORTS OF EQUIPMENT). WE THEREFORE PREFER THE WORD QUOTE PURCHASE UNQUOTE WHICH TIES THE ACTION FIRMLY TO GAS.

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5. IN (E) WE NEED A REFERENCE TO THE COMMUNITIES. ONE POSSIBILITY IS THE INSERTION IN THE FIRST SENTENCE AFTER THE WORD QUOTE INVOLVED UNQUOTE OF QUOTE AND BEARING IN MIND THE RESPECTIVE COMPETENCIES OF THE EUROPEAN COMMUNITIES AND OF NATO UNQUOTE. WE WOULD LIKE THE SECOND PART OF THE FINAL SENTENCE TO READ QUOTE THE ALLIES WILL EXAMINE THEIR ECONOMIC POLICIES TOWARDS THE SOVIET UNION AND EASTERN EUROPE TO ENSURE THAT THEY ARE CONSISTENT WITH THEIR POLITICAL AND SECURITY INTERESTS UNQUOTE. THIS IS BOMN WORDING, AND WE ATTACH IMPORTANCE TO THIS FORMULATION.

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HD/PLANNING STAFF
HD/EESD
HD/TRED
HD/DEFENCE D
HD/ERD
HD/ECD (E)
HD/NAD
PS
PS/PUS
MR EVANS
MR GOODISON
MR THOMAS
MR GILLMORE

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BURNING BUSH

DESKBY 010800Z

FM UKMIS NEW YORK 010522Z OCT 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 1533 OF 30 SEPTEMBER 1982

INFO IMMEDIATE BONN, PARIS, WASHINGTON, UKDEL NATO (PERSONAL FOR AMBASSADOR/MINISTER).

FOLLOWING FROM PRIVATE SECRETARY

MIPT: EAST/WEST ECONOMIC RELATIONS

FOLLOWING IS TEXT OF QUADRIPARTITE DRAFT PAPER AS AT 2300 HRS 30 SEPTEMBER.

BEGINS

THE GOVERNMENTS OF _____ RECOGNIZE THE NECESSITY OF DEVELOPING A COMMON POLICY ON ECONOMIC RELATIONS WITH THE USSR. THEY NOTE WITH REGRET THE DIFFERENCES WHICH HAVE DEVELOPED AMONG THEM IN THIS AREA, NOTWITHSTANDING THE BROAD AREAS OF AGREEMENT REACHED AT THE RECENT SUMMIT MEETINGS IN BONN AND VERSAILLES.

THEY ARE RESOLVED TO TAKE THE NECESSARY STEPS TO REMOVE THESE DIFFERENCES WITH THE LEAST POSSIBLE DELAY, ENSURING THAT FUTURE DECISIONS BY THEIR GOVERNMENTS ON THESE ISSUES WILL BE MADE ON THE BASIS OF A COMMON ASSESSMENT OF THE EAST-WEST RELATIONSHIP AND WITH DUE REGARD FOR THE INTERESTS OF THE BROADER COMMUNITY.

TO THIS END, THEY ARE IN FULL AGREEMENT ON THE NEED FOR JOINT ACTION IN THE FOLLOWING FIELDS:

(A) THEY WILL WORK TOGETHER WITHIN THE FRAMEWORK OF THE COORDINATING COMMITTEE (COCOM) TO PROTECT THE CONTEMPORARY SECURITY INTERESTS OF THE ALLIANCE. THE LIST OF STRATEGIC ITEMS WOULD BE EVALUATED AND, IF NECESSARY, MODIFIED. THIS OBJECTIVE WILL BE UNDERTAKEN AT THE COCOM REVIEW MEETING BEGINNING OCTOBER 4 IN PARIS, AND FOLLOWED UP AT THE HIGH LEVEL MEETING SCHEDULED FOR EARLY 1983. THEY FURTHER AGREE TO TAKE THE NECESSARY MEASURES TO STRENGTHEN THE EFFECTIVENESS AND RESPONSIVENESS OF COCOM AND TO ENHANCE THEIR NATIONAL MEASURES AS NECESSARY TO ENFORCE COCOM DECISIONS.

