



Prime Minister

AR 16.

h.v.
AR 17.

FCS/82/23

MINISTER OF STATE FOR AGRICULTURE, FISHERIES AND FOOD

Possible action against Soviet exports of
manufactured and luxury products to the Community

1. As you know discussions have been going on in the Community to identify possible measures against Soviet exports to the Community. Discussion has focused on exports of manufactures, since many of these compete with hard-pressed Community industries, and of luxury products, including food products such as vodka and caviar. The Presidency has now invited Member States to say by 17 February which goods in these categories they could not accept restrictions on.

2. I am told that you have expressed reservations about the inclusion of luxury food products on the grounds that restrictions on imports of food products on political grounds could prejudice our position on such questions as imports of cereals substitutes; and that the Russians might retaliate against our whisky exports.

3. It is likely that there will be strong support among our partners for the appearance of these products among the options which the Council will be asked to choose from on 22/23 February. They see them as a demonstrative signal to the Russians which does no damage to Western interests. I share this view. Whisky exports to the Soviet Union are minimal; the Russians make a lot of money out of selling it internally at vastly inflated prices; and even if the Russians did retaliate, the curtailment of their whisky would affect precisely those in the Soviet Union whom we intend our signals to reach; in any event we should not be alone, since the French export cognac and other Member States may also export eaux de vie to the Soviet Union. On the trade point I do not see why our position

/on imports



on imports of cereals substitutes should be in any way affected. Our desire to see their continued importation is entirely defensible in economic and GATT terms; there is no question of politically-motivated sanctions in their case.

4. The UK has been pressing our partners to produce a credible list for action against Soviet imports. It would be difficult to defend either in the Council or in Parliament a refusal to go along with our Community partners on luxury food products. I therefore hope you will agree that we should not oppose their remaining on the list of possible measures.

5. I am sending copies of this minute to members of OD and Sir Robert Armstrong.

C
(CARRINGTON)

Foreign and Commonwealth Office, SW1

15 February 1982



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

Prime Minister

From the Minister

A.S.C. 18-2

CONFIDENTIAL

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

A.S.C. 23/2

h.a.

17 February 1982

Mr Bee

ms

[Handwritten signature]

POSSIBLE ACTION AGAINST SOVIET EXPORTS OF MANUFACTURED AND LUXURY PRODUCTS TO THE COMMUNITY

Thank you for your minute of 15 February about possible measures against Russia.

Experience of trade sanctions suggests that they tend to be ineffective and bring little but problems to those countries imposing them. Because of this I have serious doubts about the wisdom of embarking on this path. I can see that there might be advantages for our manufacturers of industrial goods if we were to curtail certain competing Soviet exports. But there are no such benefits for our food and drink manufacturers and to take action here could attract retaliation to this sector. Moreover, what may start as a relatively limited action could easily escalate to the Eastern bloc countries as a whole.

A further reason for my hesitation over items such as caviar and canned salmon etc is that Soviet exports to us, and possibly to the rest of the Community, have been falling steadily in recent years. If the Community decided, for example, to restrict trade to, say, 1980 levels this would be seen by the Soviets as an idle gesture. As you say, the most important item in my sector that could be hit is whisky. Here there may not be much to lose in trade terms - although the sums involved may not seem significant, the psychological impact on an industry already seriously affected by cut-backs and redundancies is another matter. It seems however that vodka is not on the list that has been circulated and this might help somewhat to reduce the risk of retaliation on whisky.

/If however ...

If however it emerges in Brussels this week that most of the Member States support restraints of this nature I would not insist on our standing aside from a consensus that the luxury foods on the list should be included among the possible candidates.

/ I am sending copies to members of OD and to Sir Robert Armstrong.

17 FEB 1982

12 1 2 3
4 5 6 7 8 9 10 11

PETER WALKER

*6.5 for personal reasons
of formal measure important of
cannot end no exports
of whisky!!*



From the Secretary of State

Prime Minister
To note.

MR 3/3

mt

h-a
MR 3/4

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

26 February 1982

Dear Lord Carrington,

MEASURES AGAINST THE SOVIET UNION - QUOTAS

I am concerned about the draft measures which the Commission is proposing to implement the Council's decision on 23 February to introduce quota restrictions on imports of USSR manufactured goods and luxury products. My officials are already in touch with yours on the detailed points, but unless we can secure changes both to the draft regulation and to the lists of products to be covered we may well find ourselves saddled with a system which causes disproportionate harm to our interests. I am therefore writing to ask that before we go any further Ministers should be given the opportunity to consider the outcome of the COREPER meeting on March 1 at which these matters are to be discussed, and that the UK's position at that meeting is appropriately reserved.

We might also consider at the same time whether we could not use action on quotas by the Community as a bargaining counter with the Americans on existing contracts. The Community might for example agree to a 50% cut in USSR imports in return for American agreement to exempt existing contracts from their measures. Otherwise we might go for a much smaller reduction. This could point for the need for some delay in taking further decisions.

I am copying this to the Prime Minister, Chancellor of the Exchequer, Secretary of State for Industry, Secretary of State for Agriculture and Sir Robert Armstrong.

Yours sincerely, *J. Biffen*

JOHN BIFFEN

(approved by the Secretary of State
and signed in his absence.)