

PRIME MINISTER

John — we have a major problem on our hands.

EASTERN EUROPE AND THE SOVIET UNION

The Foreign Secretary's minute underneath covers two long papers, which he has approved, on (a) Policy towards the Soviet Union, and (b) Policy towards Eastern Europe. In view of their length, you may like to have a summary.

① Lord C. would never have submitted a paper without first coming to see me and discuss the nature of the matter.

The first envisages:

- (a) Re-establishment of a regular pattern of political discussion with the Russians, at both Ministerial and official level;
- (b) Re-establishment of the earlier pattern of cultural exchanges.

② Living in the in Rome, by totally ignores

This would be a change in our post-Afghanistan policy, but might be a good idea, especially at a time when changes in the Soviet leadership cannot be far away.

Afghanistan could have been deployed

The second proposes that we should:

- (a) Continue our policy of positive discrimination in Eastern Europe;
- (b) Favour Yugoslavia and Hungary; do not, as in the past, give Romania special treatment; upgrade East Germany a bit because of its economic strength; and increase trade and cultural contacts with Czechoslovakia;
- (c) As the situation in Poland settles down, maximise trade on a cash basis and move towards the restoration of contacts. I take it that this is what the Foreign Secretary means when in paragraph 2 of his minute he says that we should be prepared, with our allies, to react to any partial moves by Jaruzelski towards reconciliation with the Polish people with an appropriate response.

③ This is the substance of the paper I have ever read
④ I will contact Lord C. as soon as possible

/ Do you own Soviet press journal

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- 2 -

Do you wish me to convey to Mr. Pym any comments about these two papers?

A. J. C.

30 September 1982

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PRIME MINISTER

① The priority is to have a good summit meeting between Reagan & Brezhnev because of the disarmament proposals.

② Trade - yes

③ Renewal of cultural contacts will help the USSR

Eastern Europe and the Soviet Union

1. I have been reviewing our policy towards Eastern Europe and the Soviet Union and have approved the general lines set out in the enclosed papers which I am now circulating to you, to colleagues in OD and to Sir R Armstrong for information and for any comments which you or they may have.

④ Don't + replace visits to

2. Within the overall framework of our policy on Eastern Europe we have the particular problem of Poland. In the wake of the U.S.S.R. disturbances and deaths connected with the 31 August demonstrations, now is clearly not the time to change our policy of seeking to hold the Polish authorities to their own statements about returning to the path of renewal and reform. But this is a long-term problem and it is almost certainly unrealistic to expect that the situation in Poland will ever return to the position exactly as it existed before martial law. I think therefore that, together with our Allies, we should be prepared to react to any partial moves by Jaruzelski towards reconciliation with the Polish people with an appropriate response.

3. In the meantime we have to deal with the increasingly urgent problem of the rescheduling of Poland's official debts in 1982. These amount to some \$3.4 billion due to the 16 major creditors. We will continue to argue that the problem must be tackled very soon if the unity of the Western Creditors Group is not to break up.

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(FRANCIS PYM)

27 September, 1982
Foreign and Commonwealth

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EAST/WEST POLITICAL RELATIONS: UK POLICY TOWARDS THE SOVIET UNION

Background

1. Early in the life of the present Government, Ministers decided that our policy towards the Soviet Union should aim to secure the respect of the Russians, rather than their good opinion. They agreed that while we should not necessarily seek to match what the Americans, French and Germans did, it was self-evident that we needed a business-like relationship with the Soviet super-power, based on a realistic calculation of our respective interests. They also agreed that this would require an active programme of visits and exchanges at all levels.

2. Shortly after Ministers had reached these conclusions the Russians invaded Afghanistan, provoking a sharp deterioration in the East/West climate. This was further exacerbated in December last year by Soviet complicity in the military crackdown in Poland. Like our allies, we signalled our strong disapproval of Soviet behaviour by taking steps to restrict the scope of our bilateral relations. These included inter alia curtailing high level political contacts and visits, and reducing cultural exchanges. But with the Afghan and Polish crises likely to continue for the indefinite future, it is doubtful whether the absence of bilateral political dialogue is any longer in the British interest.