(B) IT WAS AGREED AT VERSAILLES THAT THE DEVELOPMENT OF ECONOMIC AND FINANCIAL RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE WOULD BE SUBJECT TO PERIODIC EX POST REVIEW. THE ALLIES ARE AGREED ON THE NEED TO ESTABLISH WITHOUT DELAY THE NECESSARY MECHANISM FOR THIS PURPOSE. (TO ENSURE THAT THERE IS NO SUBSIDIZATION OF SOVIET ECONOMIC DEVELOPMENT). ALLIED GOVERNMENTS WILL ALSO ESTABLISH THE MEANS TO MANAGE

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THE EXTENSION OF CREDITS, COVERING INTEREST RATES, MATURITIES, DOWN PAYMENTS, AND FEES. (ALLIED GOVERNMENTS WILL ALSO ESTABLISH THE MEANS TO MANAGE THE EXTENSION OF PUBLIC AND PRIVATE CREDITS, HARMONIZING NATIONAL POLICIES TO THE EXTENT POSSIBLE, TAKING INTO CONSIDERATION INTEREST RATES, MATURITIES, DOWN PAYMENTS, FEES, AND VOLUMES).

(C) SO AS NOT TO GIVE THE USSR AN UNDESIRABLE STRATEGIC ADVANTAGE THE ALLIED GOVERNMENTS AGREE TO CONTROL (OR TO STUDY WHETHER THEIR SECURITY INTERESTS REQUIRE CONTROLS ON) THE EXPORT TO THE SOVIET UNION AND EASTERN EUROPE OF CERTAIN ADVANCED TECHNOLOGY AND EQUIPMENT (TO BE JOINTLY DETERMINED) WITH DIRECT APPLICATION TO THE OIL AND GAS SECTOR. ACTIONS WOULD BE AGREED UPON AND IMPLEMENTED WITHIN THE COCOM FRAMEWORK.

(D) THE EUROPEAN GOVERNMENTS, WITH U.S. PARTICIPATION, WILL INITIATE A STUDY ON ENERGY WHICH WILL FOCUS ON PROJECTED EUROPEAN ENERGY REQUIREMENTS OVER THE NEXT DECADE AND BEYOND AND POSSIBLE MEANS OF MEETING THOSE REQUIREMENTS. THIS STUDY WILL BE PREPARED UNDER THE AUSPICES OF THE OECD. DURING THE COURSE OF THIS STUDY, ALLIED GOVERNMENTS WOULD EXERCISE RESTRAINT WITH REGARD TO ENTERING INTO ANY NEW CONTRACTS WITH THE SOVIET UNION FOR THE DELIVERY OF NATURAL GAS.

(E) GIVEN THE COMPLEXITY OF THE ISSUES INVOLVED, SUCH DECISIONS CAN BE EFFECTIVE ONLY IF THEY ARE BASED ON A COMPREHENSIVE ANALYSIS OF THE NATURE AND CONDITIONS OF THE USSR AND OF EAST-WEST RELATIONS. CONSEQUENTLY, THE ALLIES ALSO AGREE TO INITIATE A BROADER EXAMINATION OF EAST-WEST ECONOMIC AND POLITICAL RELATIONS IN AN EFFORT TO SHAPE ECONOMIC POLICY IN LIGHT OF THE EVOLVING NATURE OF THE OVERALL RELATIONSHIP BETWEEN EAST AND WEST. AS PART OF THIS STUDY, THE ALLIES WILL EXAMINE HOW BEST TO TAILOR ECONOMIC POLICY SO THAT THE POLITICAL SITUATION IN VARIOUS EASTERN EUROPEAN COUNTRIES CAN BE AFFECTED IN DIRECTIONS CONSISTENT WITH THE INTERESTS OF THE ALLIANCE.

ENDS

F C O PLEASE ADVANCE COPIES TO: PS, PS/PUS, MR EVANS, MR WRIGHT, MR THOMAS, MR GILLMORE, HEAD/EESD, HEAD/PLANNING STAFF, HEAD/TRED.

THOMSON

(ADVANCED AS REQUESTED)

LIMITGD

HD/PLANNING STAFF

HD/EESD

HD/TRED

HD/DEF D

HD/ERD

HD/ECG(E)

HD/CSCG UNIT

HD/WED

HD/NAD

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PS/PUS

MR EVANS

MR GOODISON

MR THOMAS

MR GILLMORE

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BURNING BUSH

DESKBY 010800Z

FM UKMIS NEW YORK 010520Z OCT 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 1532 OF 30 SEPTEMBER 1982

INFO IMMEDIATE BONN, PARIS, WASHINGTON, UKDEL NATO (PERSONAL FOR AMBASSADOR/MINISTER).

