



CONFIDENTIAL

Prime Minister

To note.

A.J.C. 30/11.

PRIME MINISTER

East-West Economic Relations

Now that President Reagan has lifted all the United States measures affecting the Siberian pipeline contracts, officials have been examining how best to carry forward the various studies to which we are committed by the Summary of Conclusions (formerly known as the Shultz non-paper).

2. The odd man out continues to be the French Government.

Although Monsieur Mitterrand has sent President Reagan a conciliatory message, senior representatives of the Quai d'Orsay told Sir Antony Acland on 25th November that the French regard the Shultz paper as "non-existing" and that, although they are ready to hold comprehensive talks on all aspects of East-West relations, they do not believe that these can lead to the preparation of a practical strategy. It remains to be seen how obstructive the French will prove in practice; but this is in the first instance a problem for the Americans. Both in your own message of 13th November to President Reagan, and in subsequent Ministerial and official contacts, the United Kingdom has made clear its readiness to co-operate in the various studies outlined in the Summary of Conclusions. We can therefore afford to wait a little to see how the situation develops, and leave it to the Americans to make the running with the French.

3. Meanwhile you and OD colleagues may wish to see the attached note by officials (prepared before the latest news from Paris), which represents interdepartmentally agreed guidance for the overseas Posts and Whitehall Departments concerned on how we would like to see the various elements of follow up implemented and orchestrated. For convenience, I also attach a copy of the final text of the Summary of Conclusions.

4. I am sending copies of this minute and enclosures to the members of OD, to the Secretaries of State for Industry and Energy and to the Minister of Agriculture, Fisheries and Food.

RA

Robert Armstrong

30th November 1982

CONFIDENTIAL

East-West Economic Relations: Follow up to "Summary of Conclusions"  
 (formerly the Shultz Non-Paper)

The United Kingdom's overall aims in contributing to the work envisaged in the Summary of Conclusions should be

- a. to work for agreement on a common analysis of the current state and prospects for the Soviet Union and Eastern European economies;
- b. to use that analysis as the basis for working towards a consensus on general Western policy in the handling of East-West relations;
- c. to make a constructive contribution to the studies outlined in the Summary of Conclusions, without prior commitment to their outcome.
- d. to ensure that in this process the United Kingdom's strategic, security and commercial interests are protected.

2. Our partners will have their own ideas about how the follow-up work might best be handled in the various international organisations. The French attitude is particularly uncertain: they have said that they will not take part in future talks in Washington, which casts doubt on the future role of the Summit 7 (plus EC Presidency and Commission) group. Nor is it known what the French attitude will be to work being done in NATO. In practice, therefore, the allocation of work is unlikely to be as tidy as the arrangements indicated below. Subject to these caveats, the following international dispositions would seem to be appropriate.

A. Restricted meetings with our closest partners.

These may be used as necessary to steer and resolve any particular problems.

B. Summit 7 (plus Commission and Presidency)

a. Role

- i. to identify and agree fora for the various bits of work envisaged in the Summary of Conclusions;
- ii. where necessary to agree terms of reference, derived from the Summary of Conclusions, for the various bits of work;
- iii. to set an overall timetable and to monitor progress;
- iv. to take stock at the Economic Summit meeting likely to take place next May.

C. NATORole

- i. to maintain a general Alliance overview of the work in hand; and to draw conclusions and make recommendations, as appropriate;
- ii. to undertake factual analyses involving classified information;
- iii. probably to undertake the analysis of other (ie non-COCOM) high technology items referred to in the Summary of Conclusions.

NB. Completion of individual studies should precede drawing of conclusions by NATO. It may be appropriate for NATO Foreign Ministers to consider any conclusions/recommendations after the May meeting of the Economic Summit. Japan might best be associated with work in NATO through the Americans.

D. OECDRole

- i. to carry out the detailed factual and analytical studies of the various aspects of the Soviet and Eastern European economies envisaged in the Summary of Conclusions.
- ii. to prepare the overall analysis of economic relations with the USSR and the Eastern European countries based on the detailed studies, for submission to governments to use, as appropriate, in NATO, EC or in the Summit 7 framework;
- iii. to undertake the periodic ex post reviews of the development of economic and financial relations with the Soviet Union and Eastern Europe;
- iv. building on work already in hand in IEA, to initiate a study of projected energy requirements and dependence upon imports over the next decade and beyond. (Study to be "under the auspices of" OECD, thus associating IEA with the work);
- v. work on credit policies in OECD Consensus;
- vi. analysis of agricultural products.

E. COCOM

- i. COCOM List Review to undertake work on lines of paragraph 3(a) of the Summary of Conclusions;
- ii. progress in this sector possibly to be assessed by High Level Meeting in early 1983.

