



Prime Minister

A.J.C. 1/12

FCS/82/198

SECRETARY OF STATE FOR TRADE


European Council: Import Restrictions against the Soviet Union

1. The Commission have now announced that M. Thorn will raise at the European Council the question whether or not the Community should renew the import restrictions it imposed on the Soviet Union earlier this year in response to events in Poland. These will expire automatically on 31 December and a new Council decision would be necessary to renew them.

2. We now have good reason for believing that the Polish Government will lift martial law on 13 December. We shall have to decide with our partners how to respond to this new situation. This is likely to take some time, for a number of reasons. We shall not know immediately the full content of any measures which will accompany the lifting of martial law. The reaction of the Polish people will not manifest itself for a while. And the joint assessment we make with our partners will also take a little time. The amount of time necessary for all this will simply not be available between 13 December and the end of the year, let alone 13 December and the Christmas holiday. Yet any modification of the measures against Poland and the Soviet Union must clearly be part of an overall and considered response to the new situation in Poland.

3. The only measure which raises a problem in this regard is the import restrictions against the Soviet Union. It would be wrong to allow these to lapse by omission before

/we had



we had made up our minds what our response to the lifting of martial law should be. I therefore propose that at the European Council and in subsequent discussion we should take the line that the Community should be ready to renew the import restrictions for a further period of a year, with provision for review and suspension at any time if the Community decides that this is warranted. This would enable us to lift the restrictions as soon as we liked in the New Year if that were the conclusion we came to.

4. In view of the shortage of time I am attaching a draft / brief for the European Council covering this ground which also sets out the background.

5. I am sending copies of this letter to the Prime Minister, other members of OD, Peter Walker and Sir Robert Armstrong.



(FRANCIS PYM)

Foreign and Commonwealth Office
1 December 1982

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GOVERNMENT

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COPY NO.

1 December 1982

EUROPEAN COUNCIL, COPENHAGEN

3/4 DECEMBER 1982

IMPORT RESTRICTIONS AGAINST THE USSR

Brief by the Foreign and Commonwealth Office

OBJECTIVE

1. To encourage partners to be ready to renew the restrictions.

POINTS TO MAKE

2. Now seems likely that martial law will be lifted on 13 December. Ten/Community will have to decide how to respond to new situation. Important that any steps (i.e. new measures, changes in existing ones) we take should be taken as part of our considered response. Our existing measures must therefore be maintained until assessment has been made.
3. Problem arises in relation to import restrictions against Soviet Union which expire on 31 December unless renewed. Restrictions must not be allowed to lapse by omission before assessment made.
4. Situation in Poland and Polish people's response to lifting of martial law may not be clear enough for us to make

/up our minds

up our minds sensibly before Christmas. Hope we could decide now that in that event we should by the end of this year renew restrictions for a further year, with provision for review and suspension at any time if Community decides this is warranted.

BACKGROUND

References: None

5. In March the Community imposed restrictions on imports of a range of manufactured and luxury goods from the Soviet Union (including caviar, tinned salmon, refrigerators and alarm clocks). The restrictions expire on 31 December. Renewal will require a new Council decision. The Commission have said that Thorn will raise this at the European Council, presumably to seek a steer on whether or not to propose renewal.

6. In a brief discussion at the Foreign Affairs Council on 22 November the Secretary of State took the line that it was premature to decide at that stage whether to renew the existing restrictions. The move had been largely symbolic and we needed to reflect very carefully what signals we wished to give the Russians. This received French and German support (though there is evidence that the Germans wish to see the restrictions lifted) and no dissent.

7. The question will be discussed at the next Foreign Affairs Council (13-14 December) which coincides with the day on which martial law is expected to be lifted. It will take some time for us, together with our EC and NATO partners, to decide how to respond to the lifting of martial law and the

/possible

possible introductions by the Polish Government of measures to take its place. We will therefore not be in a position to decide whether to maintain or lift the present restrictions until well into the New Year. It is important that they should not be allowed to lapse by omission before we have had a chance to make our assessment.

FOREIGN AND COMMONWEALTH OFFICE

1 DECEMBER 1982

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10 DOWNING STREET

From the Private Secretary

3 December 1982

Dear Roger,

EUROPEAN COUNCIL: BUDGET RESTRICTIONS AGAINST THE USSR

The questions raised in the minute of 1 December by the Foreign and Commonwealth Secretary and 2 December by the Secretary of State for Trade were discussed with the Prime Minister on the way to Copenhagen this morning.

The Prime Minister takes the view that to allow the present quota restrictions to lapse would be to convey the wrong political signal with regard to events in Poland at the present time. She therefore agrees with Mr. Pym that the restrictions should be maintained in being at least until such time as a full assessment can be made of whatever measures of relaxation the Polish authorities adopt and the reaction of the Polish people to those measures.

I am copying this letter to John Rhodes (Department of Trade).

