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PRIME MINISTER

1 You talked to Mr Nakasone on Monday about contacts with the Soviet Union. I thought you might like to see a brief report of my visit to the USSR at the end of May to lead the British delegation at the annual meeting of the UK-Soviet Joint Trade Commission. I have already sent a fuller report to Norman Tebbit. It was my first visit to the USSR since you and I went in 1969.

2 Our bilateral trade with the Soviet Union is disappointing. Although our exports grew by 26% in 1983 to £448m, this increase only marked a return to the level of exports achieved in 1980 and we continue to lag behind many other Western countries. We have a large deficit with the USSR but a surplus of some £250m in manufactured goods. This is in part because we take some £450m of their oil, most of which we blend.

3 I took a team of businessmen and we had a series of meetings with Ministers. To my surprise, the Joint Commission was a useful event. The businessmen all told me that they found it useful.

4 Normally the Soviet delegation has been led at First Deputy Minister level. But on this occasion the 75 year old Minister Patolichev presided. This was seen as a sign of particular



favour. He emphasised the need, as the Russians saw it, to redouble efforts and indeed to double the volume of trade.

5 One clear and tangible result from the Joint Commission was Patolichev's promise that two-way direct dialling international telephone links would be restored for resident British businessmen by the end of 1984 and that shopping facilities would be improved.

6 I confined my discussions with Russian Ministers largely to trade matters but I did raise with Patolichev our concern about the current position of the Sakharovs. I was given no information about their current whereabouts or state of health but merely told - somewhat tetchily - that this was a matter for the Soviet authorities.

7 There are undoubtedly prospects for British firms in the Soviet Union in particular in chemicals, food, scientific instruments, agriculture and energy. I shall be following this up with British firms. Other Soviet Ministers were very forthcoming. Whatever the political problems, on the trading side there seems to be considerable good will. But of course time will tell whether orders will materialise.

8 In view of your talk with Mr Nakasone, I ought to report that Japan is doing particularly well in the USSR. Her exports to the USSR have risen from £1,196m in 1980, to £1,849m in 1982, and the



Russians said that they were proposing to develop oil fields in Sakhalin with Japanese assistance.

9 I am copying this minute to Geoffrey Howe.

P.C.

PAUL CHANNON

14 June 1984