Bilateral Contacts

3. Since the Soviet invasion of Afghanistan there have only been occasional bilateral meetings at Ministerial level. Lord Carrington met Mr Gromyko several times in the margins of international meetings (eg the UN General Assembly), and paid one visit to Moscow to put forward the EC proposal for a settlement to the Afghan crisis. But there has been no regular pattern of discussion at Ministerial level nor any regular

exchanges at the level of Political Directors. The lack of such a dialogue deprives us of the chance to assess Soviet thinking at first hand as well as denying us the opportunity of putting our views directly to the Soviet leadership.

The odd ministerial visit would help very much to do that

4. Lord Carrington's visit to Moscow last year (like the three bilateral meetings Mr Haig had with Mr Gromyko) was an occasion when plain speaking left the Russians in no doubt about British and Western views and which provided a useful opportunity for us to assess those of the Soviet Union. The Carrington and Haig meetings were not seen as implying that we had done the Russians a favour by bestowing a spurious respectability on them (as was the case with President Giscard d'Estaing's illjudged meeting with President Brezhnev in Warsaw in May 1980). On the contrary, these encounters were widely understood to have provided for some tough talking enabling the West to register its strong opposition to Soviet policies. Meetings of this kind, which put the Russians under pressure by challenging them to justify their actions and policies, are more likely to have an influence on the Soviet leadership than a continuing refusal by Western leaders to conduct a dialogue.

I have a different assessment of Lord C's visit. The U.K. was punished.

No - why not?

5. We should now seek to re-establish a regular pattern of political discussion with the Russians. Our aim should be to set this up on three levels, involving on the British side the Foreign Secretary, the FCO Minister responsible for East/West relations (at present Mr Rifkind) and the Political Director in the FCO (at present Sir J Bullard) respectively.

6. We should aim to ensure that the rhythm of these exchanges is regular and roughly annual. If on occasion we choose to interrupt it in order to signal displeasure at Soviet behaviour, the break should be of limited duration: rather than break off bilateral political exchanges we should use them in order to leave the Russians in no doubt about the strength of our disapproval. We should thereby avoid getting into our present position where we find it difficult to justify reopening a political dialogue with the Russians because there has been no resolution of the Afghan or Polish crises. A

Why?

pattern of Anglo- Soviet political discussions on these lines would be consistent with the Government's public commitments on contacts with the Soviet Union. We announced in Parliament in January 1980 that high-level and ministerial contacts would be avoided for the time being, Mr Hurd's answer to a Parliamentary Question in June 1981 (Annex A) however made clear that there were occasional high level and ministerial contacts where these were deemed advantageous. The same answer makes it plain that normal trade which was to mutual advantage would continue. The resumption of a political dialogue is unlikely of itself to make a great difference to UK/Soviet trade and in the present state of transatlantic disagreement over Western trade with the Soviet Union, we should be careful not to present any move on the political front as being linked to expectation of increased trade.

*of course -
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UK.*

7. In addition to the regular exchanges outlined above, we should also encourage exchanges at an appropriate level on an ad hoc basis where we judge those to be in our interests. At non-ministerial level we should be ready to hold expert level meetings where we believe these would be to our advantage. The Middle East, nuclear issues (including non-proliferation), Southern Africa, and the UN are possible subjects; there could also be a meeting of Planning Staffs of the two Foreign Ministries.

