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DESKBY 250900Z

FM WASHINGTON 242308Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 3442 OF 24 OCTOBER

INFO IMMEDIATE LUXEMBOURG (PERSONAL FOR PRIVATE SECRETARY)

PRIORITY PARIS, BONN. ROME, UKREP BRUSSELS, COPENHAGEN, UKDEL

NATO (PERSONAL FOR AMBASSADORS) TOKYO, OTTAWA, UKDEL OECD (PERSONAL FOR HEADS OF MISSION)

PERSONAL FOR BULLARD

YOUR TELNOS 1877 TO 1879: EAST-WEST ECONOMIC RELATIONS (PIPELINE):  
SUMMARY OF 24 OCTOBER MEETING

1. SHULTZ DISCUSSED TODAY WITH THE THREE AMBASSADORS FOR TWO HOURS (UNTIL HE HAD TO LEAVE FOR CANADA) THE REDRAFTED US NON-PAPER (MY TELNO 3439). THEREAFTER THERE WAS FURTHER DISCUSSION CHAIRED BY EAGLEBURGER. HERMES AND I GAVE GENERAL SUPPORT TO THE REDRAFT. I DREW WHEN APPROPRIATE ON YOUR TELNO 1878. HOWEVER, WE WERE UNABLE TO MAKE FURTHER PROGRESS. THE FRENCH POSITION REMAINED UNCHANGED ON THE QUESTION OF HARMONISING OFFICIAL CREDITS, ON NEW GAS CONTRACTS WITH THE SOVIET UNION WHILE THE ENERGY STUDY WAS UNDER WAY, AND ON THE PROPOSED IMMEDIATE STUDY OF WHETHER CONTROLS OF STRATEGICALLY SIGNIFICANT ADVANCED TECHNOLOGY AND EQUIPMENT EXPORTS TO THE EAST WERE REQUIRED. THIS, DESPITE A TELEPHONE DISCUSSION BETWEEN SHULTZ AND CHEYSSON JUST BEFORE THE MEETING, DURING WHICH THE LATTER APPARENTLY SAID THAT HE HAD GIVEN VERNIER-PALLIEZ NEW INSTRUCTIONS.
2. THESE APPEARED TO CONSIST OF A REQUIREMENT TO STICK TIGHT ON ALL THE POINTS AT ISSUE, TO EMPHASISE THE CENTRAL ROLE OF THE FOUR IN DECIDING THE OVERALL WESTERN APPROACH TO THE EAST (INCLUDING A POSSIBLE VETO OVER ACTIONS BY THE OTHERS), AND A REFUSAL TO DRAFT WITHIN THE FOUR, THIS TASK BEING LEFT TO THE SEVEN PLUS. THERE WAS AN INCONCLUSIVE EXCHANGE ON THE PUBLIC HANDLING OF ANY AGREEMENT.
3. BEFORE LEAVING THE MEETING SHULTZ SAID THAT WE SEEMED TO BE MOVING AWAY, RATHER THAN TOWARDS A NEW AGREEMENT. HE HAD SOME DOUBTS ABOUT THE VALUE OF CONTINUING THE DISCUSSION, AND SUGGESTED THAT ALL CONCERNED SHOULD REFER BACK TO THEIR AUTHORITIES FOR FURTHER INSTRUCTIONS. I REPLIED THAT THE MEETING HAD BEEN VALUABLE IN IDENTIFYING THE REMAINING PROBLEMS MORE CLEARLY. I BELIEVED THAT SOME OF THESE COULD STILL BE RESOLVED WITH FURTHER WORK. THE US HAD INTRODUCED A NEW CONCEPT, THAT STRATEGIC EXPORT COULD ENCOMPASS TECHNOLOGY AND EQUIPMENT OF NO IMMEDIATE MILITARY RELEVANCE. IT WOULD BE USEFUL TO STUDY WHETHER THIS US CONTENTION WAS VALID. IN

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THE COURSE OF SUCH A STUDY, THE ALLIES MIGHT BE CONVINCED BY US ARGUMENTS BUT THE CASE WOULD HAVE TO BE PROPERLY ARGUED. HERMES SHARED MY CAUTIOUS OPTIMISM. VERNIER-PALLIEZ EMPHASISED THAT FOR THE FRENCH THE MOST IMPORTANT ASPECT OF THE CURRENT WORK WAS THE DEVELOPMENT OF A COMMON APPROACH TOWARDS THE EAST.

