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FROM WASHINGTON 092145Z SEP 82.

TO FLASH F C O

TELEGRAM NUMBER 2986 OF 9 SEPTEMBER

AND TO FLASH COPENHAGEN

INFO PRIORITY PARIS, BONN, ROME.

HO PUSD (2) Ps/Word Cockfield
 HO ESSD Ps/M Lees
 HO NEWS D de Gray
 HO ERD Mr Sunderkud } DOT
 Ps Mr Ayling }
 Ps/M Hurd Mr Bourke }
 Ps/M Rifkind Do/DOT
 Ps/PUS
 Sir J. Bullard
 Mr JC Thomas
 Mr Harney

(re-acting copy)

MY TELEGRAM NO 2981: SIBERIAN PIPELINE: COMMERCE SECRETARY BALDRIGE'S STATEMENT.

1. FOLLOWING IS FULL TEXT OF BALDRIGE'S STATEMENT GIVEN AT HIS PRESS CONFERENCE TODAY:

BEGINS:-

I WANT TO EXPLAIN THE STATUS OF THE ACTIONS WE HAVE TAKEN SO FAR REGARDING THE PIPELINE SANCTIONS.

1) ON AUGUST 26 WE ISSUED TEMPORARY DENIAL ORDERS AGAINST DRESSER FRANCE AND CREUSOT-LOIRE. THESE ORDERS ARE TEMPORARY SO THAT WE CAN HAVE TIME TO INVESTIGATE AND MODIFY THEM IF NECESSARY. THOSE TEMPORARY ORDERS PROHIBITED EXPORT OF ALL U.S. PRODUCTS, SERVICES AND TECHNOLOGY TO THOSE TWO COMPANIES. ON SEPTEMBER 7, BASED ON FACTS DETERMINED IN OUR CONTINUING INVESTIGATIONS OF THOSE TWO COMPANIES, WE PROPOSED MODIFYING THE TEMPORARY ORDERS TO COVER U.S. OIL AND GAS RELATED PRODUCTS, SERVICES AND TECHNOLOGY AND TO HAVE THE SANCTIONS EXTEND TO THEIR HOME-COUNTRY SUBSIDIARIES TO ASSURE COMPLIANCE WITH THE ORDER.

IN THE DRESSER CASE, THE TEMPORARY ORDER HAS BEEN AMENDED AND NOW APPLIES ONLY TO OIL AND GAS RELATED PRODUCTS, SERVICES AND TECHNOLOGY, IN THE CREUSOT-LOIRE CASE, THE MODIFICATIONS ARE PENDING SO SUBMISSIONS BEING PREPARED CAN BE REVIEWED.

2) ON SEPTEMBER 4 WE ISSUED A TEMPORARY DENIAL ORDER AGAINST NUOVO PIGNONE OF ITALY AND ITS ITALIAN SUBSIDIARY, INSO. THAT ORDER ALSO COVERS OIL AND GAS RELATED EQUIPMENT, SERVICES AND TECHNOLOGY.

3) TODAY WE HAVE ISSUED A TEMPORARY DENIAL ORDER AGAINST JOHN BROWN ENGINEERING LTD. OF SCOTLAND AND ITS THREE UNITED KINGDOM SUBSIDIARIES. AS WITH THE OTHERS, THE TEMPORARY ORDER PROHIBITS EXPORT OF ALL U.S. GAS AND OIL RELATED EQUIPMENT, SERVICES AND TECHNOLOGY.

THE MODIFICATION OF THE SANCTIONS, AFTER OUR INVESTIGATIONS, FULLY MAINTAINS THE GOALS LAID OUT BY THE PRESIDENT REGARDING OIL AND GAS SANCTIONS IMPOSED ON THE SOVIETS WITHOUT UNDULY HARMING OUR ALLIES AND FRIENDS, AND IS CONSISTENT WITH THE FACTS DETERMINED THUS FAR IN OUR INVESTIGATIONS OF THESE CASES.

I WANT TO SAY A WORD ABOUT PRESIDENT REAGAN'S PURPOSE IN IMPLEMENTING THESE FOREIGN POLICY EXPORT CONTROLS, AND HIS RESOLVE TO MAINTAIN THEM THROUGHOUT THIS CRISIS IN POLAND.

THE SANCTIONS WERE IMPOSED BECAUSE OF THE SOVIET UNION'S COMPLICITY IN THE EVENTS OVER THE PAST 9 MONTHS IN POLAND, WHICH HAVE RESULTED IN THE JAILING OF MANY THOUSANDS OF INNOCENT, PATRIOTIC CITIZENS AND THE FORCED SOLITARY CONFINEMENT OF LECH WALESZA: THE IMPOSITION OF MARTIAL LAW, AND THE BREAKDOWN IN COMMUNICATIONS BETWEEN THE MILITARY GOVERNMENT, THE CHURCH, AND SOLIDARITY.

PIPELINE SANCTIONS WERE SELECTED BECAUSE WE KNEW WITH A FAIR AMOUNT OF CERTAINTY THAT THE SOVIET UNION WOULD PAY A HIGH COST IN TIME, MONEY AND EFFORT IF PREVENTED FROM OBTAINING U.S. PRODUCTS AND TECHNOLOGY RELATED TO PIPELINE CONSTRUCTION.

COULD ANY OTHER SANCTIONS HAVE BEEN SELECTED ? POSSIBLY. BUT THIS WAS THE QUICKEST, SUREST WAY TO EXACT A PENALTY ON THE SOVIETS FOR THEIR ACTS.