MY TELNO 1502: EAST/WEST ECONOMIC RELATIONS

1. THE FOUR POLITICAL DIRECTORS SPENT SOME HOURS TODAY SEEKING TO CARRY FORWARD THE CONCLUSIONS OF THE MINISTERIAL DINNER ON 29 SEPTEMBER.

2. BURT (US), SPEAKING IN GREAT CONFIDENCE, SAID THAT SHULTZ HAD CONCLUDED FROM HIS TALKS THIS WEEK THAT A BREAKTHROUGH ON THE PIPELINE PROBLEM WAS WITHIN REACH. HE PROPOSED THAT THE FOUR FOREIGN MINISTERS SHOULD AGREE WITHIN THE NEXT FEW DAYS ON A SERIES OF STEPS WHICH COULD BE JUSTIFIED FOR THEIR OWN SAKE. THIS WOULD ALLOW PRESIDENT REAGAN TO LIFT THE CURRENT US NATIONAL SANCTIONS. THE LINK WOULD BE THERE BUT IT WOULD BE ESSENTIAL THAT NEITHER THE US NOR THE EUROPEAN ALLIES SHOULD DRAW ATTENTION TO IT. BURT URGED THAT THE PRESENT OPPORTUNITY BE GRASPED LEST IT SLIP FOR EVER. HE CIRCULATED A DRAFT (MY TELNO 1510, NOT REPEATED) WHICH SET OUT THREE GENERAL PRINCIPLES (NO CONTRIBUTION TO SOVIET MILITARY CAPACITY, ACTUAL OR POTENTIAL; NO SUBSIDIES TO THE SOVIET ECONOMY; NO CONTRIBUTION TO THE STRATEGIC ADVANTAGE OF THE SOVIET UNION) AND WENT ON TO COMMIT GOVERNMENTS TO THE FOLLOWING:
 - A. ACTION IN COCOM TO FOLLOW UP DECISIONS ALREADY TAKEN;
 - B. SETTING UP MECHANISMS TO MONITOR AND MANAGE CREDITS, COVERING INTEREST RATES, MATURITIES, DOWN PAYMENTS AND FEES;
 - C. CONTROL OF ADVANCED TECHNOLOGY AND EQUIPMENT IN THE OIL AND GAS SECTOR;
 - D. EUROPEAN GOVERNMENTS, WITH US PARTICIPATION, TO STUDY FUTURE EUROPEAN ENERGY REQUIREMENTS, DURING WHICH TIME NO NEW CONTRACTS FOR SOVIET GAS WOULD BE CONCLUDED;
 - E. EXAMINING EAST-WEST ECONOMIC AND POLITICAL RELATIONS, INCLUDING HOW BEST TO TAILOR ECONOMIC POLICY SO AS TO INFLUENCE THE SITUATION IN EASTERN EUROPE.

3. BULLARD (UK) EXPRESSED SURPRISE. THE CONSENSUS AT THE MINISTERIAL MEETING HAD BEEN TO COMMISSION A STUDY OF POLITICAL AND ECONOMIC RELATIONS WITH THE EAST, IN WHICH PROBLEMS SUCH AS THE PIPELINE COULD BE PUT INTO CONTEXT. THE 3 US PRINCIPLES

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WERE NOT SO INNOCUOUS AS THEY SEEMED. TO SEEK INSTANT COMMITMENTS ON THE LINES PROPOSED BY BURT WOULD INVOLVE JUMPING TO THE CONCLUSIONS WHICH THE STUDY WAS INTENDED TO LEAD TO. BULLARD CIRCULATED AN OUTLINE FOR THE STUDY ON THE FOLLOWING LINES:

- I. WESTERN OBJECTIVES
- II. CHANGE OF LEADERSHIP IN THE SOVIET UNION
- III. WEAKNESSES OF THE SOVIET ECONOMY
- IV. ECONOMIC CHOICES FACING THE SOVIET LEADERSHIP
- V. IMPACT OF WESTERN TRADE AND TECHNOLOGY TRANSFERS
- VI. TASKS AND OPPORTUNITIES FOR THE WEST
- VII. MECHANISMS, EXISTING AND POTENTIAL
- VIII. RECOMMENDATIONS FOR WESTERN POLICY.