4. SHULTZ CONCLUDED THAT FOR THE MOMENT THERE WAS NO POINT IN A FURTHER MEETING OF THE SEVEN PLUS. ANOTHER MEETING OF THE FOUR WOULD BE NEEDED BEFORE THIS COULD USEFULLY TAKE PLACE. HIS LAST POINT WAS THAT AGREEMENT ON A PAPER WHICH ONLY COVERED THE ISSUES IN PARAGRAPHS 2 AND 3 (A) OF THE PRESENT DRAFT WOULD NOT BE SUFFICIENT TO ALLOW THE PRESIDENT TO LIFT THE PIPELINE SANCTIONS.

5. DETAILED POINTS MADE DURING THE MEETING ARE REPORTED IN MIFT.

6. MY CONCLUSIONS AND RECOMMENDATIONS ARE CONTAINED IN MY SECOND IFT.

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No. 10 DOWNING STREET

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TELEGRAM NUMBER 3443 OF 24 OCTOBER

INFO IMMEDIATE LUXEMBOURG (PERSONAL FOR PRIVATE SECRETARY)

PRIORITY PARIS, BONN, ROME, UKREP BRUSSELS, COPENHAGEN, UKDEL

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PERSONAL FOR BULLARD

MIPT: EAST-WEST ECONOMIC RELATIONS (PIPELINE): DETAILED POINTS

1. OPENING THE MEETING, SHULTZ NOTED THAT WE WERE TRYING TO ENHANCE THE STRATEGIC POSTURE OF THE WEST VIS-A-VIS THE EAST, ESPECIALLY IN THE ECONOMIC FIELD. WE WRE DISCUSSING ACTIONS, HOLDING OPERATIONS AND COMMITMENTS TO STUDIES WHICH MIGHT PRODUCE THE NEED FOR FURTHER ACTIONS. THIS EXERCISE WAS A SELF-CONTAINED OPERATION WHICH SHOULD WIN AGREEMENT ON ITS MERITS.

2. THE PRESIDENT FELT THAT, IF IT WERE POSSIBLE TO DEFINE A BETTER STRATEGIC POSTURE FOR THE WEST, THEN THIS WOULD BE PREFERABLE TO THE EFFORTS WITH WHICH THE ADMINISTRATION WERE NOW STRUGGLING TO EXPRESS IN SOME ECONOMIC AREAS THEIR VIEW OF SOVIET BEHAVIOUR. IF THE NEW APPROACH (ENBRACING THE THREE CATEGORIES TO WHICH HE HAD REFERRED - PARAGRAPH 1 ABOVE) WERE AGREED, THE PRESIDENT WOULD BE ABLE TO MOVE FROM ONE SET OF ACTIONS TO ANOTHER. IN DOING SO, THE EXISTENCE OF THE ALTERNATIVE STRATEGIC POSTURE WOULD HAVE TO BECOME PUBLIC. THE PRESIDENT HAD ALREADY TRIED TO PREPARE THE WAY FOR SUCH A MOVE BY PUBLIC STATEMENTS IN WHICH HE HAD DEVELOPED THE US POSITION. A DECISION TO CHANGE COURSE DEPENDED ON WHAT HE FELT HE COULD ACCEPT. HE ATTACHED IMPORTANCE, AS OTHERS DID, TO THE INDEPENDENCE OF THE PRESENT EXERCISE BUT SHULTZ NOTED THAT THE PRESIDENT PERCEIVED A RELATIONSHIP BETWEEN THIS AND OTHER US ACTIONS.

3. VERNIER-PALLIEZ IMMEDIATELY RESPONDED THAT THE PRESENT MEETING SHOULD EXCHANGE VIEWS BUT NOT BECOME A DRAFTING EXERCISE. THIS SHOULD BE LEFT TO THE GROUP OF SEVEN PLUS, WITH ANY ADDITIONAL WORK THEREAFTER BEING DONE IN THE APPROPRIATE FORA (OECD, COCOM ETC). ANY AGREED DOCUMENT SHOULD NOT BE PUBLISHED, BUT THE SUBSTANCE OF IT COULD BE MADE PUBLIC BY THE PRESIDENT ON AN AGREED BASIS, AND IN A WAY TO WHICH OTHERS COULD FORMALLY SUBSCRIBE. THIS SHOULD BE DONE IN CONJUNCTION WITH THE OTHER US ACTIONS TO WHICH SHULTZ HAD REFERRED, AND SHOULD INCLUDE A STATEMENT OF THE READINESS OF ALL CONCERNED TO CONCERT THEIR FUTURE POLICIES IN ORDER TO AVOID FURTHER DIFFERENCES ON THE TYPE OF ISSUES UNDER DISCUSSION.

