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DESKBY 110845Z  
FM WASHINGTON 110042Z NOV 82  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 3647 OF 10 NOVEMBER

INFO IMMEDIATE AMMAN (FOR PS/S OF S)  
PRIORITY PARIS, BONN, ROME, COPENHAGEN, UKDEL NATO  
UKDEL OECD, UKREP BRUSSELS  
ROUTINE TOKYO, OTTAWA, BRUSSELS, THE HAGUE

INFO SAVING ATHENS, DUBLIN, LUXEMBOURG

FOLLOWING FROM THOMAS IN ABSENCE OF SIR O WRIGHT ON  
WEST COAST.

MY TELNO 3639: EAST-WEST ECONOMIC RELATIONS (PIPELINE)

1. SINCE WE ARE NOW VERY CLOSE TO THE CRUNCH IN THESE  
NEGOTIATIONS, IT MAY BE WORTH SETTING OUT WHERE WE HAVE GOT  
TO.
2. THE PACKAGE THAT EMERGES AT THE END OF THE PROCESS MUST CONTAIN  
THREE ELEMENTS:
  - (I) AN AGREED FRAMEWORK FOR WORKING OUT AN ALLIANCE  
STRATEGY ON EAST/WEST ECONOMIC RELATIONS (THE NON-PAPER):
  - (II) A SATISFACTORY US DECISION ON THE LIFTING OF SANCTIONS  
AFFECTING THE SIBERIAN PIPELINE:
  - (III) AN AGREED METHOD OF PRESENTING RESULTS  
TO THE PUBLIC.
- IT HAS BEEN AN ACCEPTED CONVENTION FOR SOME TIME THAT AGREEMENT  
ON EACH OF THE THREE ELEMENTS IS DEPENDENT ON AGREEMENT ON THE  
WHOLE.
3. OUR OWN BASIC POLICY AIMS AT THE OUTSET WERE:
  - (I) TO SECURE THE LIFTING OF THE DECEMBER 1981 AND JUNE 1982  
MEASURES (AND SUBSEQUENT DENIAL ORDERS) INSOFAR AS THEY  
RELATED TO COMPANIES OUTSIDE THE USA.
  - (II) TO REACH AGREEMENT ON THE NEED FOR A COMMON ANALYSIS OF  
THE SOVIET ECONOMY AS A BASIS FOR WESTERN AGREEMENT ON  
POLICY AND SPECIFIC MEASURES.
  - (III) TO SECURE AGREEMENT THAT AMERICAN EXTRATERRITORIAL  
LEGISLATION CONSTITUTED A PROBLEM WHICH NEEDED TO BE TACKLED  
URGENTLY AND THAT EXTRA-TERRITORIAL MEASURES  
SHOULD NOT BE TAKEN WITHOUT CONSULTATION.

4. AGREEMENT HAS NOW BEEN REACHED IN PRINCIPLE BETWEEN THE  
ECONOMIC SUMMIT SEVEN ON A SUMMARY OF CONCLUSIONS ON EAST/WEST  
ECONOMIC RELATIONS WHICH COVERS OUR OBJECTIVE AT 3(II) ABOVE.  
THE FINAL TEXT IS CONTAINED IN MY TELNO 3640. THIS REQUIRED INTEN-

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SIVE LINE-BY-LINE NEGOTIATIONS AND AMOUNTS TO AN AGREED SET OF GENERAL PRINCIPLES AND A WORK PROGRAMME. LIKE ALL SUCH DOCUMENTS, IT CAN MEAN DIFFERENT THINGS TO DIFFERENT PEOPLE. IF WE ARE NOT CAREFUL IT COULD GIVE RISE LATER TO ACCUSATIONS OF BAD FAITH ON EITHER SIDE. BUT THE RESERVATIONS OF ALL THE PARTICIPANTS HAVE BEEN CLEARLY STATED IN THE COURSE OF THE DISCUSSIONS HERE. OUR OWN PARTICIPATION IN THE PROCESS HAS BEEN EXPLICITLY ON THE UNDERSTANDING THAT IT WAS WITHOUT COMMITMENT TO THE OUTCOME OF THE STUDIES (AND OF COURSE ON THE UNDERSTANDING THAT THE AMERICANS WOULD IN PARALLEL LIFT THE SANCTIONS.). THE TASK WILL NOW BE TO AGREE ON HOW THE FURTHER WORK AND THE STUDIES ARE TO BE UNDERTAKEN AND TO PARTICIPATE IN THEM IN GOOD FAITH.

