

CONFIDENTIAL

FM WASHINGTON 171754Z

TO IMMEDIATE F C O

TELNO 3721 OF 17 NOVEMBER 1982,

INFO PARIS, BONN, ROME, UKREP BRUSSELS.

MF

## PIPELINE: LIFTING OF THE DENIAL ORDERS AGAINST EUROPEAN FIRMS

1. HUNT, ASSISTANT GENERAL COUNSEL AT THE DEPARTMENT OF COMMERCE, HAS INFORMED US THAT THE DEPARTMENT YESTERDAY FILED MOTIONS WITH THE HEARINGS COMMISSIONER TO VACATE THE TEMPORARY DENIAL ORDERS PREVIOUSLY IMPOSED ON EUROPEAN FIRMS. THE HEARINGS COMMISSIONER, IN TURN, IMMEDIATELY VACATED THE ORDER OF 9 SEPTEMBER AGAINST JOHN BROWN ENGINEERING AND THE SIMILAR ORDERS AGAINST THE OTHER EUROPEAN FIRMS. THE HEARINGS COMMISSIONER'S ORDER (COPIES BY BAG), WHICH ARE EFFECTIVE FROM 16 NOVEMBER, ARE TO BE PUBLISHED IN DUE COURSE IN THE FEDERAL REGISTER.

2. THIS BRINGS TO A CLOSE THE PROCEEDINGS AGAINST ALL THE EUROPEAN FIRMS CONCERNED.

3. ALTHOUGH WE EXPECTED THIS RESULT (OUR AGREEMENT TO THE NON-PAPER WAS CONTINGENT ON IT AMONG OTHER THINGS), IT IS NEVERTHELESS UNPRECEDENTED IN THE HISTORY OF US EXPORT CONTROLS ENFORCEMENT. ALTHOUGH THE US REGULATIONS, ON WHICH THE ENFORCEMENT ACTION WAS BASED, WERE RESCINDED THE EUROPEAN FIRMS CONCERNED DID, IN US EYES, VIOLATE THOSE REGULATIONS WHEN IN FORCE. WE BELIEVE THAT IN PREVIOUS CASES OF THIS KIND (BUT NOT OF THE POLITICAL DIMENSION OF THE PIPE-LINE SANCTIONS) THE ADMINISTRATION HAS ALWAYS SOUGHT TO PROSECUTE OR AT LEAST REACH AN OUT OF COURT SETTLEMENT BY WAY OF A CONSENT DECREE WITH QUOTE OFFENDERS UNQUOTE. THE UNILATERAL TERMINATION OF ACTION AGAINST THE EUROPEAN FIRMS THEREFORE REPRESENTS A SIGNIFICANT CLIMB DOWN BY THE ADMINISTRATION AND A LANDMARK DECISION WHICH LAWYERS WILL UNDOUBTEDLY CITE IN THE YEARS TO COME. THIS IS NOT AN ASPECT TO BE EXPLOITED IN PUBLIC BUT IT IS A MEASURE OF THE LENGTHS THE ADMINISTRATION HAVE BEEN PREPARED TO GO TO MEND FENCES.

WRIGHT

## EAST/WEST ECONOMIC ISSUES - SIBERIAN PIPELINE

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