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14. HERMES

4. HERMES OBJECTED THAT THIS WOULD OVERFORMALISE PROCEDURES. HE SUGGESTED THAT THE US SHOULD ANNOUNCE THE SUBSTANCE OF THEIR POLICIES UNILATERALLY AND THAT OTHERS WOULD AGREE NOT TO CONTRADICT SUCH A STATEMENT. SHULTZ RESPONDED THAT IT WOULD BE EASIER FOR THE PRESIDENT TO ACT IF THE EUROPEANS MADE THE AGREED SUBSTANCE OF THE TEXT PUBLIC, AND DECLARED THEIR OWN INTENTIONS. THE US WOULD NEED A PUBLIC COMMITMENT BY OTHERS TO WHATEVER UNDERTAKINGS WERE AGREED. IT MUST BE PUBLICLY ESTABLISHED THAT AN NEW, IDENTIFIABLE STRATEGIC POSTURE FOR THE WEST HAD BEEN AGREED, AND THAT PARTICIPATING GOVERNMENTS HAD ALSO AGREED TO FURTHER ACTIONS AND STUDIES. I SAID THAT WHILE WE HAD NOT CONSIDERED IN DETAIL THE PUBLIC HANDLING OF THIS QUESTION, WE COULD ACCEPT A CONFIDENTIAL DOCUMENT BASED ON THE PRESENT REDRAFT. I THOUGHT WE WOULD AGREE TO A COLLECTIVE PUBLIC STATEMENT WHICH DREW ON THE SUBSTANCE OF THAT.

5. IN FURTHER DISCUSSION, HERMES CONTINUED TO RESIST THE IDEA OF GIVING THE CONFIDENTIAL DOCUMENT ANY OFFICIAL STATUS, OR OF PUBLIC ACTION BY THE EUROPEANS TO ENDORSE IT, OTHER THAN NOT CONTRADICTING WHATEVER STATEMENT THE PRESIDENT MADE. SHULTZ REFERRED TO AN EARLIER IDEA DISCUSSED WITH GENSCHER, WHEREBY A STATEMENT BY THE PRESIDENT COULD BE MADE IN THE PRESENCE OF AMBASSADORS FROM THE OTHER COUNTRIES CONCERNED, THUS DEMONSTRATING THEIR ENDORSEMENT OF IT.

6. VERNIER-PALLIEZ THEN SIDE-TRACKED THE DISCUSSION INTO AN EXTENDED EXCHANGE ABOUT THE ROLE OF THE FOUR. HE URGED THAT THIS FORUM SHOULD BE USED TO DEFINE AN OVERALL AND LONG-RANGE CONCEPT OF WESTERN RELATIONS TOWARDS THE EAST AND TO ENSURE THAT ACTIONS BY INDIVIDUAL COUNTRIES DID NOT CONFLICT, ESPECIALLY IN THE ECONOMIC/COMMERCIAL FIELD. SUCH AN OVERALL STRATEGY SHOULD TAKE ACCOUNT OF ALL ASPECTS, INCLUDING SECURITY, DEFENCE, FINANCE AND ECONOMIC FACTORS. UNDER SECRETARIES FOR BOTH POLITICAL AND ECONOMIC AFFAIRS MIGHT NEED TO PARTICIPATE. THE DEVELOPMENT OF THIS FORM OF CONSULTATION SHOULD ALSO BE THE SUBJECT OF TALKS AT MINISTERIAL LEVEL, BILATERALLY AND IN OTHER FOUR-POWER FORMATS.

7. IN ANSWER TO A QUESTION FROM SHULTZ, VERNIER-PALLIEZ CONFIRMED THAT HIS GOVERNMENT WISHED EACH OF THE FOUR TO COMMIT THEMSELVES NOT TO ACT IN EAST-WEST RELATIONS UNLESS SUCH ACTION HAD ALREADY BEEN APPROVED IN THE FOUR-POWER SETTING. HE ADDED, HOWEVER, THAT WHILE BROAD ELEMENTS OF STRATEGY SHOULD BE THE SUBJECT OF CONSIDERATION A QUATRE, PRECISE ACTIONS AND STUDIES WERE NOT APPROPRIATE FOR THIS FORUM.