4. ANDREANI (FRANCE) AGREED WITH BULLARD. FRANCE HAD NO WISH TO DRAG HER FEET BUT IT WOULD BE IMPOSSIBLE TO REACH SIGNIFICANT DECISIONS WITHIN A FEW DAYS. HE CIRCULATED A DRAFT INTRODUCTION WHICH SAID IN EFFECT THAT UNILATERAL DECISIONS BY INDIVIDUAL MEMBERS OF THE ALLIANCE SHOULD IN FUTURE BE AVOIDED, THAT ANY ACTION SHOULD BE BASED ON AN ANALYSIS OF THE TOTAL SITUATION, THAT AN EFFORT SHOULD BE MADE TO HARMONISE VIEWS ON WESTERN STRATEGY TOWARDS THE SOVIET UNION AND THAT MEANWHILE "THE CLIMATE OF TRUST AND MUTUAL RESPECT MUST BE RESTORED" (IE THE AMERICAN NATIONAL MEASURES MUST BE LIFTED).

5. PFEFFER (FRG) WAS ILL AT EASE, NO DOUBT ON ACCOUNT OF THE POLITICAL SITUATION IN GERMANY. HE WAS READY TO WORK ON THE UK OUTLINE BUT ACKNOWLEDGED THAT SHULTZ HAD ASKED FOR RECOMMENDATIONS OF SOME SORT WITHIN A FEW DAYS.

6. AFTER FURTHER SKIRMISHES IT WAS AGREED TO ACCEPT A LESS CONTROVERSIAL PREAMBLE AND TO EXAMINE THE FIVE LINES OF ACTION SUGGESTED BY THE UNITED STATES (PARA 2 ABOVE).

7. POINT A CAUSED NO GREAT DIFFICULTY. ON POINT B, IT WAS AGREED TO PROPOSE THE SETTING UP OF A MECHANISM TO CONDUCT THE PERIODIC REVIEWS OF EAST WEST ECONOMIC AND FINANCIAL RELATIONS WHICH HAD BEEN ENVISAGED AT VERSAILLES. THIS WAS AS FAR AS THE FRENCH AND GERMANS WOULD GO BEYOND THE ACTUAL LANGUAGE OF VERSAILLES. ANDREANI IN PARTICULAR WAS CATEGORICAL IN REJECTING ANY MECHANISM TO MANAGE EXPORT CREDITS.

8. POINT C PROVED CONTENTIOUS. THE AMERICANS WERE DETERMINED TO SECURE A COMMITMENT TO CONTROL THE SALE TO THE EAST OF CERTAIN HIGH TECHNOLOGY EQUIPMENT IN THE OIL AND GAS FIELD, WHETHER OR NOT IT WAS ON THE COCOM LIST: AS EXAMPLES THEY MENTIONED SUBMERSIBLE PUMPS AND AUTOMATIC BLOW-OUT PREVENTERS. THE UK AND FRANCE POINTED OUT THAT ACTION ON THESE LINES COULD RECREATE THE ALLIANCE PROBLEM WHICH HAD ARISEN OVER THE PIPELINE. IN ANY CASE THE QUESTION WHETHER IT WAS IN THE INTEREST OF THE WEST TO FACILITATE DEVELOPMENT OF SOVIET ENERGY RESOURCES OR TO OBSTRUCT IT HAD SCARCELY BEEN DISCUSSED, MUCH LESS DECIDED. THE FRG WERE READY TO STUDY THE PROBLEM, BUT WITHOUT COMMITMENT.

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9. ON D, THE FRENCH COULD NOT ACCEPT ANY REFERENCE TO THE IEA. THE FRG COULD UNDERTAKE TO DISCOURAGE CONTRACTS, BUT NOT TO ABSTAIN FROM SIGNING THEM. THE UK WAS NOT MUCH AFFECTED IN PRACTICE.

10. POINT E WAS NOT REACHED.

11. MIFT CONTAINS DRAFT AS IT NOW STANDS, WITHOUT SOME OF THE NUMEROUS SQUARE BRACKETS. WE SHOULD BE GRATEFUL FOR ANY FURTHER COMMENTS, IF POSSIBLE BY 1300 GMT ON 1 OCTOBER WHEN DISCUSSION IS TO BE RESUMED WITH THE AIM OF FINALISING A PAPER OF RECOMMENDATIONS FOR THE FOUR FOREIGN MINISTERS TO TAKE WITH THEM TO THE INFORMAL NATO WEEKEND MEETING IN CANADA.