The Attitude of Our Allies

8. A resumption of Anglo-Soviet political exchanges on this scale would not be out of line with the policies of our major partners. The FRG has maintained a summit-level dialogue with the Soviet Union. Chancellor Schmidt visited Moscow in June 1980 and received President Brezhnev in Bonn in November 1981, their seventh meeting. President Giscard met President Brezhnev in Poland in May 1980. The present French administration have so far adopted a more cautious approach towards the East, but this is unlikely to last indefinitely, nor would the French have any scruples about changing their policy abruptly if they judged it ^{is} France's interest to do

*And Schmidt
consulted
made a point
before he
did so.*

so. The US-Soviet dialogue meanwhile continues. Mr Haig had extended talks with Gromyko in Geneva and twice in New York, an example to be followed by Mr Shultz. The proposal for a Reagan-Brezhnev summit remains on the table. The Russians did not take up the suggestion of a meeting in the margins of the UNSSOD in July and the prospects of a meeting this autumn are receding.

9. The UK cannot maintain the exacting stance of a middle ranking power with world interests if we do not talk to one of the superpowers. If we remain on the sidelines, our weight in Western consultations will suffer. This is not to suggest that we should see ourselves as competing with the French or Germans; we have our own distinctive position and can pursue our dialogue in our own way. But given that East/West political contacts are almost certain to increase, it is important that a firm British voice is among the first the Russians hear when regular contacts are restored.

The Attitude of other Countries

10. The reactions of some other governments need to be taken into account. In particular, Pakistan and some of the other Muslim countries in the Islamic Conference Organisation will be concerned lest the restoration of our contacts with the Soviet Union should imply a weakening of our position on Afghanistan. It will need to be carefully explained to them that this is not the case. In doing so we could argue that it was natural for us to include Afghanistan as an element in our resumed dialogue with the Soviet Union as a follow-up to Lord Carrington's visit to Moscow in 1981. Furthermore the Americans themselves have recently conducted discussions on Afghanistan with the Russians, with the blessing of the Pakistanis.

*It does.
It is
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ahead.*

Transatlantic Differences

11. It is strongly in our interests to pursue our own dialogue with the Russians at a time when changes in the Soviet leadership appear imminent, not least so that we are in a

position to discuss Soviet affairs authoritatively with the Americans. Our current differences with the United States over East/West trade policy and our different judgement of Soviet economic prospects point to the importance of our being in a position to make our own analyses and reach our own conclusions, independently of the Americans.

Cultural Contacts

12. We should also consider re-establishing the earlier pattern of our cultural exchanges with the Russians, sharply curtailed after the Soviet invasion of Aghanistan. While this satisfied the immediate need to demonstrate disapproval, it is doubtful whether it is now achieving very much. It is however preventing us from projecting Western values to the Soviet people: we are de facto helping the regime in its efforts to minimise outside influences and preserve orthodox conformity. For example, proposals for a major exhibition in Moscow and Leningrad of twentieth-century British painting have been held up for several years: such an exhibition would excite great interest among Russians and would demonstrate the vitality of British art, which contrasts strikingly with the barrenness of Soviet "Socialist Realism". Our guiding principle in such major exchanges should be that they must be genuinely open to the Soviet people and not just to selected audiences. The sharp reduction in government-sponsored cultural exchanges has tended to leave the field open to the Communist front organisations, to the advantage of the Russians: there is no lack of impresarios willing to bring to the UK Soviet musicians and dancers.

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Of course there isn't - they gain from every cultural visit here: every other person is a KGB agent - and the visit gives our people the impression that the Russian system is superior

Consultations with Partners

13. If the policy advocated in this paper is adopted there will be a need for us to inform our partners at an early stage and to formulate agreed common lines on important subjects, as was done in advance of Chancellor Schmidt's meeting with Brezhnev in 1981. This process of consultation might be taken

1. Foreign political co-operation requires consultation

every other person is a KGB agent - and the visit gives our people the impression that the Russian system is superior

approved

in stages, starting with our closest allies before taking action with the Ten or in NATO.

Conclusion

14. We should not promote 'good' relations with the Soviet Union for their own sake. But there is a strong case for re-establishing a regular pattern of political discussion with the Russians at various levels in order to:-

- (a) assess Soviet policies and personalities at first hand;
That can be done without going to the U.S.S.R.
- (b) put UK views and policies directly to the Soviet leadership;
- (c) ensure that if East/West political contacts continue to expand in the near future, as is likely, the British voice and style ^{are} among the first to be heard and seen in Moscow; and
- (d) ensure that we are in a position to discuss Soviet affairs authoratively with our European partners and with the United States.