8. SHULTZ RESPONDED THAT THE FOUR-POWER FORUM HAD APPROVED FRUITFUL, DESPITE PERIODIC STRAINS (INCLUDING THE ITALIAN PROBLEM). HE COULD NOT, HOWEVER, AGREE TO TIE THE PRESIDENT'S HANDS IN THE EXERCISE OF HIS RESPONSIBILITIES BY GIVING OTHER GOVERNMENTS A VETO OVER US POLICIES. AGREEMENT TO CONSULT WAS POSSIBLE BUT FRANCE COULD NOT EXPECT CONTROL OVER US ACTIONS, JUST AS FRANCE WOULD NOT ACCEPT A VETO BY OTHERS OVER HER OWN.

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/ 9. I AGREE

9. I AGREED WITH SHULTZ. WE SHOULD CONTINUE TO STRENGTHEN AND MAKE THE MAXIMUM POSSIBLE USE OF THE FOUR-POWER PROCESS. I COULD ACT AS A STEERING COMMITTEE FOR THE WEST, ENSURING THAT THERE WERE NO SURPRISES. WE WOULD ALSO SEEK TO CONSULT OUR CLOSEST ALLIES REGULARLY ABOUT OUR FUTURE POLICIES BUT COULD NOT ACCEPT A VETO OVER OUR NATIONAL ACTIVITIES.

10. SHULTZ ENDORSED THESE REMARKS, AND IN PARTICULAR MY REFERENCE TO NO SURPRISES. HERMES SUGGESTED THAT THE PRESENT FRENCH PROPOSALS RISKED OVERLOADING THE CURRENT DISCUSSIONS. THE FRG ACCEPTED THE GENERAL CONCEPT. VERNIER-PALLIEZ THEN SAID (SURPRISINGLY) THAT HE COULD ACCEPT OUR VIEW.

11. MOVING TO DISCUSSION OF THE US REDRAFT, I SAID YOU WELCOMED THIS MEETING AND SHULTZ'S PARTICIPATION. WE WANTED TO SEE RAPID PROGRESS SINCE, AS LONG AS SANCTIONS REMAINED IN EFFECT, STRAINS BETWEEN THE ALLIES COULD INCREASE. WITH PARLIAMENT NOW REASSEMBLED, PRESSURE FROM PARLIAMENTARY AND PUBLIC OPINION IN THE UK WOULD INCREASE. WE COULD ACCEPT THE PRESENT REDRAFT, WHICH WE FELT TO BE AN IMPROVEMENT. OUR ACCEPTANCE WAS BASED ON THE UNDERSTANDING THAT WE WERE COMMITTING OURSELVES TO CERTAIN STUDIES WITHOUT PREJUDGING THEIR OUTCOME, TO WHICH WE WOULD HAVE A DEFINITE INPUT: AND THAT ONCE AGREEMENT ON A DOCUMENT HAD BEEN REACHED, SANCTIONS WOULD BE LIFTED. WE ASSUMED THIS WAS ALSO THE WISH OF THE ADMINISTRATION.

12. SHULTZ CONFIRMED THESE POINTS. HE EMPHASISED THAT THE DOCUMENT MUST CONTAIN NOT ONLY THE PROPOSED STUDIES BUT ALSO COMMITMENTS TO AN EXPLICIT PROCESS OF WORK. THERE WERE ALSO COMMITMENTS TO NO NEW GAS CONTRACTS, AND TO PURSUING THE VERSAILLES EXCHANGES ON CREDITS.