F C O PLEASE ADVANCE COPIES TO: PS, PS/PUS, MR EVANS, MR WRIGHT, MR THOMAS, MR GILLMORE, HEAD/EESD, HEAD/PLANNING STAFF, HEAD/TRED.

THOMSON

LIMITED

[ADVANCED AS REQUESTED]

HD/ PLANNING STAFF

HD/ EESD

HD/ TRED

HD/ DEF D

HD/ ERD

HD/ ECD (E)

HD/ ESCC UNIT

HD/ WED

HD/ NAD

PS

PS/PUS

MR EVANS

MR GOODISON

MR THOMAS

MR GILLMORE

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SECRET

SOVIET UNION

CONFIDENTIAL

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PP WASHINGTON

*Can be copied as necessary in Whitehall
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full number of the participants
is removed.*

PP UKMIS NEW YORK

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CONFIDENTIAL

FM FCO 021020Z OCT 82

TO FLASH OTTAWA

TELEGRAM NUMBER 324 OF 2 OCTOBER

AND TO PRIORITY UKMIS NEW YORK WASHINGTON PARIS BONN UKDEL NATO
UKREP BRUSSELS.

New Rope 4/x

FOR SECRETARY OF STATE'S PARTY.

UKMIS TELS 1543 AND 1544: FOLLOWING FOR PRIVATE SECRETARY.

1. FOR EASE OF HANDLING WE ARE MAKING THIS TELEGRAM CONFIDENTIAL.
2. WE HAVE NOT TODAY (SATURDAY) CONSULTED WHITEHALL DEPARTMENTS AGAIN. BUT AS YOU WILL HAVE SEEN FROM OUR TEL 820 TO UKMIS NEW YORK, ALL CONCERNED CONSIDERED THE TEXT AT THAT STAGE BROADLY ACCEPTABLE. THIS LATEST VERSION WOULD WE THINK MEET OUR MAIN CONCERNS VERY WELL, PROVIDED THAT THE OUTSTANDING POINTS IN SQUARE BRACKETS CAN BE RESOLVED IN A MANNER THAT TAKES ACCOUNT OF THE STICKING POINTS WHICH WE HAVE ALREADY REGISTERED.
3. ON THE UNDERSTANDING THAT THE CRITERIA IN PARA 2 ARE ILLUSTRATIVE ONLY, WE CAN ACCEPT THEM AS A BASIS FOR FURTHER STUDY. THERE IS CLEARLY SCOPE FOR DISAGREEMENT IN INTERPRETING THE THREE U.S. PRINCIPLES: THE FRENCH ARE MUCH MORE PROMISING BUT COULD PERHAPS BE IMPROVED AND/OR EXTENDED.
4. WE SEE NO DIFFICULTY WITH THE REST OF PARA 2 AND WOULD NOT OBJECT TO LIFTING THE BRACKETS AFTER ENERGY. WE ARE TALKING HERE ABOUT ANALYSIS.
5. WE ARE HAPPY WITH PARA 3(A) INCLUDING THE PASSAGE IN BRACKETS.
6. PARA 3(B) IS ACCEPTABLE, INCLUDING THE PASSAGE IN THE FIRST BRACKETS. WE REMAIN OPPOSED TO THE SECOND BRACKETTED PASSAGE.
7. PARA 3(C) IS ACCEPTABLE.
8. WE CONFIRM OUR POSITION ON PARA 3(D). WE CAN ACCEPT A STUDY BUT NOT QUOTE CONTROL UNQUOTE. THIS REMAINS A STICKING POINT FOR US AND THE DEPARTMENTS OF TRADE AND INDUSTRY ATTACH GREAT IMPORTANCE TO IT.
9. WE WELCOME THE FOOTNOTE ABOUT THE EUROPEAN COMMUNITIES.

PYM

LIMITED
HD/TRED
HD/EESD
HD/PLANNING STAFF
HD/ECD (E)
PS

SIR J BULLARD
MR EVANS
MR THOMAS
MR GILLMORE
MR ADAMS

CONFIDENTIAL