

Prime Minister

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TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 2004 OF 30 DECEMBER

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

INFO TO ROUTINE MOSCOW, OTHER EC POSTS.

YOUR TEL NO 3950: US MEASURES AGAINST THE SOVIET UNION

1. THERE WAS PRELIMINARY DISCUSSION OF THE AMERICAN MEASURES AGAINST THE SOVIET UNION, ANNOUNCED BY PRESIDENT REAGAN ON 29 DECEMBER, AT AN INFORMAL MEETING OF POLITICAL AND ECONOMIC DIRECTORS FROM THE COMMUNITY (INCLUDING COMMISSION) IN LONDON TODAY.

2. THE DISCUSSION WAS VERY TENTATIVE, SINCE NONE OF THOSE PRESENT HAD BEEN ABLE TO CONSULT OTHER DEPARTMENTS AND SOME HAD ONLY LEARNT THE DETAILS FROM THE PRESS. WE WERE ABLE TO DRAW ON YOUR USEFUL ACCOUNT OF THE EC LUNCH FOR HAIG (YOUR TEL NO 3941) WHILE THE FRENCH REPORTED SOME DETAILS ABOUT THE MEASURES GIVEN TO THEIR AMBASSADOR BY EAGLEBURGER.

3. THE FOREIGN MINISTERS OF THE TEN (PLUS COMMISSION) WILL MEET IN BRUSSELS ON 4 JANUARY TO CONSIDER POLAND, INCLUDING WHAT RESPONSE TO MAKE TO THE AMERICAN ACTIONS AGAINST THE SOVIET UNION. IT WOULD BE EXTREMELY USEFUL TO HAVE BEFORE THEN SOME GREATER CLARIFICATION OF THE SCOPE OF THESE MEASURES. THIS WILL HELP IN ANY EFFORTS TO ENSURE THAT COMMUNITY ACTIONS DO NOT UNDERMINE OR HELP TO CIRCUMVENT THE AMERICAN MEASURES AND MAY ALSO ASSIST DISCUSSION OF WHAT THE TEN MIGHT DO ON THEIR OWN ACCOUNT.

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## 4. THE POINTS OF GREATEST INTEREST ARE AS FOLLOWS:-

(A) AEROFLOT. WE GATHER THAT THERE ARE ONLY TWO AEROFLOT FLIGHTS TO THE UNITED STATES PER WEEK: THAT NO US AIRLINES FLY TO THE SOVIET UNION: AND THAT THE AMERICANS CAN PREVENT THE AEROFLOT FLIGHTS WITHOUT BEING IN BREACH OF THEIR AID SERVICES AGREEMENT. GRATEFUL IF YOU COULD CONFIRM THIS. OUR UNDERSTANDING IS THAT MOST EC COUNTRIES COULD NOT REDUCE FLIGHTS WITHOUT GIVING ADVANCE NOTICE OF UP TO 12 MONTHS, THOUGH - FOR YOUR OWN INFORMATION - THIS DOES NOT APPLY TO THE UK. AIR TRAFFIC BETWEEN THE SOVIET UNION AND EUROPEAN CAPITALS IS OF COURSE MUCH DENSER THAN WITH THE UNITED STATES, AND IN BOTH DIRECTIONS.

(B) SOVIET PURCHASING COMMISSION. WE BELIEVE THAT THIS COMMISSION, SET UP ORIGINALLY TO DEAL WITH PURCHASES FOR THE KAMA RIVER PROJECT, HANDLES ONLY A FRACTION OF US SOVIET TRADE. GRATEFUL IF YOU COULD CONFIRM THIS AND OFFER SOME JUDGEMENT ON THE ACTUAL IMPACT OF CLOSING THE COMMISSION? AS FAR AS WE CAN JUDGE THERE IS NO BODY IN BRITAIN OR OTHER EC COUNTRIES WHICH CORRESPONDS TO THIS COMMISSION.

(C) LICENCES FOR HIGH TECHNOLOGY EQUIPMENT. WE BELIEVE THAT DIRECT SALES OF ELECTRONIC AND HIGH TECHNOLOGY EQUIPMENT FROM THE UNITED STATES TO THE SOVIET UNION ARE SMALL. SALES FROM WEST EUROPEAN COUNTRIES, PARTICULARLY UK, FRANCE AND GERMANY, ARE MUCH HIGHER. MANY OF THE PRODUCTS EXPORTED FROM EUROPEAN COUNTRIES RELY ON US COMPONENTS WHICH REQUIRE RE-EXPORT LICENCES FROM THE UNITED STATES. CAN YOU CLARIFY WHAT EFFECT, IF ANY, THE AMERICAN MEASURES WOULD HAVE IN THESE CONTEXTS? WE BELIEVE THERE WOULD BE A SUBSTANTIAL EFFECT ON ICL SALES OF COMPUTERS TO THE USSR.