13. IN THE EXTENSIVE DISCUSSION THAT FOLLOWED, BOTH THE GERMAN AND FRENCH AMBASSADORS REPEATED, TO A LARGE EXTENT, POINTS ALREADY MADE IN THE PREVIOUS TWO MEETINGS. HERMES WAS marginally MORE POSITIVE THAN BEFORE, ALTHOUGH HE ADDED A NEW GERMAN RESERVATION OVER PARAGRAPH 3(C), NOTING THAT THE CONTRACT FOR GAS SUPPLIES TO WEST BERLIN HAD NOT YET BEEN CONCLUDED. (ON THIS POINT, THE US SIDE THOUGHT THAT SOME SPECIAL ARRANGEMENT COULD BE MADE TO MEET GERMAN NEEDS). VERNIER-PALLIEZ REPEATED THE FRENCH OPPOSITION TO ANY QUESTION OF CONTROLLING THE TRANSFER OF HIGH TECHNOLOGY WHICH, AS A RESULT OF STUDIES WAS SHOWN NOT TO HAVE MILITARY RELEVANCE. IF, ON THE OTHER HAND, IT WAS SHOWN TO MILITARILY RELEVANT, IT SHOULD FALL UNDER COCOM PRESENT CONTROLS. CREDIT PROBLEMS COULD CONTINUE TO BE THE SUBJECT OF STUDY, PROBABLY IN THE OECD, BUT THE COMMITMENT TO HARMONISE CREDIT POLICIES COULD NOT BE ACCEPTED AT THIS STAGE, SINCE IT WOULD PREJUDGE THE RESULTS OF ANY STUDY ON THE ISSUE. VERNIER-PALLIEZ'S OFFER TO INCLUDE A REFERENCE TO THE RUSSIANS NOT RECEIVING CREDIT TERMS MORE FAVOURABLE THAN THOSE GIVEN TO OTHER INDUSTRIALISED OR DEVELOPING COUNTRIES WAS NOT ACCEPTABLE TO SHULTZ. NOR WAS THE LATTER ALTOGETHER HAPPY WITH MY SUGGESTION (YOUR TELNO 1873 PARA 4), THAT THE LAST SENTENCE OF PARAGRAPH (B) OF THE REDRAFT SHOULD CONTAIN A REFERENCE BACK TO THE CRITERIA. HE WAS CONCERNED THAT THIS WOULD OPEN UP THE COMMITMENT TO VERY BROAD INTERPRETATIONS WHICH WOULD REDUCE ITS VALUE.

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14. THE FOLLOWING EXCHANGE ON THE CONCEPT OF SUBSIDISING THE SOVIET ECONOMY BROUGHT NO GREATER MEASURE OF AGREEMENT. SHULTZ ACCEPTED THAT PRIVATE COMPANIES SHOULD TAKE THEIR OWN DECISIONS ON SUBSIDIES. THE US WERE ONLY CONCERNED ABOUT OFFICIAL CREDITS. VERNIER-PALLIEZ MADE IT CLEAR THAT THE PRESENT FRENCH FINANCIAL SITUATION MADE IT IMPOSSIBLE TO ACCEPT THE US PROPOSALS. HERMES ADDED THAT SUBSIDISING OCCURRED NOT ONLY IN THE GRANT OF OFFICIAL CREDITS BUT IN PRODUCTION ITSELF (FOR EXAMPLE, US AGRICULTURE EXPORTS TO THE SOVIET UNION WERE IN EFFECT SUBSIDISED BY THE US GOVERNMENT). SHULTZ SUGGESTED THAT THE PROPOSAL BY FRAU STEEG BEFORE THE VERSAILLES SUMMIT ON CREDITS MIGHT PROVIDE A WAY FORWARD. HE AGREED THAT IT WAS HARD TO PREDICT HOW FAR THE PROPOSED STUDY WOULD GET. DESPITE THIS, VERNIER-PALLIEZ REMAINED FIRMLY OPPOSED TO THE LAST SENTENCE IN PARAGRAPH 3(B), RESPONDING TO MY SUGGESTION WITH THE OBSERVATION THAT THE PRESENT DISCUSSION WAS NOT A DRAFTING EXERCISE.

15. ON PARAGRAPH 3(C) - NO NEW GAS CONTRACTS WHILE THE ENERGY STUDY WAS UNDERWAY, SHULTZ MADE IT PLAIN THAT THE ADMINISTRATION REMAINED CONCERNED ABOUT POSSIBLE SOVIET MOVES TO PREVENT ALTERNATIVE GAS RESOURCES (ESPECIALLY IN NORWAY) FOR THE WESTERN EUROPEANS BEING DEVELOPED IN THE 1980S. HE SUGGESTED THAT, BY EMPLOYING A PREDATORY PRICING POLICY, THE RUSSIANS COULD ENSURE THAT THE NECESSARY INVESTMENT WAS NEVER MADE BY THE WEST, LEAVING THEM DEPENDENT ON SOVIET GAS RESOURCES, AND SUBJECT TO WIDER ECONOMIC PRESSURES LATER IN THE DECADE. VERNIER-PALLIEZ SAID THAT IT WAS A POINT OF PRINCIPLE FOR FRANCE NOT TO ACCEPT THIS COMMITMENT, BUT HE NOTED THAT IN PRACTICE NO NEW CONTRACTS WERE BEING SIGNED. HIS SUGGESTION THAT THE PASSAGE MIGHT BE REDRAFTED TO REFER TO THE EUROPEANS NOT CONTEMPLATING NEW CONTRACTS WAS UNACCEPTABLE TO SHULTZ. HOWEVER, THE LATTER ACCEPTED THAT THE ENERGY STUDY (TO WHICH PARAGRAPH 2 ALSO REFERRED) SHOULD HAVE BOTH US AND JAPANESE PARTICIPATION, ALTHOUGH EAGLEBURGER EXPRESSED STRONG PERSONAL DOUBTS THAT THE JAPANESE WOULD AGREE TO PARTICIPATE.

