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*Soviet Union
file B*

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From the Private Secretary

2 August 1982

Soviet Pipeline

The Prime Minister saw the message to your Secretary of State from Mr. Weinberger contained in a telegram from the Embassy in Washington sent on 28 July.

Weinberger employs at one point the argument that the fact that the Russians are using their scarce hard currency and are selling gold for purchases of agricultural products in Europe, the United States and elsewhere indicates that they are unwilling or unable to squeeze the civilian economy further. The Prime Minister has commented that this appears to be a good argument for the US refusing to sell more wheat to the Soviet Union.

I am copying this letter to Francis Richards (FCO).

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

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FOLLOWING PERSONAL FOR SECRETARY OF STATE FOR DEFENCE AND FCO
(PERSONAL FOR PS/S OF S)
SOVIET PIPELINE

1. WEINBERGER HAS ASKED ME TO PASS TO YOU A LETTER OF 27 JULY ABOUT
THE PIPELINE THE TEXT OF WHICH IS BELOW.

DEAR JOHN:

THOSE OF US FOLLOWING THE EUROPEAN DISCUSSION OF PRESIDENT REAGAN'S
EXTENSION OF EXPORT CONTROLS ON OIL AND GAS TECHNOLOGY TO THE USSR
ARE CONCERNED THAT THE STRATEGIC AND ALLIANCE-RELATED REASONS FOR
THE PRESIDENT'S DECISION, ARE SOMEHOW NOT BEING EXPRESSED OR HEARD.
YOU AND I HAVE DISCUSSED HOW THE PIPELINE WILL CONTRIBUTE BILLIONS
OF DOLLARS ANNUALLY TO SOVIET HARD CURRENCY EARNINGS. AND INDICATIONS
TODAY ARE THAT WHILE THE SHORTAGE OF HARD CURRENCY FORCES THE SOVIET
UNION TO CUT BACK ON MILITARY-RELATED INDUSTRIAL PURCHASES AS WELL
AS ON FOREIGN POLICY ADVENTURES THAT WOULD BE HARMFUL TO THE
ALLIANCE, AN EXTRA DLRS 8 TO DLRS 10 BILLION A YEAR WILL
CORRESPONDINGLY ADD ENORMOUSLY TO THEIR MILITARY STRENGTH. CONTRARY
TO ARGUMENTS MADE BY SOME, THE SOVIET GOVERNMENT CANNOT SIMPLY CUT
FURTHER INTO THEIR CIVILIAN CONSUMPTION TO KEEP FEEDING THEIR
MILITARY ESTABLISHMENT. THE VERY FACT THAT THEY ARE USING THEIR
SCARCE HARD CURRENCY AND SELLING THEIR GOLD NOW FOR PURCHASES OF
AGRICULTURAL PRODUCTS IN EUROPE, THE UNITED STATES AND ELSEWHERE
INDICATES THAT THEY ARE UNWILLING, OR UNABLE, TO SQUEEZE THE
CIVILIAN ECONOMY FURTHER.

MOREOVER, THE PUBLIC SHOULD UNDERSTAND THAT THE PIPELINE PROJECT
INVOLVES MORE THAN THE CONSTRUCTION OF A SINGLE LINE INTO WEST
GERMANY. IT IS SET UP FOR RAPID EXPANSION INTO A MULTI-LINE SYSTEM,
THUS SUBSTANTIALLY ADDING NOT ONLY TO THE LEVERAGE THE SOVIETS
WILL ACQUIRE IN THE WEST EUROPEAN MARKETPLACE, BUT ALSO, AND EVEN
WORSE, ADDING A HUGE ENERGY SUPPLY AND DISTRIBUTION SYSTEM, PAID FOR
BY THE WEST, TO THEIR INDUSTRIAL BASE. I HOPE THAT WE CAN FIND A WAY
TO STAND TOGETHER IN POINTING OUT THE DANGERS OF SUCH A COURSE AND
THE ADVANTAGES OF DEVELOPING INDIGENOUS EUROPEAN OR OTHER ALTERNATE
ENERGY RESOURCES.

IT IS NOT JUST SO MUCH THE LEVERAGE FROM THE THREAT OF CUTTING OFF
GAS SUPPLIES THAT WE MUST BE CONCERNED ABOUT BUT THE POLITICAL-
ECONOMIC LEVERAGE ARISING FROM A NETWORK OF CONTRACTS AND PURCHASER-
SELLER RELATIONSHIPS BETWEEN THE SOVIET GOVERNMENT AND WEST
EUROPEAN FIRMS. THE VERY INTENSITY OF THE POLITICAL CONCERN THAT IS
NOW NOTICEABLE IN EUROPE CONCERNING THE POTENTIAL LOSS OF RELATIVELY
SMALL CONTRACTS WITH THE SOVIET UNION NOW AT STAKE IN CONNECTION

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WITH THE PIPELINE SUGGESTS THE POLITICAL LEVERAGE THAT WOULD BE OPENED UP IF THIS PROJECT GOES AHEAD AT ITS FULL POTENTIAL. LET ME ALSO MENTION THAT THE ANTI-US TONE OF MUCH OF THE EUROPEAN DISCUSSION POSES PROBLEMS FOR US HERE AS WE TRY TO MAINTAIN AND STRENGTHEN THE AMERICAN COMMITMENT TO THE ALLIANCE. WE DO NOT MIND CRITICISM, BUT MUCH OF THE TONE ADDS GREATLY TO THE ALREADY FAR TOO LARGE ANTI-NATO AND ANTI-EUROPEAN SENTIMENTS IN THE CONGRESS. FINALLY, LET ME QUESTION THE ARGUMENT THAT EUROPEAN COUNTRIES MUST GO AHEAD WITH THE PIPELINE IN ORDER TO HONOR CONTRACTS WITH THE USSR. IT IS HARD TO ARGUE THAT THESE CONTRACTS CAN BE SEPARATED FROM POLITICAL CONSIDERATIONS IN VIEW OF THE FACT THAT GERMAN AND FRENCH CONTRACTS WERE SIGNED AFTER THE UNITED STATES HAD EXPRESSED SERIOUS RESERVATIONS ABOUT THE PIPELINE AND AFTER EVENTS IN POLAND HAD CAST EVEN MORE DOUBT ON THE SOVIET COMMITMENT TO DETENTE IN CENTRAL EUROPE.

I WOULD APPRECIATE YOUR COMMENTS, AND IF YOU CAN, YOUR PERSONAL EFFORTS TO SPEAK FOR BOTH OF US IN ENSURING THAT THE STRATEGIC AND DEFENSE CONSIDERATIONS OF THE SIBERIAN PIPELINE WILL BE BETTER UNDERSTOOD BY RESPONSIBLE EUROPEAN OFFICIALS AND THE EUROPEAN PUBLIC.

SINCERELY, CAP
LETTER FOLLOWS BY BAG.
2. COMMENT FOLLOWS.
BT

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