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TO IMMEDIATE FCO

TELEGRAM NUMBER 3491 OF 28 OCTOBER

INFO PARIS, BONN, UKREP BRUSSELS, COPENHAGEN, ROME, UKDEL NATO,
TOKYO, OTTAWA, UKDEL OECD (PERSONAL FOR HEADS OF MISSION)

FOLLOWING PERSONAL FOR BULLARD/J THOMAS

MJPT AND TELECON J THOMAS/BRAITHWAITE: EAST-WEST ECONOMIC RELATIONS
(PIPELINE)

1. FOLLOWING IS REVISED VERSION OF TODAY'S DATE OF US NON-PAPER:

1. OUR GOVERNMENTS RECOGNIZE THE NECESSITY OF CONDUCTING THEIR RELATIONS WITH THE USSR ON THE BASIS OF A GLOBAL AND COMPREHENSIVE POLICY DESIGNED TO SERVE OUR OWN FUNDAMENTAL SECURITY INTERESTS. THEY ARE PARTICULARLY CONSCIOUS OF THE NEED FOR A COMMON APPROACH IN THE ECONOMIC FIELD, WHERE ACTIONS MUST BE COORDINATED WITHIN THE FRAMEWORK OF THEIR GLOBAL STRATEGY. THEY ARE RESOLVED TOGETHER TO TAKE THE NECESSARY STEPS TO REMOVE 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.

-- THAT THEY WILL NOT UNDERTAKE TRADE ARRANGEMENTS WHICH CONTRIBUTE TO THE MILITARY CAPABILITIES OF THE USSR.

-- THAT IT IS NOT IN THEIR INTEREST TO SUBSIDIZE THE SOVIET ECONOMY: TRADE SHOULD BE CONDUCTED IN A PRUDENT MANNER WITHOUT PREFERENTIAL TREATMENT.

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

-- THAT IT IS NOT THEIR PURPOSE TO ENGAGE IN ECONOMIC WARFARE AGAINST THE SOVIET UNION. TRADE WITH THE SOVIET UNION AND EASTERN EUROPE SHOULD PROCEED ON THE BASIS OF A STRICT BALANCE OF ADVANTAGES.

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, RECOGNIZING THE DIFFERENT POLITICAL AND ECONOMIC CONDITIONS THAT PREVAIL IN EACH OF THESE EASTERN EUROPEAN COUNTRIES.

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THIS OVERALL ANALYSIS WILL TOUCH IN PARTICULAR ON THE FOLLOWING AREAS

- STRATEGIC GOODS AND TECHNOLOGY OF MILITARY SIGNIFICANCE (COCOM):
- OTHER HIGH TECHNOLOGY ITEMS:
- CREDIT POLICY:
- ENERGY:
- AGRICULTURAL PRODUCTS.

IN THEIR ANALYSIS OF OTHER HIGH TECHNOLOGY ITEMS, THE ALLIED GOVERNMENTS AGREE TO EXAMINE IMMEDIATELY WHETHER THEIR SECURITY INTERESTS REQUIRE CONTROLS ON THE EXPORT TO THE SOVIET UNION AND EASTERN EUROPE OF ADVANCED TECHNOLOGY AND EQUIPMENT, TO BE JOINTLY DETERMINED, BUT INCLUDING CONTROLS ON TECHNOLOGY WITH DIRECT APPLICATION TO THE OIL AND GAS SECTOR. ANY ACTIONS AS A CONSEQUENCE OF THE EXAMINATION WOULD BE AGREED UPON AND IMPLEMENTED WITHIN A FRAMEWORK TO BE AGREED.

IN THE FIELD OF ENERGY, THE EUROPEAN GOVERNMENTS, AS THEY ARE HEAVILY DEPENDENT ON IMPORTS OF ENERGY, WILL INITIATE A STUDY OF PROJECTED EUROPEAN ENERGY REQUIREMENTS OVER THE NEXT DECADE AND BEYOND AND POSSIBLE MEANS OF MEETING THOSE REQUIREMENTS. THE UNITED STATES WILL PARTICIPATE IN THIS STUDY. IT WILL BE PREPARED UNDER THE AUSPICES OF THE OECD.

3. AS AN IMMEDIATE DECISION AND FOLLOWING DECISIONS ALREADY MADE, THEY HAVE FURTHER 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 WILL BE EVALUATED AND, IF NECESSARY, ADJUSTED. THIS OBJECTIVE WILL BE PURSUED AT THE COCOM REVIEW NOW UNDER WAY. 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.

(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. HAVING IN MIND THE CRITERIA IN PARAGRAPH TWO ABOVE, ALLIED GOVERNMENTS WILL ALSO ESTABLISH THE MEANS TO HARMONIZE NATIONAL POLICIES WITH RESPECT TO THE EXTENSION OF CREDITS, COVERING INTEREST RATES, MATURITIES, DOWN PAYMENTS, AND FEES.

(C) ALLIED GOVERNMENTS HAVE INFORMED EACH OTHER THAT DURING THE COURSE OF THE STUDY ON ENERGY REQUIREMENTS, THEY WILL NOT SIGN, OR APPROVE THE SIGNING BY THEIR COMPANIES, OF NEW CONTRACTS WITH THE SOVIET UNION FOR THE PURCHASE OF NATURAL GAS.

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