16. ON PARAGRAPH 3(D), LINKED TO THE SECOND AREA FOR ANALYSIS IN PARAGRAPH 2, THE FRENCH REMAINED FOR FAMILIAR REASONS OPPOSED TO ITS INCLUSION IN THE NON-PAPER. HERMES MADE A VALIANT EFFORT TO OVERCOME THEIR OBJECTIONS BY SUGGESTING THE REPLACEMENT OF THE TROUBLING WORD QUOTE STRATEGIC UNQUOTE BY QUOTE SECURITY UNQUOTE. THIS FOUNDERED ON THE FRENCH INSISTENCE THAT EXPORTS OF MILITARY SIGNIFICANCE SHOULD CONTINUE TO BE CONTROLLED BY COCOM, AND THAT OTHER HIGH TECHNOLOGY EXPORTS SHOULD NOT BE LIABLE TO NEW CONTROLS. SHULTZ CLARIFIED THE US REFERENCE TO QUOTE STRATEGIC UNQUOTE AS MEANING THAT ANY ASSISTANCE WHICH ENABLED ANOTHER GOVERNMENT TO DEVELOP ITS OWN RESOURCES OF OIL AND GAS WAS A CONTRIBUTION TO ITS STRATEGIC CAPABILITY. SOVIET ABILITY, AS A RESULT OF WESTERN TRANSFERS, TO PERFORM TERTIARY DRILLING TECHNIQUES AND TO EXPLOIT OFF-SHORE RESOURCES GAVE THEM A STRATEGIC ADVANTAGE AND ENHANCED THEIR MILITARY CAPABILITY.

17. AFTER THE EXCHANGE REPORTED IN PARAGRAPH 3 OF MIPT SHULTZ LEFT THE MEETING. IN A RATHER CURSORY DISCUSSION OF DETAILED POINTS IN THE US REDRAFT, VERNIER-PALLIEZ INDICATED THAT THE FRENCH WOULD WISH TO SEE SOME CHANGES IN PARAGRAPH 1 (PARTICULARLY THE REPLACEMENT OF QUOTE COORDINATED UNQUOTE WITH QUOTE CONCERTED UNQUOTE). /EAGLEBURGER

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EAGLEBURGER ALSO NOTED THAT THE US WOULD HAVE FURTHER SUGGESTIONS TO MAKE IN PARAGRAPH 2, WHICH WOULD ALTER THE PRESENT REDRAFT. FURTHER ATTEMPTS TO REFINE DIFFERENCES OVER PARTICULAR FORMULAE IN THE PAPER WERE NOT SUCCESSFUL IN THE FACE OF CONTINUED FRENCH REFUSAL TO BEGIN DRAFTING.