THE PRESIDENT INTENDS, HAS INTENDED, AND WILL INTEND TO SEE THE PROCESS OF POLISH NATIONAL RECONCILIATION BEGIN TO UN-

THE PRESIDENT INTENDS, HAS INTENDED, AND WILL INTEND TO
SEE THE PROCESS OF POLISH NATIONAL RECONCILIATION BEGIN. AS WE,
IN THE COMMERCE DEPARTMENT, WILL CONTINUE TO ADMINISTER THE
REGULATIONS WHICH IMPLEMENT THAT POLICY AS FAIRLY AS POSSIBLE.

ENDS.

2. M.I.F.T. CONTAINS MAIN POINTS WHICH AROSE IN QUESTIONS
AFTERWARDS.

RESIDENT CLERK PLEASE INFORM FRANCIS RICHARDS.

ADVANCE AS APPROPRIATE BULLARD, J C THOMAS, GOWLLAND (TRED)

FCO PLEASE PASS BY 10/0700Z PS/LORD COCKFIELD, PS/MR REES,
GRAY, SUNDERLAND, AYLING, BOURKE (DOT).

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TO IMMEDIATE FCO

TELNO 2993 OF 9 SEP 82

AND TO IMMEDIATE COPENHAGEN DESKBY 100500

INFO PRIORITY PARIS BONN ROME

MY TELNO 2982.

H/TRED	PS/Mr Hurd
H/EESD	PS/Mr Liffkind
H/NAD	PS/PUS
H/Planning Staff	Sir J. Bullard
H/Def D	Mr JC Thomas
H/ECD(E)	Mr Hamney
H/WED	PS/Lord Cockfield
H/ESID	PS/Mr Lees
H/PUSD	Mr Gray
H/ESSD	Mr Sunderland } DOT
H/NewsD	Mr Ayling } DOT
H/ERD	Mr Bourke } DOT
	Do/DOT
	RC - fraction

TEMPORARY DENIAL ORDER AGAINST JOHN BROWN ENGINEERING.

1. MURPHY (JBE'S US COUNSEL) HAS TOLD SECOND SECRETARY (COMMERCIAL) THAT THE DENIAL ORDER AGAINST JBE - BY LIMITING THE LIST OF SUBSIDIARY COMPANIES - WAS TAILORED TO MINIMISE THE DAMAGE TO THE FIRM'S INTERESTS. IT WAS 'AS EXPECTED AND HOPED FOR'. ESSENTIALLY, IT HIT TWO JBE CONTRACTS (APART FROM THE SIBERIAN PIPELINE). ONE FOR A PETROCHEMICAL PROJECT IN SCOTLAND AND THE OTHER FOR A SEPERATE (UNDEFINED) PROJECT IN ALGERIA. AS TO THE FIRST, MURPHY, HAVING SPOKEN IN ADVANCE TO DEPUTY ASSISTANT SECRETARY DENYSYK, BELIEVED THERE MIGHT BE A LOOPHOLE IN THE COMMERCE DEPARTMENT REGULATIONS WHICH WOULD ALLOW JBE TO CONTINUE TO IMPORT THE US TECHNOLOGY REQUIRED. IN THE ALGERIAN CONTRACT, THERE WAS A FORCE MAJEURE CLAUSE RELATING TO US EXPORT CONTROL DIFFICULTIES WHICH COULD PROVIDE A DELAY OF SOME 6 MONTHS WHILE JBE SORTED THINGS OUT:

|| RESIDENT CLERK PLEASE INFORM FRANCIS RICHARDS

| ADVANCES AS APPROPRIATE TO BULLARD JC THOMAS GOWLLAND (TRED) FCO PLEASE PASS BY 100700Z TO PS/LORD COCKFIELD, PS/MR REES GRAY, SUNDERLAND, AYLING AND BOURKE (DOT)

WRIGHT

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister (2)

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

To see
14 October 1982 MS 15/10
[Handwritten signature]

Dear Michael

I attach a copy of a letter which our Secretary of State has received in connection with the John Brown Engineering case and of the reply which he has sent. You will see that Mr Younger has undertaken to show the correspondent's letter to the Prime Minister.

[Handwritten signature]

A M RUSSELL
Private Secretary



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Reverend James McShane
St Margaret's
Sinclair Street
CLYDEBANK
G81 1AE

October 1982

Dear Mr. McShane,

Thank you for your letter of 11 September about John Brown Engineering.

I very much appreciate the support being given by the churches in Clydebank to the Government's efforts to defend JBE's interests. We are, of course, continuing to do all we can to resolve this damaging dispute. I shall show your letter to the Prime Minister.

Yours sincerely,
Crowe Younger

" I shall show "

St. Margaret's,
Sinclair Street,
Clydebank,
G81 1AE.

11th September 1982.

Rt. Hon. George Younger, M.P.,
Secretary of State for Scotland,
Scottish Office,
New St. Andrew's House,
St. James Centre,
Edinburgh, EH1 35X.

Dear Mr. Younger,

Would you be kind enough to thank the Prime
Minister, Mrs. Thatcher, on our behalf for her valiant defence
of J.B.E. (Clydebank).

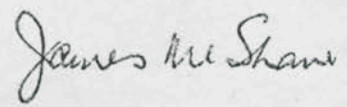
We hope and pray that her efforts will be successful.

I enclose a copy of a letter forwarded by Rev. Stewart
Borthwick and myself to President Reagan as representatives of the
local clergy.

With every kind wish,

Yours respectfully,

(Rev.) James McShane,



Chairman, Clydebank Campaign
on Employment.