F. EC

- i. The EC will have a direct interest in, and there will be a need for continuing Community consultation on, all the aspects of the follow-up work which touch Community competences (particularly energy, credit terms and any measures affecting the Common Commercial and Agricultural Policies);
  - ii. The EC will be the forum for discussion of the progress on the studies and of any subsequent measures affecting all EC members equally.
3. These dispositions cover all the areas of work referred to in the Summary of Conclusions.
  4. In Whitehall, it is envisaged that
    - i. MISC 64 should continue to be the forum for co-ordinating Whitehall views at the official level.
    - ii. JIC should be the main interdepartmental forum for the preparation of Whitehall assessments and analyses relating to the various aspects of the Soviet and Eastern European economies. JIC will refer work to JIC(EA) as necessary, which would obtain inputs from the Whitehall Departments (including Bank of England and ECGD) as appropriate.
    - iii. ODO(SE) should be the forum for co-ordinating views in respect of OCOM and other high technology work.
    - iv. In addition to the Foreign and Commonwealth Office, the Whitehall Departments principally involved in the follow up work will be Trade, Industry, Energy, Defence, Treasury and ECGD. The Bank of England will also be concerned.

November 1982

WASHINGTON DISCUSSIONS ON EAST/WEST ECONOMIC RELATIONS (PIPELINE)

SUMMARY OF CONCLUSIONS

During conversations in Washington between the Secretary of State of the United States of America and representatives of Canada, the Federal Republic of Germany, France, Italy, Japan and the United Kingdom on the subject of East/West relations, in which representatives of the EC participated, a certain number of conclusions have been reached on behalf of the governments represented. The summary of these follows.

1. They recognise the necessity of conducting their relations with the USSR and Eastern Europe on the basis of a global and comprehensive policy designed to serve their common fundamental security interests. They are particularly conscious of the need that action in the economic field be consistent with that global and comprehensive policy and thus be based on a common approach. They are resolved together to take the necessary steps to remove differences and to ensure that future decisions by their Governments on these issues are taken on the basis of an analysis of the East/West relationship as a whole, with due regard for their respective interests and in a spirit of mutual trust and confidence.

2. The following criteria should govern the economic dealings of their countries with the Soviet Union and Eastern European countries:-

- that they will not undertake trade arrangements, or take steps, which contribute to the military or strategic advantage and capabilities of the USSR,
- that it is not in their interest to subsidize the Soviet economy; trade should be conducted in a prudent manner without preferential treatment.
- that it is not their purpose to engage in economic warfare against the Soviet Union. To be consistent with our broad security interests, trade with the USSR must proceed, inter alia, on the basis of a strict balance of advantages.

It is agreed to examine thoroughly in the appropriate bodies how to apply these criteria, taking into account the various economic and political problems involved, with the view to agreeing on a common line of action in the spirit of paragraph one and the above criteria. They will pay due attention in the course of this work to the question of how best to tailor their economic relations with Eastern European countries to the specific situation of each of them, recognizing the different political and economic conditions that prevail in each of these Eastern European countries.

The overall analysis of economic relations with the USSR and the Eastern European countries will touch in particular on the following areas:-

- strategic goods and technology of military significance (COCOM):
- other high technology items;
- credit policy;

- energy;
- agricultural products.

In their analysis of other high technology items, it is agreed to examine immediately whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment to be jointly determined. This immediate examination of whether their security interests require controls, to be implemented in an agreed and appropriate manner, on the export to the Soviet Union and Eastern Europe of advanced technology and equipment will include technology and equipment with direct applications to the oil and gas sector.

In the field of energy, they will initiate a study of their projected energy requirements and dependence upon imports over the next decade and beyond and possible means of meeting these requirements, with particular attention being given to the European energy situation. The study will be conducted under the auspices of the OECD.

3. As an immediate decision and following decisions already made, they have further agreed on the following:-

(a) Building on the conclusions of the High Level Meeting, they will work together within the framework of the Coordinating Committee (COCOM) to protect their contemporary security interests: the list of strategic items will be evaluated and, if necessary, adjusted. This objective will be pursued at the COCOM Review now under way. They will take the necessary measures to strengthen the effectiveness and responsiveness of COCOM and to enhance their national mechanisms as necessary to enforce COCOM decisions.

(b) It was agreed at Versailles that the development of economic and financial relations with the Soviet Union and Eastern Europe would be subject to periodic ex-post review. The necessary procedures for this purpose will be established without delay. Having in mind the criteria in paragraph two above, they will work urgently further to harmonize export credit policies.

(c) They have informed each other that during the course of the study on energy requirements, they will not sign, or approve the signing by their companies of, new contracts with the Soviet Union for the purchase of natural gas.

16 November 1982  
Foreign and Commonwealth Office

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SIR ROBERT ARMSTRONG

East/West Economic Relations

The Prime Minister has noted the contents  
of your minute of 30 November.

ASC

2 December 1982