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FM MOSCOW 170630Z MAR 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 138 OF 17 MARCH

INFO IMMEDIATE D O T (FOR OT4) PRIORITY UKREP BRUSSELS

YOUR TEL NO 145 : EC MEASURES AGAINST SOVIET EXPORTS.

(SOVIET  
REACTION)

1. THANK YOU FOR THESE PROMPT INSTRUCTIONS.

2. MANZHULO READ FROM A BOUT DE PAPIER, A COPY OF WHICH HE HANDED OVER (TEXT AND TRANSLATION BY BAG). THE PAPER WAS SO DRAFTED AS TO BE CAPABLE OF BEING USED WITH ANY MEMBER OF THE COMMUNITY, AND DID NOT REFER TO THE UK BY NAME. THE MAIN POINTS WERE :

(A) ACCORDING TO WESTERN PRESS REPORTS, THE RESTRICTIONS WORKED OUT BY THE COMMISSION MIGHT AFFECT, IN PARTICULAR, SUCH TRADITIONAL SOVIET EXPORT GOODS AS "MACHINE-TOOLS, CARS, RADIO EQUIPMENT, FURS, CARPETS, CUT DIAMONDS CLOCKS AND WATCHES, PHOTO-CAMERAS, VODKA, CAVIAR, CRABS AND OTHER FINISHED GOODS AS WELL AS CHEMICALS".

(B) THESE ACTIONS CLEARLY DISCRIMINATED AGAINST THE SOVIET UNION:

(C) THEY CONTRADICTED THE SPIRIT AND THE LETTER OF BILATERAL TRADE AND ECONOMIC AGREEMENTS, AND WERE NOT IN ACCORDANCE WITH THE PROVISIONS OF THE HELSINKI FINAL ACT.

(D) "A REDUCTION IN THE IMPORT OF SOVIET GOODS BY YOUR COUNTRY MAY RESULT IN THE REDUCTION OF OUR PURCHASES AS WELL AS IN THE COMPLICATION OF NEGOTIATIONS UNDER WAY RELATIVE TO THE PURCHASE OF CERTAIN GOODS, INCLUDING SOME KINDS OF MACHINERY AND EQUIPMENT, OTHER INDUSTRIAL AND FINISHED PRODUCTS".

(E) THE SOVIET UNION HOPED THAT A SOBER APPROACH WOULD EVENTUALLY PREVAIL AND THAT TRADE AND ECONOMIC COOPERATION ON AN EQUAL AND MUTUALLY BENEFICIAL BASIS WOULD BE CONTINUED.

3. BEATTIE UNDERTOOK TO REPORT. HE MADE THE COMMUNITY COMPETENCE POINT IN PARA 2 OF YOUR TUR. HE NOTED THAT THE SOVIET DEMARCHE WAS BASED ON WESTERN PRESS REPORTS, ADDING THAT DETAILS OF THE MEASURES WOULD BE PUBLISHED OFFICIALLY IN DUE COURSE. BEATTIE THEN SAID:

(A) THE COMMUNITY HAD TAKEN ITS MEASURES IN SUPPORT OF THE PROVISIONS OF THE FINAL ACT, IN POLITICAL CIRCUMSTANCES FOR WHICH MEMBERS OF THE COMMUNITY HAD NOT BEEN RESPONSIBLE, AS POINTED OUT IN THE COMMUNIQUE OF THE FOREIGN MINISTERS OF THE TEN OF 4 JANUARY.

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/ (B) THE

(B) THE COMMUNITY WOULD NO DOUBT STUDY ANY SOVIET COUNTER-MEASURES WITH CARE, TOGETHER WITH THE IMPLICATIONS OF THOSE MEASURES FOR SOVIET RELATIONS WITH THE COMMUNITY.

4. MANZHULO REPLIED THAT HIS STATEMENT HAD BEEN DELIVERED TO THE CORRECT ADDRESS. THE BRITISH GOVERNMENT HAD PARTICIPATED IN THE ELABORATION OF THE COMMUNITY'S MEASURES, AND WOULD BE RESPONSIBLE FOR ENFORCING THEM SO FAR AS THE UK WAS CONCERNED. THIS COULD NOT BUT AFFECT BILATERAL RELATIONS. MANZHULO SAID THAT ANY REDUCTIONS IN SOVIET PURCHASES SHOULD NOT BE REGARDED AS REPRISALS OR SANCTIONS, BUT SIMPLY AS A CONSEQUENCE OF THE FACT THAT IF CERTAIN COUNTRIES DID NOT BUY FROM THE SOVIET UNION, THE SOVIET UNION WOULD THEN NOT HAVE THE NECESSARY FOREIGN CURRENCY TO BUY FROM THOSE COUNTRIES, AND WOULD HAVE TO LOOK ELSEWHERE. HE REPEATED BRIEFLY HIS POINT ABOUT THE FINAL ACT, REFFERRING TO WESTERN RESPONSIBLITY FOR THE ADJOURNMENT OF THE MADRID MEETING, BUT CLEARLY DID NOT WISH TO PURSUE THIS LINE OF ARGUMENT.

5. IN CONCLUSION, MANZHULO NOTED THE FORTHCOMING E AND I REVIEW MEETING IN LONDON AS A SIGN OF "SOBER AND CONSTRUCTIVE" THINKING, AND AS A FORUM WHERE CURRENT PROBLEMS COULD USEFULLY BE DISCUSSED. HE ADDED POINTEDLY THAT HE HAD ATTENDED A MEETING OF THE SOVIET-NETHERLANDS JOINT COMMISSION IN THE HAGUE ON 22-25 FEBRUARY. HE ALSO SPOKE FAVOURABLY OF THE CURRENT LONDON CHAMBER OF COMMERCE AND INDUSTRY MISSION TO MOSCOW. MANZHULO SUBSEQUENTLY CAME TO A SUPPER FOR THE MISSION AND IN CONVERSATION COMMENTED THAT THE EFFECT OF THE WESTERN ECONOMIC MEASURES HAD BEEN TO MAKE INDUSTRIAL MINISTRIES ANXIOUS ABOUT THE RELIABILITY OF WESTERN SOURCES OF SUPPLY FOR MAJOR PROJECTS. THEY WERE THEREFORE LIKELY TO DO WHAT THEY COULD TO AVOID BEING DEPENDENT ON THEM IN FUTURE.

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MR HAINES ICA (3) DOT  
DOT (CRE)

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