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TELEGRAM NUMBER 645 OF 26 FEBRUARY

INFO PRIORITY UKREP BRUSSELS, BONN, ROME, PARIS, UKDEL NATO, WARSAW.

MY TELNO 613: MEASURES AGAINST THE SOVIET UNION. *ms*

1. I CALLED THIS AFTERNOON WITH MINISTER (COMMERCIAL) ON NORMAN BAILEY (NSC) FOR A MEETING WHICH HAD BEEN TWICE POSTPONED, BAILEY SAID THAT THE NSC HAD MET EARLIER IN THE DAY, BUT HAD TAKEN NO DECISIONS. THE PRESIDENT WAS NOW CONSIDERING THE OPTIONS. HE WOULD BE LIKELY TO REACH A DECISION BY EARLY NEXT WEEK. (OLMER HAS SINCE TOLD ME THAT AT THE MEETING THE GROUND HAD BEEN GONE OVER VERY THOROUGHLY AND THAT ALL THE ARGUMENTS WE WOULD HAVE WANTED TO SEE USED HAD BEEN FORCEFULLY DEPLOYED).

2. BAILEY SAID THAT THINGS WERE EVIDENTLY GETTING WORSE IN POLAND AND THE AMERICANS SAW NO REASON TO LIGHTEN THE SANCTIONS AGAINST EITHER POLAND OR THE SOVIET UNION. THEIR THINKING HAD BEEN FAVOURABLY AFFECTED BY THE SUBSTANTIAL WILLINGNESS WHICH MOST OF THEIR ALLIES WERE NOW SHOWING TO DO THINGS WHICH THEY THOUGHT THE SITUATION DEMANDED. BUT THEY HAD BEEN UNFAVOURABLY IMPRESSED BY THE DECISION OF THE FRENCH BANKS TO FINANCE THE DOWN PAYMENT FOR THE GAS PIPELINE (WHICH THE FRENCH GOVERNMENT COULD NOT DISAVOW SINCE NATIONALISATION), AND BY REPORTS OF CRITICISM IN THE EUROPEAN PARLIAMENT OF SIGNIFICANT VIOLATIONS BY THE COMMISSION OF THE SANCTIONS WHICH THE COMMUNITY HAD CLAIMED TO TAKE AGAINST THE RUSSIANS AFTER AFGHANISTAN. EUROPEAN PARLIAMENTARIANS WERE ALSO SAID TO BE CRITICIZING THEIR GOVERNMENTS FOR NOT TAKING SUFFICIENTLY SERIOUSLY THE SECURITY IMPLICATIONS OF THE GAS PIPELINE. BAILEY DID NOT ATTEMPT TO ANTICIPATE THE PRESIDENT'S DECISION. BUT HE COMMENTED THAT THE DECISION WAS CLEARLY POLITICAL AND THAT IT INVOLVED TRADING OFF DAMAGE TO THE SOVIET UNION AGAINST DAMAGE TO THE ALLIANCE.

3. I ARGUED THAT, AS A RESULT OF EXCHANGES WITH THE AMERICANS IN EARLY FEBRUARY, WE AND THE OTHER EUROPEANS HAD ASSUMED THAT THE AMERICANS WOULD BE FLEXIBLE IN APPLYING THE MEASURES OF 29 DECEMBER TO EXISTING CONTRACTS, IF IN RETURN THE EUROPEANS PRODUCED A SIGNIFICANT PACKAGE OF MEASURES OF THEIR OWN, AND COULD WORK OUT ARRANGEMENTS FOR NON-UNDERMINING. THE EUROPEANS HAD DONE THE FIRST AND WERE READY TO DISCUSS THE SECOND. THEY HAD NOW DECIDED IN PRINCIPLE TO CUT THEIR IMPORTS FROM THE SOVIET UNION, A STEP ON WHICH THE UNITED STATES HAD NOT YET EMBARKED. I HAD EARLIER LEFT HIM A COPY OF OUR NOTE OF 24 FEBRUARY ABOUT EXISTING CONTRACTS WHICH HE HAD READ. HE SAID HE TOOK OUR POINTS.

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4. BAILEY SAID THAT THE QUESTIONS FOR THE ADMINISTRATION WERE: WHETHER THE REGULATIONS SHOULD BE EXTENDED TO COVER U.S. SUBSIDIARIES AND LICENCEES ABROAD; AND WHETHER THE REGULATION ON OIL AND GAS EQUIPMENT SHOULD BE APPLIED RETROSPECTIVELY TO AMERICAN COMPANIES. THE EXISTING SANCTIONS CLEARLY PREVENTED GENERAL ELECTRIC FROM EXPORTING ANY MORE ROTORS AND SHAFTS TO CONSTRUCTORS JOHN BROWN FOR RE-EXPORT TO THE SOVIET UNION. BAILEY'S PERSONAL VIEW WAS THAT THE PRESIDENT WOULD BE UNLIKELY TO MODIFY THIS. GIVEN THE CURRENT POLITICAL PRESSURES, ANY SOFTENING OF THE EXISTING ARRANGEMENTS WOULD GIVE RISE TO GREAT CRITICISM AND COULD FOR EXAMPLE RESULT IN A UNION BOYCOTT OF GRAIN EXPORTS.

5. BAILEY SAID THAT THE ADMINISTRATION WERE NOW PARTICULARLY INTERESTED IN TIGHTENING FUTURE CREDITS TO THE SOVIET UNION: THIS LED TO A WIDER DISCUSSION, REPORTED IN MY TELNO 646.

COMMENT

6. IT IS NOT EASY TO JUDGE FROM BAILEY'S REMARKS WHICH WAY THE CAT MAY JUMP. THE AMERICANS ARE EVIDENTLY VERY CROSS WITH THE FRENCH, AND WITH THE ALLEGED SANCTION VIOLATIONS BY THE COMMISSION (PARAGRAPH 2 ABOVE) ON WHICH I WOULD BE GRATEFUL FOR CLARIFICATION. BUT THEY ALSO SEEM TO BE WELL SEIZED OF THE POTENTIAL DANGERS TO THE ALLIANCE AND ON THE DESIRABILITY OF CONSULTATIONS.

7. ASSUMING THE PRESIDENT SO DECIDES, BAILEY THOUGHT THAT THE BUCKLEY MISSION WOULD NOW LEAVE FOR EUROPE IN ABOUT TEN DAYS. IT WOULD NOT NECESSARILY GO TO BRUSSELS. HE WAS INTERESTED IN THE THOUGHT THAT CONFUSION MIGHT BE AVOIDED IF THE MISSION MET ALL ITS INTERLOCUTORS TOGETHER, INSTEAD OF SEPARATELY IN CAPITALS. HE ASKED WHETHER LONDON WOULD BE PREPARED TO HOST SUCH A COLLECTIVE MEETING. I SAID I WOULD ASK, AND WOULD BE GRATEFUL FOR EARLY GUIDANCE.

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