(D) GRAINS AGREEMENT. WE ASSUME THAT, ALTHOUGH NEGOTIATIONS ON A NEW AGREEMENT ARE BEING POSTPONED, THE EXISTING AGREEMENT REMAINS IN FORCE TILL ITS EXPIRY AT THE END OF SEPTEMBER 1982. UNDER THIS AGREEMENT THE SOVIET UNION IS EXPECTED TO ORDER UP TO A FURTHER 23,000 TONNES

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OF GRAIN FROM THE UNITED STATES (ACCORDING TO FRENCH AND GERMAN ESTIMATES: OUR OWN ARE A BIT LOWER). DO THE AMERICANS ENVISAGE THAT SALES TO THIS AMOUNT WILL GO AHEAD OR DO THEY HAVE POWERS TO LIMIT THIS?

(E) MARITIME AGREEMENT. EAGLEBURGER TOLD THE FRENCH AMBASSADOR THAT THE ADVANCE WARNING REQUIRED FROM SOVIET SHIPS ENTERING THE FORTY US PORTS OPEN TO THEM WAS BEING EXTENDED FROM 4 TO 14 DAYS, WITH THE OPTION THAT ADMISSION WOULD BE REFUSED. IS THIS CORRECT? IS IT RIGHT TO ASSUME THAT THIS MEASURE WOULD NOT IPSO FACTO LIMIT SOVIET ACCESS TO AMERICAN PORTS UNLESS THE AMERICANS WISHED TO INTERPRET IT RESTRICTIVELY? WE AND MOST OTHER EC COUNTRIES WOULD NEED TO GIVE 12 MONTHS NOTICE OF TERMINATING OUR BILATERAL MARITIME AGREEMENTS. EVEN SO, WE COULD NOT CONTROL ACCESS TO PORTS WITHOUT LEGISLATION.

(F) LICENCES FOR OIL AND GAS EQUIPMENT. FOR YOUR OWN INFORMATION, THIS IS THE MOST SENSITIVE ITEM FOR EC COUNTRIES, PARTICULARLY FRANCE, GERMANY AND ITALY, BECAUSE OF ITS EFFECT ON THE GAS PIPELINE PROJECT. EAGLEBURGER TOLD THE FRENCH AMBASSADOR THAT EXISTING CONTRACTS WOULD BE HONOURED AND THAT LICENCES WOULD ONLY BE REQUIRED FOR NEW CONTRACTS. THE FRENCH ALSO HAD THE IMPRESSION THAT THE LICENCE TO CATERPILLAR FOR PIPELAYERS HAD BEEN GRANTED. GRATEFUL IF YOU COULD CLARIFY THE EXACT POSITION ON WHETHER THIS ACTION HAS RETROSPECTIVE EFFECT AND, IF NOT, WHICH LICENCES HAVE ALREADY BEEN GIVEN. A PARTICULAR PROBLEM MAY ARISE OVER ROTORS SUPPLIED FROM THE US FOR GENERATORS BEING MADE BY JOHN BROWN FOR USE IN THIS PROJECT. WOULD THE LICENSING REQUIREMENT AFFECT THESE ITEMS AND, IF SO, HOW WOULD THEY REACT IF A BRITISH FIRM SUPPLIED AN ALTERNATIVE PRODUCT?

(G) US/SOVIET BILATERAL AGREEMENTS.

WE BELIEVE THE AMERICANS HAVE 11-12 OF THESE AGREEMENTS. DO THEY CONSIDER THAT THEY HAVE MUCH IMPACT ON THEIR BILATERAL RELATIONS? MOST OF OUR BILATERAL AGREEMENTS HAVE BEEN FAIRLY INACTIVE SINCE THE INVASION OF AFGHANISTAN.

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THE GERMANS HAVE NO SUCH AGREEMENTS.

5. WE APPRECIATE THAT THE ANSWERS TO THESE QUESTIONS MAY MEAN ENQUIRIES ACROSS A WIDE RANGE OF US DEPARTMENTS. GRATEFUL, HOWEVER, FOR SUCH ANSWERS AS YOU CAN GIVE BY THE END OF THIS WEEK, WITH A REQUEST FROM RESIDENT CLERK TO PASS DETAILS TO BULLARD AND BRIDGES, WHO WILL BE ATTENDING A MEETING WITH SECRETARY OF STATE AT 1830Z ON SUNDAY EVENING.

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