5. WE WILL AWAIT AN AMERICAN DECISION ON THE SECOND PART OF THE PACKAGE - THE LIFTING OF SANCTIONS. THE EUROPEAN FOUR HAVE MADE IT CLEAR THAT UNTIL WE KNOW WHAT THE AMERICANS ARE PREPARED TO DO ON THIS FRONT, IT IS NOT POSSIBLE FOR US TO AGREE ON ANY PARTICULAR METHOD OF PUBLIC PRESENTATION OF THE RESULTS. THE NATIONAL SECURITY COUNCIL WAS DUE TO TAKE A DECISION ON THE LIFTING OF SANCTIONS YESTERDAY, BUT IN THE EVENT (WASHINGTON TELEGRAM NO 3639) NO DECISION WAS TAKEN. I UNDERSTAND THAT THE MAIN REASON FOR THIS WAS THE DIFFICULTY OF DECIDING BETWEEN TWO OPTIONS WHICH WERE SUBMITTED TO THE PRESIDENT FOR LIFTING THE SANCTIONS. THE OPTIONS ARE SET OUT IN MY TWO LFT'S.

6. THE FINAL DECISION ON THE MODALITIES FOR LIFTING SANCTIONS WILL BE TAKEN BY THE PRESIDENT IN CONSULTATION WITH HIS IMMEDIATE CIRCLE OF ADVISERS. ASSUMING THAT ONE OF THE ABOVE OPTIONS IS ADOPTED, OUR DESIDERATA WOULD BE MET ON EXISTING CONTRACTS, THOUGH THE SECOND ALTERNATIVE WOULD LEAVE UK COMPANIES SUBJECT TO US LICENSING REQUIREMENTS FOR RE-EXPORT TO THE SOVIET UNION OF CERTAIN CATEGORIES OF GOODS. HOW THIS RIGHT WILL BE EXERCISED WILL DEPEND TO SOME EXTENT ON THE OUTCOME OF THE STUDIES PROVIDED FOR IN THE SUMMARY OF CONCLUSIONS ON EAST/WEST ECONOMIC RELATIONS.

7. ONCE WE RECEIVE CONFIRMATION (POSSIBLY TOMORROW) THAT THE PRESIDENT HAS DECIDED TO LIFT THE SANCTIONS, THERE WILL BE INTENSE PRESSURE HERE TO GO PUBLIC ON THE SUMMARY OF CONCLUSIONS ON EAST/WEST ECONOMIC RELATIONS. THIS IS BECAUSE THE PRESIDENT'S DECISION TO LIFT SANCTIONS WILL LEAK, AND HE WILL COME UNDER HEAVY CRITICISM FROM SOME QUARTERS FOR ACCEDING TO EUROPEAN PRESSURE UNLESS HE CAN AT THE SAME TIME REVEAL WHAT HAS BEEN AGREED BY WAY OF AN ALTERNATIVE ALLIANCE STRATEGY ON EAST/WEST ECONOMIC RELATIONS.

8. IN THESE CIRCUMSTANCES, WE COULD EITHER:-  
(1) AGREE THAT EACH GOVERNMENT SHOULD MAKE ITS OWN STATEMENT IN ITS OWN TIME: OR

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- (II) TRY TO AGREE ON THE POINTS TO BE INCLUDED IN A STATEMENT BY PRESIDENT REAGAN AND THEN ON WHAT SHOULD BE SAID IN RESPONSE BY OTHER GOVERNMENTS: OR  
(III) AGREE THAT THE SUMMARY OF CONCLUSIONS ITSELF SHOULD BE PUBLISHED, AND THAT ANY ACCOMPANYING STATEMENT SHOULD BE BRIEF AND SHOULD NOT PURPORT TO INTERPRET THE DOCUMENT.

9. THE FIRST ALTERNATIVE WOULD BE QUICKEST AND EASIEST BUT BY FAR THE MOST RISKY. AMMAN TELNO 3 GAVE US AUTHORITY TO ACCEPT (II) (PUBLICATION OF THIS TEXT) PROVIDED OTHER MEMBERS OF THE COMMUNITY AGREED AND PROVIDED THE PRESIDENT'S STATEMENT WAS SHORT AND DID NOT PURPORT TO INTERPRET THE PAPER. THERE IS NOW AN EMERGING CONSENSUS IN THE COMMUNITY IN FAVOUR OF THIS COURSE. THE GERMAN EMBASSY HERE BELIEVE THAT THE GERMAN GOVERNMENT WILL ULTIMATELY BE DISPOSED TO AGREE. ONLY THE FRENCH AT PRESENT ARE HOLDING OUT, AND THIS MAY BE FOR TACTICAL REASONS. THE FRENCH AMBASSADOR HERE IS IN NOT DOUBT THAT IT WOULD BE ENORMOUSLY DIFFICULT TO NEGOTIATE THE TEXT OF A US PUBLIC STATEMENT AND THE TEXTS OF EUROPEAN AND OTHER RESPONSES FOR ALL THE REASONS SET OUT IN YOUR TELEGRAM NO 299 TO AMMAN.

