

Soviet Union

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PP WASHINGTON

GRS 1241

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FM FCO 061300Z DEC 82

TO PRIORITY WASHINGTON

TELEGRAM NUMBER 2123 OF 6 DECEMBER

INFO PARIS, BONN, ROME, COPENHAGEN UKDEL NATO, UKREP BRUSSELS
INFO SAVING UKDEL OECD, OTTAWA, TOKYO, MOSCOW.

mb

read in full.

EAST/WEST ECONOMIC RELATIONS

FOLLOWING IS TEXT OF MESSAGE TO ME FROM SHULTZ DATED 4 DECEMBER.

BEGINS

LOOKING AHEAD TO OUR MEETINGS IN EUROPE AND THE SESSION OF THE NATO COUNCIL, I WANTED TO SHARE WITH YOU MY THOUGHTS ON TWO OF THE KEY ISSUES BEFORE US: OUR CONSULTATIONS ON EAST-WEST ECONOMIC RELATIONS AND THE TRANSITION IN THE SOVIET UNION TO THE POST-BREZHNEV ERA.

ONE SUBJECT WHICH I WILL WANT TO DISCUSS BILATERALLY WITH YOU DURING MY VISIT TO LONDON IS HOW WE SHOULD FOLLOW-UP ~~TO~~ THE CONSENSUS ON EAST-WEST ECONOMIC RELATIONS CONTAINED IN THE QUOTE SUMMARY OF CONCLUSIONS UNQUOTE. AS YOU KNOW, THIS IS A MATTER TO WHICH THE PRESIDENT ATTACHES GREAT IMPORTANCE, AND I BELIEVE IT IS ESSENTIAL THAT WE AGREE AMONG OURSELVES ON HOW WE SHOULD MOVE AHEAD IN THE VARIOUS AREAS ENUMERATED IN THE QUOTE SUMMARY OF CONCLUSIONS UNQUOTE.

WHILE I DO NOT WISH TO GO INTO THEM IN DETAIL AT THIS TIME, I THOUGHT IT WOULD BE USEFUL TO PREPARE FOR OUR MEETING IF I GAVE YOU SOME IDEA OF HOW WE ENVISAGE THE FOLLOW-UP PROCESS DEVELOPING. AS A GENERAL RULE, WE BELIEVE THE SEVEN-NATION GROUP, WITH THE PARTICIPATION OF THE EC PRESIDENCY AND THE COMMISSION, WHICH WORKED TOGETHER SO EFFECTIVELY, SHOULD CONTINUE TO BE USED IN SOME WAY TO COORDINATE THE FOLLOW-UP PROCESS. AT THE SAME TIME, WE RECOGNISE THE DESIRABILITY OF USING EXISTING INTERNATIONAL ORGANISATIONS WHENEVER POSSIBLE, AND WE WOULD MINIMISE THE ESTABLISHMENT OF ANY NEW INSTITUTIONS EITHER TO CONDUCT THE

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FOLLOW-UP WORK OR AS A RESULT OF THAT WORK.

IN THE FIELD OF ENERGY, WE PROPOSE THE CREATION OF AN AD HOC SUMMIT GROUP ON ENERGY TO CONDUCT THE ENERGY STUDY REFERRED TO IN THE QUOTE SUMMARY OF CONCLUSIONS UNQUOTE. THIS GROUP WOULD BE EXPANDED TO INCLUDE OTHER DIRECTLY CONCERNED COUNTRIES. THE AD HOC GROUP WOULD COMMISSION THE OECD COMBINED ENERGY SECRETARIAT TO PREPARE THE ENERGY STUDY BASED ON TERMS OF REFERENCE AND GUIDANCE FROM THE GROUP. THE GROUP WOULD DRAW POLICY CONCLUSIONS BASED ON THE OECD/IEA ANALYSIS AND MEMBER COUNTRY CONTRIBUTIONS. WE WOULD HOPE THIS GROUP COULD BE CONVENED SOON, PERHAPS AS EARLY AS DECEMBER 15 IN PARIS, IN ORDER FOR THE GROUP TO COMPLETE ITS WORK BY EARLY MAY 1983.