18. ALL THE EUROPEAN PARTICIPANTS REFERRED TO THE LIKELIHOOD OF PRIVATE DISCUSSIONS BETWEEN MINISTERS IN LUXEMBOURG OVER THE NEXT STEPS. EAGLEBURGER EMPHASIED THAT IT WOULD BE UNHELPFUL TO FIND OURSELVES IN A SITUATION WHERE THE TEN HAD AGREED A POSITION AND THE US HAD TO START NEGOTIATING WITH THE COMMUNITY AS A WHOLE. (PARTLY AS A DIG AT THE FRENCH) HE STATED THAT THIS WOULD MAKE IT IMPOSSIBLE TO CONTINUE THE PRESENT WORK OF THE FOUR. HE WOULD DISCUSS THE NEXT STEPS WITH SHULTZ ON THE LATTER'S RETURN FROM CANADA TOMORROW. BUT HE REPEATED THAT THE US WERE AT PRESENT NOT READY TO PROCEED TO A FURTHER DISCUSSION WITH THE SEVEN PLUS, SAW NO SENSE IN TRYING TO PRODUCE A NEW REDRAFT AT THIS STAGE, AND DID NOT BELIEVE THAT THE PRESENT REDRAFT, WITHOUT ALL THE CONCEPTS IN PARAGRAPH 3, WOULD BE SUFFICIENT TO ALLOW THE PRESIDENT TO LIFT SANCTIONS. VERNIER-PALLIEZ SUGGESTED THAT IF THE FIVE EUROPEANS COULD AGREE A POSITION IN LUXEMBOURG, A MEETING OF THE SEVEN PLUS COULD BE HELD THEREAFTER IN WASHINGTON. HERMES AND I EXPRESSED DOUBTS THAT THIS WOULD IN FACT PROVE POSSIBLE. WE WOULD URGE OUR MINISTERS NOT TO ALLOW THE COMMUNITY COLLECTIVELY TO TAKE UP ANY FIRM POSITIONS WHILE IN LUXEMBOURG.

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MR THOMAS  
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TO IMMEDIATE FCO

TELEGRAM NO. 3444 OF 24 OCT 82

INFO IMMEDIATE LUXEMBOURG (PERSONAL FOR PRIVATE SECRETARY) PRIORITY  
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AMBASSADORS) ROUTINE TOKYO OTTAWA UKDEL OECD (PERSONAL FOR HEADS OF  
MISSION).

PERSONAL FOR BULLARD.

MY I P T: EAST-WEST ECONOMIC RELATIONS (PIPELINE): COMMENT.

1. THE FRENCH BEHAVIOUR WAS DISAPPOINTING, AND AT TIME CONFUSING. VERNIER-PALLIEZ'S INSTRUCTIONS SEEM TO HAVE BEEN TIGHTENED AND HE APPEARED TO RETURN TO HIS ORIGINAL POSITION THAT WE WERE NOT YET AT A STAGE WHEN IT WOULD BE USEFUL TO DISCUSS A TEXT, AND THAT A GENERAL DISCUSSION OF PRINCIPLES WAS FIRST REQUIRED. HIS PROMPT SWITCH TO A DEBATE ON PROCEDURES DID NOTHING TO MOVE MATTERS FORWARD, AND HIS REMARKS ON THE FOUR-POWER ROLE FURTHER MUDDIED THE WATERS. THE IMPLIED SUGGESTION THAT THE EUROPEANS SHOULD HAVE CONTROL OVER U S POLICIES TOWARDS THE EAST AND THE SURPRISING COROLLARY, WHICH MUST BE ANATHEMA IN PARIS, THAT THE U S COULD HAVE THE SAME OVER FRENCH POLICIES, WAS A HORSE WHICH EVEN HE CANNOT HAVE EXPECTED TO HAVE RUN VERY FAR.
2. NONETHELESS, ALL THIS WAS CONSISTENT WITH THE FRENCH APPROACH SINCE THE BEGINNING THAT THE EUROPEANS MUST NOT BE DEMANDEURS FOR THE REMOVAL OF THE PIPELINE SANCTIONS, THE FRENCH ALSO SEEK TO USE THE PRESENT SITUATION AS AN OPPORTUNITY TO INCREASE THEIR LEVERAGE AND THEIR INDEPENDENCE WITHIN THEIR ALLIANCE.
3. TODAY'S MEETING WILL NOT HAVE HELPED SHULTZ. THE DANGER IS THAT IN RAISING SO MANY OBJECTIONS TO THE IDEA IN THE U S PAPER, THE FRENCH (AND, TO A LESSER EXTENT NOW, THE GERMANS) RISK GIVING THE IMPRESSION ALL TOO CLEARLY IN WASHINGTON THAT THEIR MINDS ARE CLOSED AT THE BEGINNING OF THE PROCESS TO ANY OF THE RESULTS THE AMERICANS HOPE MIGHT BE ACHIEVABLE AT THE END OF IT. THIS APPLIES TO HARMONISATION OF CREDIT POLICY, TO DEVELOPMENT OF ALTERNATIVE GAS RESOURCES, AND TO THE DEVELOPMENT OF A CONCEPT OF GOODS AND TECHNOLOGY BEYOND THE STRICTLY MILITARY SPHERE THAT MAY NEED TO BE CONTROLLED. THIS IMPRESSION WILL MAKE IT HARDER FOR SHULTZ TO CONVINCE THE PRESIDENT THAT EVEN IF SOMETHING LIKE THIS PAPER CAN BE AGREED, THERE IS HARDLY ENOUGH IN IT TO EXCUSE LIFTING THE SANCTIONS. I THINK THE FRENCH ARE MISJUDGING THE PRICE THEY MAY HAVE TO PAY TO GET THE AMERICANS TO LIFT SANCTIONS.
4. IT WOULD BE HELPFUL IF YOU COULD GO OVER THIS GROUND WITH CHEYSSON IN LUXEMBOURG TOMORROW AND URGE HIM TO AUTHORISE HIS FRENCH REPRESENTATIVES TO TAKE PART IN DRAFTING. FOR ALL HIS STICKINESS ON PRINCIPLES AND INSISTING THAT THE FOUR-POWER FORUM SHOULD DEAL ONLY WITH BROAD STRATEGY, MY FRENCH COLLEAGUE MORE THAN ONCE ACCEPTED THAT DRAFTING SHOULD BE DONE ALBEIT TO THE SEVEN PLUS. SO THIS MAY BE THE ONLY WAY OF MAKING PROGRESS. WITHOUT AN AGREED PAPER,

