

Soviet/DK
Mason
26/13

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L.S. Prnt. 25/3

(2) I am very sorry that we are negotiating a new cultural agreement with the USSR. Any will you find it. We shall look so much for Afghanistan.



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

30 January 1981

I asked for a summary of our current policy on contacts with the USSR.

The humanity aspect is unsatisfactory but our own line

Dear Michael, looks about right - assuming no further deterioration in relations eg. as a result of intervention in Poland.

Relations with the Soviet Union

There has been some recent press interest in the trade talks now being held in Moscow between officials from the Department of Trade and their Soviet opposite numbers. The news that we are to negotiate a new Anglo-Soviet Cultural Agreement may also attract attention (there has already been a not unhelpful article in the 'Daily Telegraph' of 28 January). You will have seen the material provided for the Prime Minister's use at Question Time recently but you may find some additional background helpful, in particular on how these developments fit with our policy on relations with the Soviet Union post-Afghanistan.

David Wright's letter to Stuart Hampson of 28 October recorded the Prime Minister's approval for the resumption of inter-governmental trade contacts with the Soviet Union. We have consistently said that normal trade with the Soviet Union which benefits British exporters should continue. This involves a degree of governmental support, through the mechanism of the Anglo-Soviet Joint Commission which meets annually to review progress in implementing our 1975 Agreement on the Development of Long Term Economic Cooperation (the meeting has normally been held in May; in 1979 this slipped to October and in 1980 no date was in fact arranged). Without this framework, our exporters would find themselves at a disadvantage compared to their Western competitors. As you will see from the enclosed table, we export much less to the Soviet Union than our main West European competitors. (Our exports to the Soviet Union rose last year because a number of major contracts were signed before the invasion of Afghanistan. They are expected to drop this year.) Some of our partners have already resumed full-scale inter-governmental trade relations with the Soviet Union, and others plan to do so soon. We therefore believe it right to begin preparing for a meeting of the Anglo-Soviet Joint Commission, perhaps in the late spring. A necessary part of this preparation is the review at official level of the Programmes for Economic and Industrial, and Scientific and Technological Cooperation. This is the purpose of the current talks in Moscow.

There are no plans to relax the specific measures on trade with the Soviet Union which we took following the invasion of Afghanistan. We do not intend to replace the

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inter-governmental credit agreement which we decided not to renew when it expired on 16 February 1980. Credit for trade with the Soviet Union is now available on a case by case basis, but at interest rates not more favourable than those laid down by the International Consensus. In addition, together with our partners, we have since January 1980 refrained from submitting to COCOM any major exceptions to the rules governing the transfer of sensitive technology. There has been some amendment of the COCOM lists to cover specific items of new technology not previously covered. We have also discussed with our partners proposals for widening the scope of COCOM to cover areas such as know-how. But here the prospects for agreement are not good, given the wide divergence of views between the Americans on the one hand and the French and Germans on the other. Discussions continue, however, and there may be some small extensions of the embargoed list. Moreover the European Community has maintained its policy of not substituting supplies of agricultural products from the Community for those denied to the Soviet Union by the United States, subject to 'traditional' trade. This decision did not go as far as we should have liked. We have consistently argued for an end to all subsidised food sales by the Community to the Soviet Union. And exports of some products in 1980 were higher than even the Commission's estimates of 'traditional' trade. The Community's action in supporting the Americans has nonetheless had some impact, and appeared to satisfy the previous US Administration.

We also decided after the invasion of Afghanistan to avoid any major cultural event which might be used by the Russians to claim that we were carrying on business as usual. We cancelled or withheld support for a number of such events during 1980, and none are in prospect for 1981. At the same time we decided not to abrogate the 1979/81 Anglo-Soviet Cultural Agreement, nor to stop the routine exchanges of students, teachers and academics for which that agreement provides. This is the balance we want to maintain, and Lord Carrington has decided that it would be right to negotiate a new two-year Cultural Agreement to replace the one expiring this year and to allow for our routine exchanges to continue. There are good arguments, in terms of what we are attempting to do in the CSCE meeting in Madrid, for renewing this agreement since it translates into practical terms our efforts to promote freer exchanges with the Soviet Union of people and information. We think these work on balance to our advantage in the battle of ideas. The new Agreement will not commit us to any major cultural event during its lifetime, and there is therefore no question of our being obliged to go back on the policy we adopted in January 1980.

(G G H Walden)

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EXPORTS TO THE SOVIET UNION

	<u>£ million</u>			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
UK	347.1	422.9	416.2	452.8 prov
France	857.1	761.7	945.0	NA
FRG	1598.4	1636.4	1705.8	NA
Italy	705.2	590.8	576.0	NA

IMPORTS FROM THE SOVIET UNION

UK	787.6	692.2	828.7	786.2 prov
France	663.4	639.2	847.5	NA
FRG	1125.8	1419.1	1914.1	NA
Italy	834.7	870.5	957.7	NA

Sources: Direction of Trade for France, West Germany and Italy and Overseas Trades Statistics for UK.

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