Of course there is no reason why such contacts should be seen as conferring respectability or a seal of approval on Soviet policies, but rather as a channel for whatever plain speaking policies may call for.

The Soviets will be delighted -

There is no reason why such contacts should be seen as conferring respectability or a seal of approval on Soviet policies, but rather as a channel for whatever plain speaking policies may call for.

East European and Soviet Department
17 September 1982

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FOREIGN AND COMMONWEALTH AFFAIRS

USSR (Sanctions)

Mr. Lawrence asked the Lord Privy Seal if he will list the sanctions imposed by the United Kingdom Government on the Union of Soviet Socialist Republics following the latter's invasion of Afghanistan; how many of those sanctions are still in operation; and to what extent.

Mr. Hurd: The following measures were taken after the Soviet invasion of Afghanistan:

- (i) The 1975 Anglo-Soviet credit agreement which expired in February 1980 was not renewed. Credit was to be considered on a case by case basis. But normal trade which was to mutual advantage was to continue;
- (ii) Following discussions with other countries the COCOM rules for controlling the transfer of sensitive technology to the Soviet Union were to be applied more tightly;
- (iii) The European Community decided not to export to the Soviet Union any agricultural produce which would directly or indirectly replace supplies denied by the United States;
- (iv) High level and ministerial contacts with the Soviet Union were to be avoided for the time being;
- (v) Military exchanges which were under consideration were to be cancelled;
- (vi) Cultural and other events of a nature which could give an impression that nothing had changed were to be avoided;
- (vii) After consultation with the BBC, broadcasts by the external services to listeners in the Soviet Union and Afghanistan were to be increased.

The procedures for lifting the restrictions on Community food sales, which were imposed in support of the United States embargo, were completed on 30 April. There are now occasional high level and ministerial contacts where these are deemed advantageous. The other measures remain in force.

POLICY TOWARDS EASTERN EUROPE

1. Western policies towards Eastern Europe have been based upon and must continue to take into account the following considerations:

(a) Soviet Interests

Since 1945 the Soviet Union has treated the preservation of their hold on Eastern Europe as a vital national interest to be protected by force if necessary.

(b) Security

The countries of Eastern Europe are, with the notable exception of Yugoslavia, members of a hostile alliance. Their defence and intelligence establishments are closely co-ordinated and to some degree controlled by the Soviet Union.

(c) The Political System

Eastern European people have been subjected to an alien political system to which they have not become reconciled.

(d) Nationalism

Eastern European countries have strongly asserted their historic identities.

(e) Economic

These countries enjoy a higher GNP and standard of living than most parts of the world and will continue to offer a significant potential market for our exporters. But we should not, for prudential reasons, wish to promote exports with officially guaranteed credits to countries which are at or beyond their debt-service capacity.

(f) Europe

The UK and its European Community partners have a national interest in working to reduce the division of Europe over the long term.

Western Policy

2. Our policy has been designed to reduce the Soviet threat, challenge Marxist ideas and encourage the evolution of more open societies whose relationship with the West is no longer fundamentally that of adversaries.

3. Since the failure of the Hungarian Uprising in 1956 we have implicitly accepted that the way forward lay through evolution rather than revolution. Solidarity's challenge to the Polish Party - perhaps the most serious threat to the Soviet Empire since 1945 - might have transformed this perception had martial law met with violent and successful resistance. But the lessons of the Hungarians' successful development of links with the West on the one hand, and of Czechoslovak and Polish failures to secure and consolidate the liberalisation in their countries on the other, emphasize the need for gradualism and demonstrate the risks awaiting those who test Moscow's patience beyond its limits. In the next decade the conjunction of economic difficulties, increasing resurgent nationalism and the succession problem in the Soviet Union may make the area prone to crisis. But it is not in the West's interest to encourage an upheaval which would jeopardise the forty year old peace of Europe. Our object, as in the past, must be to encourage an East-West climate which will permit both political and economic experimentation to push back the limits of Soviet tolerance.

