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MR GOODALL CABINET OFFICE

Soviet Union

D/B 140900Z

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TO IMMEDIATE FCO

TELEGRAM 3688 OF 14 NOVEMBER

Washington

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INFO IMMEDIATE PARIS BONN ROME COPENHAGEN UKREP BRUSSELS

PRIORITY MOSCOW UKDEL NATO TOKYO OTTAWA

PARIS TELNO 1081; EAST WEST ECONOMIC RELATIONS (PIPELINE)

FOLLOWING FROM THOMAS IN THE ABSENCE OF SIR O WRIGHT.

1. SINCE THE INITIAL FRENCH REACTION REPORTED IN SIR J FRETWELL'S TELEGRAM UNDER REFERENCE, I UNDERSTAND THAT THE QUAI D'ORSAY HAVE PUT OUT A COMMUNIQUE STATING THAT FRANCE IS NOT PARTY TO THE AGREEMENT ANNOUNCED THIS AFTERNOON IN WASHINGTON. THIS HAS BEEN VERY BADLY RECEIVED HERE. THE FRENCH AMBASSADOR HAD ASKED FOR AN APPOINTMENT THIS EVENING WITH DAM (DEPUTY SECRETARY) IN THE ABSENCE OF SHULTZ. THE STATE DEPARTMENT (PLEASE PROTECT) HAVE ADVISED DAM NOT TO RECEIVE HIM FOR THE TIME BEING.

2. IT IS NOT EASY TO SORT OUT THE RIGHTS AND WRONGS OF TODAY'S EVENTS. THE FIRST SHOCK WAS ADMINISTERED BY THE FRENCH, WHEN THE ELYSEE TELEPHONED THE STATE DEPARTMENT THIS MORNING TO SAY THAT FRANCE DID NOT ACCEPT THE NON-PAPER ON EAST WEST ECONOMIC RELATIONS. SINCE THE PAPER HAD BEEN CAREFULLY NEGOTIATED AND AGREED BY ALL PARTICIPANTS, INCLUDING THE FRENCH AMBASSADOR, THIS PIECE OF NEWS CAUSED CONSIDERABLE DISMAY. BUT THE AMERICANS TOOK IT ON THE CHIN AND SHOWED SIGNS OF BEING PREPARED TO RE-OPEN THE DISCUSSIONS TO EXAMINE WHATEVER ADDITIONAL CONCERNS THE FRENCH MIGHT EXPRESS.

3. THE AMERICANS THEN HAD TO WRESTLE WITH THE PROBLEM OF WHETHER OR NOT THE PRESIDENT SHOULD SAY ANYTHING ABOUT THIS SUBJECT IN HIS

3. THE AMERICANS THEN HAD TO WRESTLE WITH THE PROBLEM OF WHETHER OR NOT THE PRESIDENT SHOULD SAY ANYTHING ABOUT THIS SUBJECT IN HIS WEEKLY BROADCAST. WE AND THE DANES PRIVATELY ADVISED AGAINST. BUT NEWS OF THE PRESIDENT'S DECISION TO LIFT THE PIPELINE SANCTIONS HAD ALREADY BEGUN TO LEAK. THE LATE MORNING RADIO BROADCASTS WERE FORECASTING AN ANNOUNCEMENT DURING THE WEEKLY BROADCAST. THIS INCREASED THE PRESSURE ON THE PRESIDENT TO SAY SOMETHING ABOUT THE WIDER AGREEMENT ON EAST WEST RELATIONS IF HE WAS NOT TO BE ACCUSED BY THE REPUBLICAN RIGHT WING OF CAPITULATING TO THE EUROPEANS AND TO HIS OWN INDUSTRY.

