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Prime Minister

To be aware:

A.S.C. $\frac{25}{3}$

Secretary of State

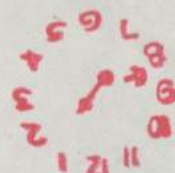
UK/USSR MARITIME TREATY: NEGOTIATING OBJECTIVES

One of the measures we took last year in response to the imposition of martial law in Poland was to give notice to the Soviet Union of our intention to renegotiate the Anglo/Soviet Maritime Treaty. The Defence and Overseas Policy Committee has been considering the objectives the UK should pursue in the security field and has already decided to seek to amend the Treaty to be able to exclude Soviet ships from certain designated UK ports. The purpose of this minute is to seek the endorsement of MISC 19 to the commercial objectives that you have agreed and which are set out below. I hope it will be possible to clear these through correspondence.

COMMERCIAL OBJECTIVES

Bilateral Trade

We consider that we need amendments to the Treaty that will give HMG a stronger hand in deciding the commercial conditions in this trade than we have at present, or would want to have in a normal trading environment. At the moment because the Russians only buy and sell on terms which enable them to organise the shipping, they have an effective stranglehold on the trade. Their State trading organisations are, for example, able to impose their decisions on freight rates. We must ensure that the revised Treaty gives HMG an equal voice by requiring our agreement to the freight rates and other commercial conditions that should apply. Under such arrangements agreements would not of course be guaranteed, but the Soviets would be under greater pressure to consider our interests than they are now.



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The revised Treaty should also make it clear that the UN Code of Conduct for Liner Conferences will apply in this trade. Within the small conference that currently serves the trade, this would have the effect of ensuring parity of carryings between the British and Soviet shipping lines.

Cross-Trades

The current Treaty refers to each country following "in international shipping, principles of free and fair competition". This means little to a State trading country, and is of little use to us in combating the kind of non-commercial pressures that have recently been brought to our attention by the UK cruise liner operators, or have been suffered over the years by our cargo liner companies. We propose that we should therefore seek to introduce a new provision requiring each side to consult the other on their cross-trading activities out of each others ports at the annual bilateral Joint Maritime Commission, and not to make significant changes without prior agreement.

THE NEXT STEPS

We reminded the Soviets, during the Anglo-Soviet Maritime Commission last November, of our intention to renegotiate the Treaty and the Soviets said they were ready to consider our proposals.

We wish to present our package of proposals to the Soviet Union (covering both security and commercial objectives) shortly, and I would welcome early clearance on these commercial objectives from colleagues on MISC 19, to whom I am also copying this minute. Copies go also to the Prime Minister and Sir Robert Armstrong.

I.S.

22 March 1983