



From the Secretary of State

CONFIDENTIAL

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

18 September 1980

Dear Peter,

TRADE WITH THE SOVIET UNION

With the Olympics over but no apparent likelihood of Soviet withdrawal from Afghanistan, we need to review our attitude to trade relations with the USSR. Our basic policy this year has been to seek the development of mutually beneficial trade but with the minimum of Government involvement.

On the whole, the policy has worked quite well; trade has increased with a reduction in our customary adverse balance, and the Russians have even been friendly towards British firms - probably with the aim of contrasting short-term commercial interests with the general position which it has been necessary for us to adopt. But we cannot count on this friendliness continuing indefinitely and it is noticeable that few sizeable contracts have been placed here by Soviet organisations during the last eight months. If the United Kingdom Government, in contrast to virtually every other Western government, continues to maintain its present attitude, the amount of business coming our way seems bound to decline to the benefit of no-one but our commercial rivals. This would have important implications for firms in the process engineering sector and others for which the Soviet bloc is a very important market. Unless their interests can be promoted at the beginning of the Soviet Five-Year Plan 1981-85, they are liable to lose out during the whole of the Plan period.

These considerations lead me to feel that we must now make a limited change of course so as to protect our interests but without giving the impression that the invasion of Afghanistan is a fait accompli and business is back to normal. I would not want to go as far as the French, who seem fully to have resumed the normal round of intergovernmental exchanges and are continuing to provide the Soviet

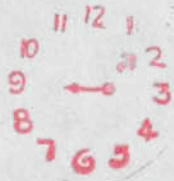
CONFIDENTIAL

Prime Minister ^{Soviet}
Mr. Nott proposes a new
drive on sales to USSR.
Would you like to see this
discussed in O.O. when you
get back?

MAD
19/ix.

I have doubts about
the Joint Commission - but
otherwise understand why
S & S seeks more robust
leading efforts not

19 SEP 1980



From the Secretary of State

CONFIDENTIAL

Union with credit on exceptionally favourable terms, or emulate the Germans in negotiating a new co-operation programme. But on the other hand it would be costly to us to remain at arms length with the Soviet Union to the same extent as the USA, which has very different and domestically relatively less important trade at stake.

I therefore suggest that we begin to pick up the threads at a deliberate pace. We would continue to provide support for trade fairs, missions and other normal promotional activities where these can be seen to benefit our firms, but we should now also resume discussions on the implementation and up-dating of the United Kingdom/Soviet Scientific/Technological and Economic/Industrial Co-operation Programmes, which relate directly to export opportunities. It follows that we should also be prepared in due course to hold the 9th session of the Joint Commission (held over from May). This is the only point which gives me pause, since the Soviet Delegation would be headed by a Deputy Minister, and it would be normal for Cecil Parkinson to lead our side. This might be the first occasion since the invasion of Afghanistan when a Soviet Minister was invited by the Government to visit the United Kingdom, and I should be grateful for your views. We should in any case make these exchanges as businesslike as possible avoiding activities purely intended to promote goodwill and the exchange of information with no direct commercial content.

I understand that colleagues are reviewing a number of the current specialist agreements with the Soviet Union in the industrial, cultural and other fields, and the activities of individual joint working parties. It is clearly right that we should look very hard at the benefits resulting from these activities but I feel that it would be better not now to attempt an across the board re-negotiation of our working relationship with the Soviet Union. Our aim is to restore the necessary basic relationship with the minimum of involvement and complication. Individual activities will need to be treated on their merits.

I seek my colleagues' agreement to these proposals and am sending copies of this letter to the Prime Minister, Members of OD, the Secretaries of State for Industry, the Environment, Energy and Agriculture, and the Secretary to the Cabinet.

Yours ever
John

CONFIDENTIAL

JOHN NOTT



U

Prime Minister

CONFIDENTIAL

Ref. A03226

Reluctantly - yes

MR. ALEXANDER

no

You minutes earlier that you understood Mr Nott's concern tho' you were not sure about the meeting of the Point Commission. Wished that he should go ahead but with a caveat that the Commission should perhaps meet later rather than sooner - it has already been held over since last May?

Trade with the Soviet Union

The Secretary of State for Trade wrote to the Foreign and Commonwealth

Secretary on 18th September about this, copying his letter to the Prime Minister, OD colleagues and the Secretaries of State for Industry, the Environment, Energy, Agriculture and Sir Robert Armstrong.