10. WE AND OTHER REPRESENTATIVES IN WASHINGTON HAVE PUT IT MOST STRONGLY TO THE AMERICANS THAT OTHER GOVERNMENTS MUST BE GIVEN TIME TO ASSESS THE RESULTS OF THIS EXERCISE AND REACH THEIR OWN CONCLUSIONS BEFORE THEY CAN AGREE TO ANY ANNOUNCEMENT BEING MADE. THE STATE DEPARTMENT UNDERSTAND THIS BUT IT MAY BE LESS WELL UNDERSTOOD IN THE WHITE HOUSE.

11. THE STATE DEPARTMENT ARE RECOMMENDING THAT AS SOON AS THE PRESIDENT'S DECISION ON SANCTIONS HAS BEEN MADE, HE SHOULD SEND MESSAGES TO THE OTHER HEADS OF GOVERNMENT CONCERNED, COMMENDING THE RESULTS OF THE EXERCISE AND SEEKING THE EARLIEST POSSIBLE RESPONSE. THERE MAY ALSO BE A MESSAGE FROM SHULTZ TO YOU IN THE SAME SENSE. WHEN THAT POINT IS REACHED YOU MAY THINK THERE IS SOME MERIT IN A SUGGESTION WHICH THE DANISH AMBASSADOR MADE INFORMALLY AT TODAY'S MEETING WITH THE FOUR THAT IT MAY BE DESIRABLE FOR THE FOUR EUROPEAN GOVERNMENTS MOST DIRECTLY CONCERNED TO BE IN TOUCH SO AS TO TRY TO PRODUCE A CONCERTED RESPONSE WITH THE LEAST DEALY PRACTICABLE.

12. AS TO OUR OBJECTIVE ON EXTRA-TERRITORIALITY (PARAGRAPH 3(III) ABOVE) THE COMMUNITY HAVE MADE CLEAR INFORMALLY TO THE AMERICANS THE IMPORTANCE WE ALL ATTACH TO THIS ISSUE. IT STILL REMAINS, HOWEVER, TO FIND AN APPROPRIATE WAY OF GETTING THE POINT NOTED FOR THE RECORD. THE FRENCH HAVE EXPRESSED A PREFERENCE FOR A SIDE-LETTER, TO WHICH THE AMERICANS WOULD BE EXPECTED TO RESPOND. WE HAVE ARGUED THAT A MORE APPROPRIATE METHOD WOULD BE A STATEMENT BY THE PRESIDENCY,

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IN THE COURSE OF ONE OF OUR FINAL MEETINGS WITH THE AMERICANS, IN WHICH WE WOULD REFER TO OUR EARLIER STATEMENTS OF CONCERN ON THIS MATTER AND MAKE IT CLEAR THAT WE PROPOSED TO PURSUE DISCUSSION OF IT WITH THE AMERICANS IN PARALLEL WITH THE STUDIES WHICH WILL BE TAKING PLACE ON THE ISSUES OF EAST/WEST TRADE. THIS WOULD INTRODUCE A HELPFUL LINKAGE BETWEEN PROGRESS ON BOTH SIDES OF THE BALANCE. THE COMMISSION AND THE REST OF THE COMMUNITY SUPPORT US ON THIS APPROACH. AT THE END OF THE DAY, IT SEEMS UNLIKELY THAT THE PROCEDURE ON THIS QUESTION WILL BECOME A STICKING POINT FOR EITHER THE FRENCH OR THE AMERICANS.

FCO PASS SAVING ATHENS, DUBLIN, LUXEMBOURG

WRIGHT

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TO IMMEDIATE FCO  
TELEGRAM NUMBER 953 OF 10 NOVEMBER  
INFO IMMEDIATE AMMAN (FOR SECRETARY OF STATE'S PARTY), WASHINGTON,  
PARIS

mf

FOLLOWING FROM BULLARD IN BONN: PIPELINE

1. BURT TOLD ME THIS MORNING THAT THE FAILURE OF THE NSC TO REACH A DECISION (WASHINGTON TELNO 3628 OF 9 NOVEMBER) SHOULD NOT BE INTERPRETED AS HERALDING A CHANGE OF US POLICY. HE DID NOT THINK THE PRESIDENT HAD DOUBTS ABOUT THE CONTENTS OF THE NON-PAPER (ON WHICH HE HAD BEEN KEPT CAREFULLY BRIEFED THROUGHOUT THE WASHINGTON NEGOTIATIONS). RATHER, HE THOUGHT THE DELAY REFLECTED DEBATE WITHIN THE ADMINISTRATION AS TO THE MODALITIES FOR LIFTING SANCTIONS (THIS WOULD BE A COMPLICATED OPERATION), AND CONTINUING DISCUSSION ABOUT THE QUESTION OF PUBLICATION. IT WAS ESSENTIAL THAT THE DECISION, ONCE TAKEN, SHOULD BE SUPPORTED UNANIMOUSLY, INCLUDING BY ALL THE VARIOUS AGENCIES IN WASHINGTON.

TAYLOR

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