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THERE IS NO CHANCE OF THE PRESIDENT LIFTING THE SANCTIONS. THIS WILL IN TURN MAKE MUCH MORE DIFFICULT THE OBJECTIVE OF GETTING AN AGREED ALLIANCE STRATEGY ON THESE ISSUES (ALLEGEDLY THE PRIME FRENCH GOAL), SINCE FURTHER DISCUSSIONS WILL NOT TAKE PLACE WHILE THE SANCTIONS REMAIN IN PLACE.

5. OTHER POINTS WORTH MAKING TO CHEYSSON ARE:

(I) ANY ATTEMPT TO BRING THE COMMUNITY AS A WHOLE, OR EVEN THE SEVEN PLUS, INTO THE DISCUSSION BEFORE WE SEE A CLEARER WAY AHEAD, WILL ADD TO CONFUSION, REDUCE THE CHANCE OF ULTIMATE AGREEMENT, AND RISK DAMAGING THE U S COMMITMENT TO THE FOUR-POWER FORMAT:

(II) WE MUST BE READY TO ENDORSE IN SOME WAY WHATEVER THE PRESIDENT MAY EVENTUALLY BE BROUGHT TO SAY ABOUT THE NEW WESTERN POSTURE TOWARD S

THE EAST, AT THE TIME HE LIFTS SANCTIONS. AN ACCEPTABLE PROCEDURE FOR THIS SHOULD NOT BE HARD TO AGREE, AND SHOULD NOT BE ALLOWED TO DELAY HIS STATEMENT. (THIS IS ALSO A POINT TO USE WITH GENSCHER):

(III) WITH POTENTIAL TROUBLE AHEAD ON INF AND, MORE IMMEDIATELY, CSCE WE SHOULD SEIZE THE PRESENT OPPORTUNITY TO LANCE THIS BOIL IN INTRA-ALLIANCE RELATIONS. THE AMERICANS HAVE COME A LONG WAY SINCE JUNE. THE FUTURE IS AS MUCH OURS TO DICTATE AS THEIRS. BUT AFTER THE MID-TERM ELECTION ON 2 NOVEMBER, THE PRESIDENT WILL BE UNDER LESS PRESSURE TO LIFT THE CURRENT SANCTIONS FROM THOSE DOMESTIC CONSTITUENCIES NOW BEING HURT BY THEM.

6. NO DOUBT YOU HAVE ALREADY CONSIDERED THE POSSIBILITY OF THE REST OF THE ALLIES ACCEPTING THE PRESENT U S PROPOSALS IN THEIR REDRAFT AND LEAVING THE FRENCH IN ISOLATION, WITH SANCTIONS MAINTAINED AGAINST ALSTHOM ETC. BUT NOT OTHER EUROPEAN COMPANIES. I EXPECT THE GERMANS WOULD FIND DIFFICULTY WITH SUCH A SITUATION, BUT WOULD WE? AND IS THERE ANY PLAY TO BE MADE WITH THE IMPLICATION, NO MORE, TO CHEYSSON THAT OUR MINDS MAY BE TURNING IN THAT DIRECTION?

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