2. Mr. Nott proposed that the time had now come to review the Government's attitude to trade relations with the Soviet Union. He pointed out that if the United Kingdom, in contrast to virtually every other Western Government, continued to maintain its present attitude, the amount of business coming to this country seemed bound to decline to the benefit of this country's commercial rivals. He therefore suggested a limited change of course in order to protect British interests but without giving the impression that business was back to normal. In particular he suggested that we should now resume discussions on the implementation and updating of the United Kingdom/Soviet Scientific/Technological and Economic/Industrial Co-operation Programmes which relate directly to export opportunities. This would involve holding the 9th Session of the Joint Commission in due course. At this occasion the British side would normally be led by Mr. Cecil Parkinson, and Mr. Nott sought agreement that Mr. Parkinson might invite his Soviet opposite number to come to London for these talks.

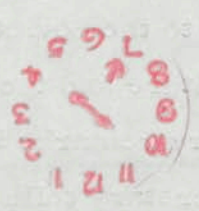
3. The Foreign and Commonwealth Secretary has now agreed to this proposal, as a necessary move to protect the competitive position of our exports of non-strategic goods to the Soviet Union. He, the Secretary of State for Defence, the Minister of Agriculture and the Secretary of State for the Environment have made various cautionary remarks in their replies which Mr. Nott accepts. Mr. Nott's Private Secretary tells us that his Secretary of State now feels that he has the agreement of his colleagues which he needs in order to go ahead with



SECRET
1980

The Government of India for the Ministry of External Affairs, New Delhi, is pleased to inform you that the Government of India has decided to grant the request for the issue of a passport to the applicant mentioned in the letter to the British Consulate in New Delhi dated 10/10/80. The passport will be issued in accordance with the provisions of the Passport Act, 1920, and the rules made thereunder. The passport will be valid for a period of six months from the date of issue. The passport will be issued in accordance with the provisions of the Passport Act, 1920, and the rules made thereunder. The passport will be valid for a period of six months from the date of issue.

The passport will be issued in accordance with the provisions of the Passport Act, 1920, and the rules made thereunder. The passport will be valid for a period of six months from the date of issue. The passport will be issued in accordance with the provisions of the Passport Act, 1920, and the rules made thereunder. The passport will be valid for a period of six months from the date of issue.



14 OCT 1980



CONFIDENTIAL

the action he proposes without the need for a formal OD discussion. You may care to inform the Prime Minister of the position which has been reached, and to make sure that she is content with the action that Mr. Nott is proposing to take.

(D. J. Wright)

14th October, 1980

CONFIDENTIAL

HS

*Soviet
Union*

MR. WRIGHT
CABINET OFFICE

Trade with the Soviet Union

The Prime Minister has seen your
minute to me of 14 October on this subject.
She is content for Mr. Nott to go ahead.

MICHAEL ALEXANDER

21 October 1980

CONFIDENTIAL

ST



CONFIDENTIAL

Soviet
Union
②

MP

Prime Minister

H.S.

And

FCS/80/151

SECRETARY OF STATE FOR TRADE

Trade with the Soviet Union

1. Thank you for your letter of 18 September.
2. Since the Soviet invasion of Afghanistan, we have, of course, taken two decisions which affect the way in which Anglo/Soviet trade is conducted. The first was not to renew the Anglo/Soviet Credit Agreement of 1975 but to offer the Soviet Union instead export credit on a case by case basis on terms fully in line with the OECD consensus. The second was to participate in the informal agreement among COCOM countries that no general exceptions should be made to the COCOM rules as far as the Soviet Union is concerned and to join in discussions about widening the scope of the COCOM embargo. I attach considerable importance to both these decisions and believe we should do our utmost to stick to them and persuade our partners and allies to do so too.
3. We have not, however, attempted to take action to limit normal trade with the Soviet Union in non-strategic goods which brings benefits to our exporters. I therefore agree that we should do what is necessary to protect the competitive position of our exports in this area, and I do

/not

CONFIDENTIAL



not think we could hope to do this if we abandoned the inter-governmental activities which provide the framework within which our exporters operate and which the UK and other Western countries have seen as the necessary basis for conducting trade with state trading countries. The imminence of the next Soviet 5-year plan is, as you say, an important consideration.

4. I therefore agree that we should hold the next session of the Anglo/Soviet Joint Commission when we are ready for it and should be content for Cecil Parkinson to invite his Soviet opposite number to London for this purpose in the first part of next year. The invitation itself presumably need not issue for a little while yet. It follows that I see no objection to our holding the traditional reviews of our Economic and Industrial and Scientific and Technological Cooperation Programmes before then. I also agree that all these activities should be as businesslike as possible.

5. For the rest, I think that we should pursue energetically the work begun before the invasion of Afghanistan to eliminate from our cooperation programmes activities which have done us no good and to make the cooperation programmes more effective vehicles for the promotion of British exports. As far as other bilateral agreements are concerned, I believe that these agreements should be made to serve British interests better than has sometimes been the case in the past and that a substantial redirection of effort under some

/agreements



agreements will be necessary. My officials are already in touch with officials in some other departments about how these general principles should apply in particular areas.

6. I should add that we would, of course, need to review the whole range of our trading and other relationships with the Soviet Union should the Russians intervene by force of arms in Poland.