4. In pursuing these aims we have consciously set out, in common with our major European allies, to identify and exploit the diversity of Eastern Europe. By adopting a policy of positive discrimination we have encouraged any East European country demonstrating some degree of independence to seek a more open and constructive relationship with the West. Thus we have rewarded Romania for its "independent" foreign policy; encouraged economic experiments in Hungary; and offered economic help to Poland during the odnowa; but we have in the past had correspondingly less contact with the more orthodox regimes in Bulgaria, Czechoslovakia, and the GDR. (See paragraph 18 below).

5. The Polish crisis has chilled the atmosphere within which we

practise our policy of differentiation. The Eastern European Governments themselves still want political contacts. But all felt threatened by the Polish odnowa. All now feel bound to back the Polish martial law regime, both for internal reasons and because they know that the Soviet Union expects it of them. They look to the West to recognise that they are not entirely free agents. But even now the parameters are not wholly rigid and they will all, to some extent, seek to widen these where they see advantage in doing so. In this respect they themselves will continue to be the best judges of what they can get away with.

6. Meanwhile, the economic crisis in Eastern Europe and the problem of Eastern European indebtedness has cast its shadow over the development of commercial relations, making it more difficult for us to discriminate other than upon primarily prudential criteria.

Political Implications

7. We have always recognised that there are limits to the amount of substance we can put into our relationships. Ministerial exchanges have increased and flourished during the present administration. We should continue our general policy of building and developing contacts at all levels. Although such exchanges are frequently sterile they expose Eastern decision-makers to Western thinking and challenge the Communist regimes on their own ground - that of ideas. There is, of course, another side to the coin: the East Europeans prize visits as a mark of acceptability and recognition of their regimes and their policies. We should perhaps be more sparing in future of visits at Foreign Secretary level: these, and even more visits involving the Prime Minister, should be offered as a mark of favour to the specially deserving - as in the recent case of Yugoslavia.

8. At present (September 1982) there is a special problem as regards the GDR and Czechoslovakia, which Lord Carrington was to have visited this year. It would be difficult to arrange other visits to Eastern Europe by the Foreign Secretary until these two have been reinstated.

9. No such problem exists as regards visits by other FCO ministers, where we should pursue the routine of regular exchanges approximately every other year by the minister responsible for Eastern European affairs. Visits by Ministers from other Departments should be promoted these on an ad hoc basis as and when suitable opportunities occur.

Economic Implications

10. The financial crisis in Eastern European will dominate our relations for the foreseeable future. Poland and Romania have had to reschedule their hard currency debts. Yugoslavia, Hungary and even the GDR may follow suit. Western banks and Governments have adopted a more prudent attitude towards Eastern Europe in order to protect their investments. Eastern European Governments have reviewed their economic relations with the West: most - with the notable exception of Hungary - are moving towards closer trading links within the CMEA. In these straitened circumstances we must try to ensure that Western governments and banks do not treat all Eastern European countries alike, regardless of their economic situations and to the extent possible show sympathy to those whom for political reasons we wish to help.

11. There will still be commercial opportunities in Eastern Europe: a market of 130 million people should not be ignored. There may be few major projects, but we should not rule large scale investment out of court. We must gauge with care whether we shall be repaid: we are not in the business of subsidising Eastern Europe. Equally, financial chaos in Eastern Europe would sever those economic links which remain and would not be in our interests. We must therefore work to promote financial confidence and be prepared to be particularly helpful to countries such as Yugoslavia and Hungary, whose economic management is creating problems but whose economic policies and political significance justify continued encouragement for the more liberal aspects of their unique brands of socialism. We may no longer be able to look to commerce as the mainspring of our relations, but we should do our best to ensure that investments already made are not wasted and to preserve the basis for the

growth of fruitful commercial relationships where this has already been laid.