4. THE FINAL DECISION WAS NOT TAKEN UNTIL 2 MINUTES BEFORE REAGAN WENT ON THE AIR. IN THE EVENT, HIS STATEMENT WAS A REASONABLY FAIR ATTEMPT TO PRESENT THE OUTCOME IN A BALANCED WAY. THERE ARE A FEW PASSAGES WHICH TILT IN THE DIRECTION OF CLAIMING MORE FOR THE AGREEMENT THAN WE MIGHT WANT. BUT WHAT WILL HAVE INFURIATED THE FRENCH PARTICULARLY WAS THAT THE LIFTING OF THE SANCTIONS AND THE AGREEMENT ON EAST WEST ECONOMIC RELATIONS WERE DEALT WITH IN THE SAME ANNOUNCEMENT. THIS WAS A LINKAGE WHICH THEY HAD ALWAYS MADE EXPLICITLY CLEAR THEY COULD NOT ACCEPT. ON THE OTHER HAND, THE AMERICANS HAD BEEN CAREFUL TO TAKE ACCOUNT OF THE ONLY TWO POINTS TO WHICH THE FRENCH HAD RAISED OBJECTION IN THE DRAFT OF POINTS FOR INCLUSION IN A PRESIDENTIAL STATEMENT: USE OF THE WORD QUOTE SUBSIDISE UNQUOTE AND THE REFERENCE TO POLAND AT THE END OF THE DRAFT. PAYE HAD COMPLAINED TO SIR J FRETWELL THAT THE PROCEDURE WHICH REAGAN HAD ADOPTED DID NOT REFLECT WHAT WAS UNDER DISCUSSION HERE. IN FAIRNESS, HE HAD A POINT. THE ASSUMPTION HAD BEEN THAT IF AGREEMENT TO PUBLISH THE NON-PAPER COULD NOT BE REACHED (AND AS OF THIS MORNING THE FRENCH WERE STILL BLOCKING IT) WE WOULD HAVE A FURTHER DISCUSSION OF WHAT THE PRESIDENT MIGHT SAY IN AN ANNOUNCEMENT, AND WHAT WE MIGHT ALL SAY IN RESPONSE.

5. THE FRENCH MAY ALSO FEEL THEY HAVE A MORE SUBSTANTIVE POINT. IT WAS UNDERSTOOD AMONG THE SEVEN THAT THE THREE ELEMENTS UNDER DISCUSSION (THE NON PAPER, THE LIFTING OF SANCTIONS, AND PUBLIC HANDLING) FORMED AN INTEGRAL PACKAGE. AGREEMENT ON EACH WAS CONDITIONAL UPON AGREEMENT ON THE WHOLE. THE FRENCH MAY ARGUE THAT SINCE AGREEMENT HAD NOT YET BEEN REACHED ON PUBLIC HANDLING, THE CONDITIONS FOR THEIR AGREEMENT TO THE NON-PAPER WERE NOT FULFILLED. THEY WILL BE CONFIDENT THAT THE AMERICANS, HAVING LIFTED THE SANCTIONS, WILL NOT NOW RE-IMPOSE THEM. THEY MAY THEREFORE FEEL THAT THEY CAN HAVE THE SATISFACTION OF GETTING WHAT THEY WANTED FOR NOTHING.

6. THE AMERICANS ARE TOO ANGRY TONIGHT TO BE MAKING MUCH SENSE. THEY ARE UNWILLING TO TALK TO THE FRENCH AT ALL, AND I UNDERSTAND YOU MAY FIND SHULTZ OF MUCH THE SAME MIND WHEN HE REACHES MOSCOW. (I UNDERSTAND THAT THE PRESIDENT TRIED TO TELEPHONE MITTERRAND THIS MORNING BEFORE THE BROADCAST AND THE WHITE HOUSE BELIEVE MITTERRAND REFUSED TO TAKE THE CALL.) THERE IS THEREFORE NOT MUCH TO BE DONE AT PRESENT EXCEPT TO LET TEMPER COOL. BUT IF THE ALLIANCE IS NOT TO BE IN A WORSE STATE OF DISARRAY THAN BEFORE AS A RESULT OF THIS EXERCISE, IT WILL BE IMPORTANT TO PICK UP WHERE WE LEFT OFF - BUILDING, AS SIR J FRETWELL SUGGESTS, ON THE DEGREE OF AGREEMENT ON THE SUBSTANCE OF THE NON PAPER AND PROCEEDING ON THAT BASIS. TO DO OTHERWISE WOULD SMACK HERE OF MAKING A MONKEY OUT OF THE PRESIDENT OF THE UNITED STATES AND WOULD GIVE A GRATUITOUS FILLIP TO THE MOOD OF CRITICISM OF ALLIES IN GENERAL, AND EUROPEANS IN PARTICULAR, WHICH NEVER LIES FAR BELOW THE SURFACE.

WRIGHT