ON CREDITS, WE SEEK TO BUILD ON POST-VERSAILLES PROGRESS IN THE OECD EXPORT CREDIT ARRANGEMENT AND OTHER OECD WORK TO HARMONISE EXPORT CREDIT POLICIES TOWARD THE USSR AND ENHANCING THE TRANSPARENCY OF WESTERN ECONOMIC RELATIONS WITH THE USSR AND EASTERN EUROPE. WE ALSO WISH TO ESTABLISH A FRAMEWORK WITHOUT FURTHER DELAY FOR PERIODIC EX POST REVIEW OF EAST-WEST ECONOMIC RELATIONS WHICH WOULD DRAW ON OECD DATA AND ANALYSES. A MONITORING GROUP CONSISTING OF SUMMIT SEVEN AND EC PARTICIPATION WOULD PROBABLY BE MOST EFFICIENT BUT WE ARE OPEN TO OTHER PROPOSALS. WE PROPOSE THAT A MEETING OF THIS GROUP BE HELD EARLY IN JANUARY TO DISCUSS PROCEDURES FOR THE REVIEW AND PROPOSALS FOR FURTHER WORK ON HARMONISATION OF EXPORT CREDIT POLICIES. THE QUOTE SUMMARY OF CONCLUSIONS UNQUOTE REINFORCES THE AGREEMENT AT THE JANUARY, 1982 HIGH-LEVEL MEETING TO STRENGTHEN COCOM. WHAT WE NEED IS A STOCK-TAKING EXERCISE TO REVIEW WHERE WE STAND AND WHAT REMAINS TO BE DONE TO ACHIEVE OUR COMMON OBJECTIVE. FOR THIS PURPOSE, I PROPOSE THAT REPRESENTATIVES OF THE SEVEN MEET NEXT FEBRUARY, AT THE LEVEL OF UNDER SECRETARIES. WE SUGGEST THAT THE MEETING BE INFORMAL, AND THAT IT BE HELD WITHOUT PUBLICITY.

AT THE OPENING OF THE LIST REVIEW ON OCTOBER 4, THE US SUGGESTED THAT A SECOND HIGH-LEVEL MEETING OF ALL COCOM PARTICIPANTS BE HELD SOMETIME IN 1983. SUCH A MEETING MIGHT BE HELD IN JULY, FOLLOWING THE SECOND ROUND OF THE LIST REVIEW.

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BEFORE MAKING A FORMAL PROPOSAL IN COCOM ON THIS, WE WOULD LIKE TO DISCUSS OUR IDEAS WITH YOU IN FEBRUARY. IN ADDITION, WE PROPOSE THAT THE FEBRUARY MEETING REVIEW THE EFFECTIVENESS AND RESPONSIVENESS OF COCOM IN GENERAL AND WHAT SHOULD BE DONE TO STRENGTHEN COCOM INSTITUTIONALLY.

ON OTHER HIGH TECHNOLOGY, WE BELIEVE THAT OUR FOLLOW-UP SHOULD BE CONDUCTED IN STAGES. WE WOULD LIKE TO MEET WITH THE SUMMIT SEVEN GROUP AT AN EARLY DATE TO DISCUSS THE OIL AND GAS SECTOR. WE WILL BE PREPARED TO EXCHANGE VIEWS WITH YOU ON THE REASONS WHY CONTROLS IN THIS SECTOR WOULD BE IN OUR MUTUAL SECURITY AND ENERGY INTEREST. WE ARE UNDERTAKING AN INTERNAL STUDY OF HOW OTHER TECHNOLOGIES CONTRIBUTE TO THE MILITARY OR STRATEGIC ADVANTAGE OF THE USSR. WE WOULD HOPE TO BE ABLE TO GIVE YOU AN INDICATION OF OUR THINKING AT A MEETING IN FEBRUARY, WHICH COULD BE HELD IN CONJUNCTION WITH THE MEETING WE WOULD LIKE TO HAVE ON COCOM MATTERS.