7. I am sending a copy of this minute to the Prime Minister, Members of OD, the Secretaries of State for Industry, Environment, Energy and Agriculture, and the Secretary to the Cabinet.

A handwritten signature, appearing to be 'C', is written in the center of the page.

(CARRINGTON)

Foreign and Commonwealth Office

9 October 1980

6
7
8
9
10
11
12

0861-130 6-
0861-130 6-

Soviet Union

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON S.W.1



From the Minister

CONFIDENTIAL

The Rt Hon John Nott MP
Secretary of State for Trade
1 Victoria Street
London SW1

NBPA
Am

7 October 1980

TRADE WITH THE SOVIET UNION

In your letter of 18 September to Peter Carrington you recommended some resumption of contacts with the Soviet Union in the interests of our export trade. Provided such contacts serve, as you suggest, positive and identifiable interests of the United Kingdom I have no objection to what you propose. So far as bilateral links with the Soviet Union are concerned, my direct interest is limited to the Agreement on Anglo-Soviet Co-operation in Agricultural Research (ASCAR) and our contribution to the work of the Joint Commission on which your Department takes the lead. I share your hesitations about reactivating the Joint Commission if it has to be led on our side by a Minister. But apart from this, I would see no difficulty in a meeting being held if you judge it to be useful in furthering our trading interests.

As for ASCAR our scientists have obtained minimal benefit from the Agreement and there has been no identifiable commercial spin-off for us. I propose therefore to continue to leave the Agreement in suspense. If the Soviet Union seeks to revive it, I shall keep any activity to as low a level as possible.

No doubt Peter Carrington will confirm that any relaxation in our attitude towards Russia such as you have in mind will not affect the Government's policy on sales of subsidised foods to Russia, which, apart from other considerations, reflects the Foreign Affairs Council decisions of 15th January.

I am sending copies of this letter to Members of OD, the Secretaries of State for Industry, the Environment and Energy and the Secretary to the Cabinet.

9
8
7
6
5
4
3
2
1
B
H
I

-7 OCT 1980



Soviet Union

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2MB

TELEPHONE 01-215 9000
DIRECT DIALLING 01-215 2111/3

MO 14/10

6th October 1980

NKPA

Rush 6/x

Dear Peter,

I have seen John Nott's letter of 18th September in which he advocates a modest relaxation in our present policy towards inter-governmental discussions and exchanges on civil trade between the UK and USSR.

I must say that I am most concerned lest any relaxation on civil trade undermine the firm line which we have been taking in support of the Americans to tighten up COCOM controls on strategic exports and the transfer of military technology to the Soviet Union in the wake of their invasion of Afghanistan. I wrote to Dr Harold Brown, the American Secretary of Defense, on 14th August to express our support for the American objectives in COCOM and I consider it important that the Americans do not gain the impression that we were re-considering our position on COCOM-related matters.

I am copying this letter to the Prime Minister, to other Members of OD, to Keith Joseph, Michael Heseltine, David Howell, and to Sir Robert Armstrong.

Francis Pym

Francis Pym

0987-120-9-





Soviet Union

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/17197/80

Your ref:

30 SEP 80

NBPA

Rmt 1/x

In Peter

TRADE WITH THE SOVIET UNION

John Nott copied to me his letter of 18 September to you.

I have no objection to his proposals for a limited relaxation of our attitude towards the Soviet Union, in the interests of maintaining trade relations.

My only direct interest is in the Joint Environmental Protection Agreement, which has been dormant since early this year. You will remember that this is one of the activities I cited in my letter of 4 September as a candidate for substantially reduced involvement. If we are to renew relations with the Soviet Union under this Agreement, I shall want to be satisfied that it is of such importance from a foreign policy or trade standpoint as to justify the use of scarce resources.

I am copying this letter to the other recipients of John Nott's.

Yes am

MICHAEL HESELTINE

The Rt Hon The Lord Carrington KCMG MC

CONFIDENTIAL

0861 130 1 - 1 OCT 1980





Treasury Chambers, Parliament Street, SW1P 3AG

Stuart Hampson Esq
Private Secretary to the
Rt Hon John Nott MP
Secretary of State
Department of Trade
1 Victoria Street
London SW1H 0ET

Paul
- 29/9

29 September 1980

Dear Stuart,

TRADE WITH THE SOVIET UNION

The Chief Secretary has asked me to say that he does not wish to comment on the proposals in the letter of 18 September from your Secretary of State to the Secretary of State for Foreign and Commonwealth Affairs, and is content for them to be agreed subject to the views of Lord Carrington.

I am sending copies of this letter to the Private Offices of the Prime Minister and of other Ministers who received copies of your Minister's letter.

Yours sincerely
Terry Mathews

T F MATHEWS
Private Secretary