



1 July agree with the F.C.S. now (2)
Prime Minister

Not a very sensible moment to put
his hand on this kind.

Ant
- 17/6

FCS/80/104

SECRETARY OF STATE FOR TRADE

Credit for the Soviet Union

1. I have learned that ECGD have agreed in principle to underwrite small general purpose lines of credit which four banks wish to make available to the Soviet Union.
2. I understand that your view is that arrangements of this sort fall within the government's policy of continuing to support trade with the Soviet Union which is of genuine mutual benefit, so long as the OECD consensus on interest rates is observed. That is strictly correct. However, I am concerned about the timing and presentation of any final agreement that ECGD may give to any of the banks concerned. First, we should do nothing which would undermine our Olympics policy. In the next few weeks we shall be making a final attempt to persuade British sporting bodies and athletes not to go to Moscow; and I am meeting the chairmen of various sporting bodies today. As you know, the sporting community have repeatedly complained that they have been singled out by the Government and have contrasted our policy on the Olympics with our decision to continue to support normal Anglo-Soviet trade. The Private Member's Bill just tabled by Patrick Cormack is the latest illustration of the increasing steam behind this line of argument, and the availability of Government-supported credit to finance trade with the Soviet Union is a particularly sensitive aspect of our policies. Our position on the Olympics would be badly undermined if it became known in the next few weeks that ECGD had underwritten new credit lines, even small ones, for the Soviet Union. The impact of my discussions with the Olympic Federations today would be reduced if the news about new credits to the Soviet

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Union were to leak immediately afterwards. A further important consideration is that such news could be embarrassing for the Prime Minister at the Venice Summit of the Seven on 22-23 June, when the Americans are likely to press the Europeans to take tougher trade measures against the USSR.

3. I should prefer ECGD to withhold their agreement to any new lines of credit for the Soviet Union until after the Olympic Games. I realise that delay beyond 1 July would mean that higher interest rates would apply, in line with the agreement recently reached in OECD, and that our exporters might conceivably lose business as a result. I should nevertheless be grateful if you would consider this possibility; and I hope that you will anyway agree that ECGD should delay reaching final agreement with any of the four banks concerned until at least 24 June, the day after the Prime Minister's return from Venice. The subsequent presentation of any agreement should be carefully coordinated between our officials.

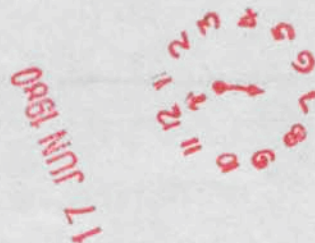
4. I am sending copies of this minute to the Prime Minister and to Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office

17 June 1980





Soviet Union

From the Secretary of State

(2)

The Rt Hon The Lord Carrington KCMG, MC
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London, SW1A 2AL

Prime Minister 30 June 1980

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Rmt
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Dear Peter.

CREDIT FOR THE SOVIET UNION

In your minute of 17 June you asked me to consider withholding ECGD support for General Purpose Lines of Credit for the Soviet Union and in particular for three such lines in negotiation at present Consensus interest rates, until after the Moscow Olympic Games, by which time higher interest rates will apply.

While generally I support strongly the view - long held by successive administrations - that ECGD's facilities should not be used for political purposes, I agree that in the circumstances of the present situation it would be right to take the course you propose. The Department had given its agreement in principle to support General Purpose Lines of Credit to the Soviet Union at present Consensus interest rates provided that they are signed by 30 June. I have now instructed them to withdraw that agreement and also to delay until after the Olympic Games the provision of support for such lines at the higher Consensus interest rates that will apply from 1 July 1980.

I am copying this letter to the Prime Minister and Sir Robert Armstrong.

Yours ever
John

JOHN NOTT

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30 JUN 1967

CONFIDENTIAL



*Soviet
Union*

10 DOWNING STREET

From the Private Secretary

19 June 1980

Credit for the Soviet Union

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 17 June to your Secretary of State on this subject. The Prime Minister has minuted that she is in full agreement with the Foreign and Commonwealth Secretary.

I am sending copies of this letter to George Walden (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Stuart Hampson Esq
Department of Trade

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