TO ENSURE THAT OUR ECONOMIC RELATIONS WITH THE SOVIET UNION ARE CONSISTENT WITH OUR STRATEGIC INTERESTS, WE SHOULD GO FORWARD WITH OUR AGREEMENT TO CONDUCT EXPEDITIOUSLY AN OVERALL STUDY ON EAST-WEST ECONOMIC RELATIONS. WE ENVISAGE THIS STUDY VERY MUCH ALONG LINES DEVELOPED IN THE QUOTE SUMMARY OF CONCLUSIONS UNQUOTE. I REMEMBER THAT WE ALL ATTACHED GREAT IMPORTANCE TO THIS EFFORT, AS IT WILL PROVIDE US WITH A COMMON ASSESSMENT OF EAST-WEST ECONOMIC RELATIONS AND THEREBY ENABLE US TO IMPLEMENT THE PRINCIPLES ON WHICH WE AGREED. IN OUR VIEW, A SPECIAL GROUP SHOULD BE FORMED TO CONDUCT THIS STUDY ON THE BASIS OF CONTRIBUTIONS FROM THE PARTICIPATING COUNTRIES. THIS GROUP COULD WELL CALL UPON THE OECD AND NATO FOR CONTRIBUTIONS IN THEIR RESPECTIVE AREAS OF EXPERTISE. A SECRETARIAT ROLE FOR ONE OF THESE INSTITUTIONS (OR THE TWO JOINTLY) IS ALSO A POSSIBILITY TO BE EXPLORED.

FINALLY, IT IS CLEAR TO US THAT SOME INFORMAL MECHANISM WILL BE NEEDED TO SUPERVISE THE FOLLOW-UP PROCESS AS A WHOLE. THE WASHINGTON AMBASSADORIAL GROUP HAS SERVED WELL IN THIS CAPACITY, BUT WE MAY WANT NOW TO CONSIDER OTHER POSSIBILITIES.

I THINK YOU WILL AGREE THAT, AS FAR AS EAST-WEST ECONOMIC

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RELATIONS ARE CONCERNED, WHILE MUCH OF THE SUBSTANCE OF OUR CONSULTATIONS HAS CONCERNED MATTERS DEALT WITH IN OTHER BODIES, IT NEVERTHELESS IS IMPORTANT THAT NATO HAVE A SIGNIFICANT ROLE IN THE ON-GOING CONSULTATIVE PROCESS. ONE AREA WHERE THE RESOURCES OF THE ALLIANCE COULD BE PUT TO EXCELLENT USE, WITHOUT CONFLICTING WITH WORK DONE ELSEWHERE OR THE MISSIONS OF OTHER ORGANISATIONS, WOULD BE AN IN-DEPTH STUDY OF THE PROSPECTS FOR THE SOVIET ECONOMY, INCLUDING ITS ABILITY TO SUSTAIN PRESENT AND PROJECTED FUTURE LEVELS OF DEFENSE EFFORT. WE PLAN TO INTRODUCE PROPOSALS FOR THIS SPECIAL STUDY INTO THE COMMUNIQUE DRAFTING PROCESS AT NATO IN THE NEXT FEW DAYS.

ANOTHER THOUGHT I HAD ON WHICH I WOULD VALUE YOUR OPINION CONCERNS HOW THE ALLIANCE CAN MOST EFFECTIVELY DEAL WITH THE QUESTION OF THE SOVIET UNION'S POLICIES POST-BREZHNEV AND THEIR IMPLICATIONS FOR US. BREZHNEV'S DEPARTURE AND ANDROPOV'S EMERGENCE COULD WELL MEAN THAT DEVELOPMENTS IN MOSCOW, AND THEIR MEANING FOR THE WEST, WILL BE HIGHLY COMPLEX. I BELIEVE, THEREFORE, THAT A NATO STUDY ON LIKELY TRENDS IN SOVIET POLICIES, AND THEIR IMPLICATIONS FOR EAST-WEST RELATIONS, POST-BREZHNEV WOULD BE VERY TIMELY.

THIS IS AN IDEA WE MIGHT PROFITABLY DISCUSS. IF OUR EXCHANGE SUGGESTS THAT SUCH AN INITIATIVE HAS MERIT, WE MIGHT THEN INTRODUCE IT FOR MORE GENERAL DISCUSSION DURING THE SUPER-RESTRICTED SESSION OF THE NAC ON DECEMBER 9, WHICH WILL IN ANY CASE BE AN OCCASION FOR REVIEWING THE FULL SCOPE OF EAST-WEST RELATIONS IN THE POST-BREZHNEV ERA. IF THERE IS AGREEMENT THERE, THIS INITIATIVE TOO, COULD BE INCLUDED IN OUR COMMUNIQUE.

I LOOK FORWARD TO HEARING YOUR REACTION TO THESE IDEAS.
ENDS.

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