Culture

12. In present circumstances the cultural field still offers excellent opportunities to promote and foster fundamental Western concepts of freedom, and liberal ideas. Young people in particular watch the cultural scene in our countries with close attention. We have a tremendous advantage. These countries generally identify far more closely with the European tradition than does the Soviet Union. All are anxious to foster their own sense of historic independence: they each crave recognition of their own contribution to European culture. This was demonstrated recently by the Bulgarian drive to promote their 1300th Anniversary, and somewhat less effectively by the Romanians with their efforts to celebrate the memory of Titulescu. This is an opportunity we are well placed to exploit. It would be a pity if because of economy measures we were unable to maintain the links established in the late 60s and 70s. The British Council, the GB/East European Centre (GB/EEC), the British/Yugoslav Society and the BBC World and Vernacular Services can and do play an important role in promoting and retaining not merely contacts but ideas. In the absence of more substantive political relations these cultural exchanges take on a specially important significance.

Conclusion

13. In sum, we should continue our policy of positive discrimination, adapting our policies to each country in the light of its particular circumstances. In order that this policy should be more clearly recognisable and have a greater chance of success, we should try to keep in step with our European partners through consultation.

14. Yugoslavia by virtue of its independent and non-aligned stance retains pride of place. Yugoslavia needs economic help and is already being treated as a special case. If the current difficulties lead to rescheduling, we should promote the case for a generous settlement which will set the country back on the road

to early recovery. But we must back the IMF if it concludes that a stronger programme is necessary.

15. Hungary too deserves special consideration. The Hungarian economic experiment has taken them close to a market economy: this has important implications not only for socialist economic management but also for the credibility of orthodox socialist ideology. We can show sympathy for Hungary's current economic difficulties; support improvements in economic management in the context of an IMF programme; and maintain our political dialogue.

16. We are now more inclined than in the early 1970s to doubt the benefit to us of Romania's "independent" foreign policy. The unpleasant features of Ceausescu's personality cult and the repressive character of the Romanian regime counterbalance to some extent the arguments for discriminating in Romania's favour eg by helping her out of her economic difficulties. We should continue to maintain the contacts which exist and encourage the preservation of a degree of independence in Romanian foreign policy. But Romania does not deserve the degree of special treatment accorded in the past.

17. In the past we have tended to discriminate against the GDR, Berlin considerations and the GDR's rigid orthodoxy being the determining factors. But it is clear that the GDR now shares the general desire to maintain the current calm in Berlin. We should not ignore a country of relative economic strength and increasing international stature, even though aspects of both its domestic and foreign policy are distasteful to us.

18. Neither Bulgaria nor Czechoslovakia as loyal allies of the Soviet Union have provided grounds for differentiating in their favour eg in the matter of visits. But recent developments in our relations with Czechoslovakia, eg the solution of the gold problem, have created a very positive climate for the development of cultural relationships and the promotion of trade. We should exploit this without implying acceptance of the oppressive nature of the regime. To a lesser degree the recent assertiveness by the Bulgarians of their national identity has created a similar

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opportunity in that country, although more recent indications suggest a step back from cultural progress there.

19. In the case of Poland the imposition of martial law forced us to discriminate in a negative sense in order to demonstrate disapproval. As the situation in Poland gradually settles down, we shall wish to maximise the UK's share of Poland's trade on a cash basis and to move towards the restoration of contacts. Poland's economic plight places strict constraints upon what we can do at present to maintain our economic relationship. But we shall wish to ensure that the political and cultural links which have distinguished Poland from her neighbours and kept alive her traditional ties with the West, are restored and strengthened in such a way as to consolidate the uniquely antipathetic character of the Polish state within the Soviet Empire.

EAST EUROPEAN AND SOVIET DEPARTMENT
17 September 1982

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