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FM WASHINGTON 230045Z FEB 82

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TELEGRAM NUMBER 588 OF 22 FEBRUARY

INFO MODUK, UKDEL NATO, BONN, PARIS, WARSAW, MOSCOW, ROME, BRUSSELS,
UKREP BRUSSELS, BUCHAREST.

INFO SAVING OTHER NATO POSTS, DUBLIN, UKMIS NEW YORK.

MY TELNO 561 POLAND: U.S. MEASURES AGAINST THE SOVIET UNION.

1. THE PUBLIC DEBATE ABOUT FURTHER MEASURES AGAINST THE SOVIET UNION DEVELOPED NEW DIMENSIONS AT THE END OF LAST WEEK AND OVER THE WEEK-END. IT HELPS TO ILLUSTRATE THE PRESSURES WITHIN AND UPON THE ADMINISTRATION.

2. THE PRESS HAVE ATTRIBUTED, WE BELIEVE CORRECTLY, THE POSTPONEMENT OF THE BUCKLEY TEAM'S VISIT TO EUROPE, TO THE ADMINISTRATION'S NEED FIRST TO SETTLE ITS OWN DIFFERENCES. THE NEW YORK TIMES REPORTS THE DISPUTE BETWEEN THE STATE AND DEFENSE DEPARTMENTS IN PARTICULAR OVER THE IDEA OF TRYING TO IMPOSE CONSTRAINTS ON FOREIGN SUBSIDIARIES OF U.S. COMPANIES AND MANUFACTURE UNDER LICENCE.

3 THE PRESS NOTE THAT WHILE HAIG AND HIS STAFF ARE STILL OPPOSED TO THE PIPELINE, THEY DO NOT FAVOUR, IN THE FACE OF STRONG EUROPEAN OPPOSITION, FURTHER U.S. PRESSURE TO HALT THE PROJECT OR AN ATTEMPT TO IMPOSE EXTRA-TERRITORIAL RESTRICTIONS ON U.S. SUBSIDIARIES IN EUROPE. HORMATS IS QUOTED AS SAYING THAT THE PIPELINE IS NOT AN ISSUE ON WHICH THE ALLIANCE SHOULD BE CRACKED OPEN. THE STATE DEPARTMENT ARE AIMING FOR A DEAL WITH THE ALLIES INVOLVING NON-INTERFERENCE WITH COMPANIES MANUFACTURING UNDER LICENCE BUT EUROPEAN AGREEMENT TO LIMIT FUTURE CREDITS TO THE SOVIET UNION. BUCKLEY'S TEAM WILL ALSO DISCUSS THE POSSIBILITY OF REDUCING SOVIET EXPORTS TO THE WEST. THE PENTAGON HAVE BEEN ARGUING THAT U.S. SUBSIDIARIES OVER SEAS SHOULD BE SUBJECT TO THE SAME RULES AS U.S. COMPANIES. WEINBERGER IN A STATEMENT TO A CONGRESSIONAL COMMITTEE RELEASED ON 20 FEBRUARY SPOKE OF THE NEED FOR UNILATERAL INITIATIVES TO IMPLEMENT SANCTIONS TO ASSERT LEADERSHIP AND STRENGTHEN SECURITY.

4. SPEAKING TO THE AFL-CIO EXECUTIVE COUNCIL ON 19 FEBRUARY, HAIG SAID THAT A U.S. GRAIN EMBARGO, WITHOUT SIMILAR ACTION BY OTHER PRODUCERS, WOULD BE SELF-DEFEATING IN PRESENT CIRCUMSTANCES. THIS CAME IN RESPONSE TO A STRONGLY WORDED AFL-CIO RESOLUTION THE DAY BEFORE CALLING FOR STRONGER ACTION BY THE ADMINISTRATION INCLUDING A GRAIN EMBARGO.

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5. ON THE DEMOCRATIC SIDE MONDALE HAS:

- (A) CRITICISED THE ADMINISTRATION FOR FOREIGN POLICY FAILURES INCLUDING UNSETTLING THE EUROPEAN ALLIES, BUT
- (B) CALLED FOR POLAND TO BE DECLARED IN DEFAULT OF HER DEBTS TO THE WEST.

6. THE WASHINGTON POST REPORTS THAT PRESIDENT REAGAN HAS REJECTED A RECOMMENDATION FROM THE STATE AND AGRICULTURE DEPARTMENTS IN FAVOUR OF A DOLLARS 65 MILLION COMMODITY CREDIT LOAN FOR ROMANIA. THE DECISION IS REPORTED AS AN INDICATOR OF REAGAN'S THINKING ON FUTURE LOAN GUARANTEES.

F C O PASS SAVING: ANKARA, ATHENS, COPENHAGEN, LISBON, LUXEMBOURG, DUBLIN, OTTAWA, OSLO, REYKJAVIK, THE HAGUE.

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CABINET OFFICE

THIS TELEGRAM
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