*John
John Rhodes.*

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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From the Secretary of State

The Rt Hon Francis Pym MC MP
Secretary of State for
Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AL

2 December 1982

Dear Secretary of State,

EUROPEAN COUNCIL: IMPORT RESTRICTIONS AGAINST THE USSR

- 1 Thank you for your minute of 1 December ^{with ESC}.
- 2 There are clear commercial disadvantages to continuing these quota restrictions. They have had little effect on actual volumes of trade in the goods covered because importers had sufficient advance warning to enable them to undertake contractual commitments before quotas were applied. They have however caused difficulties for some British firms legitimately engaged in trading in the items covered, and if they are continued they will cause even greater difficulties for more firms next year.
- 3 They are an irritant in our bilateral commercial relations with the USSR and if we are seen to take the lead in pressing for their extension it is likely that this will act to the disadvantage of other British firms seeking to export to the USSR.
- 4 The principal measures taken by the United States against the USSR as their response to repression in Poland have been lifted. Against this background, we would need very clear and compelling reasons for continuing our own restrictions for a further year.



From the Secretary of State

5 I accept that it may well not be possible to arrive at a full assessment of the expected Polish relaxations before the end of this year or to define the Western response right across the board. But it would be most unsatisfactory to continue the quotas in the expectation that we might decide to lift them after a month or so. Such a course of action would cause the maximum confusion among British traders and would lay us open to criticism. Unless therefore a preliminary assessment of the expected Polish measures shows that there is such a strong case as to make the Community as a whole virtually certain to want this limited range of quotas against non-sensitive USSR exports for a further year, we should let the quotas lapse.

6 I do not think we need take any initiatives on this matter at the European Council. We could say that we are content to follow the majority, but that we need to be ready to react quickly after 13 December and to give British traders a clear indication of our intentions by 1 January. But I nevertheless hope we can get away from a situation in which minor trade measures are maintained without any significant overall economic effect or justification.

7 I am copying this to the Prime Minister, other members of OD, Peter Walker and to Sir Robert Armstrong.

LORD COCKFIELD

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

1-2 DEC 1982

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Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

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John Coles Esq
10 Downing Street
London SW1

1 December 1982

Dear John

In your letter of ²⁶ November you asked for a note on the facts about our involvement, if any, in sales of subsidised grain to the Soviet Union.
--- I enclose a note for the Prime Minister's use.

I am sending a copy of this letter to Roger Bone (FCO).

Prime Minister

The short point is that there are no restrictions on EC and therefore U.K. sales of grain (as distinct from butter, butteroil etc) to the Soviet Union.

*Yours sincerely
Robert Lawson*

R LOWSON
Private Secretary

A.F.C. 1/12

EXPORTS OF GRAIN TO THE USSR


1. UK grain exports during the crop year 1981/82 to all destinations (including other Community countries) comprised 1.7 million tonnes of wheat and 2.6 million tonnes of barley*. Of this 75,000 tonnes of wheat and 83,000 tonnes of barley (3½% of the total) were recorded as going to the USSR.

2. The UK's exportable surplus of grain in the 1982/83 crop year is estimated at 2.4 million tonnes of wheat and 3.9 million tonnes of barley. Detailed export statistics are only available for the first two months (August and September) of the crop year. Of the 742,000 tonnes exported in those two months, none is recorded as having gone to the USSR.

3. Some UK grain exports are first shipped to Continental ports where they are transferred to larger vessels for shipment to final destination, often after mixing with grain of other origins. We have no means of establishing the final destination of these shipments.


4. We are not aware that any traders have so far contracted to sell UK grain to the USSR this season. During the two months for which figures are available, the main destinations of UK grain exports outside the Community have been North Africa and the Middle East. However, we cannot exclude the possibility that some UK grain will go to the USSR. Total world trade in grain is about 200 million tonnes. In 1981/82 the USSR's imports were about

* These figures in fact relate only to 11 months. Export figures for the first month of the crop year (August) are not available due to last year's Civil Service strike.



45 million tonnes of over 20% of world trade. This season they are expected to be lower (perhaps some 36 million tonnes) but still very large. The Russians import from the four main traditional grain exporting countries (the US, Canada, Argentina and Australia) and they have long-term agreements with the first three of these countries. (The US are very anxious to conclude a new long-term agreement with the Russians for larger quantities, and meanwhile sell as much as possible to them over and above the minimum level which the current agreement prescribes.) In 1982/83 the EC is likely to be the third largest grain exporter (after the US and Canada) with total exports of about 20 million tonnes or some 10% of world trade. Given the Community's geographical proximity to the USSR, it would be surprising if some of these exports did not go there. Indeed, it is reported that some 2½ million tonnes of French wheat has already been sold to the USSR.

5. Exports of grain from the UK and from other EC countries are made by private traders. They are enabled to take place through export refunds, which bridge the gap between Community market prices and prices on the world market (ie the selling prices of the main exporting countries). As in the case of other CAP commodities, the size of the export refunds and the destinations for which they are available are determined by the Commission, on the advice of the relevant Management Committee which gives its opinion on Commission proposals by majority voting. No national restrictions on trade are permitted. Most export refunds on cereals are fixed through a series of tenders, held weekly. Traders bid for the amount of refund they will accept for the export of quantities nominated by them, and the Commission, after consulting the Cereals Management Committee, decides up to what level of



refund bids should be accepted. A successful trader receives an export licence for the refund and quantity for which he bid. Once issued, certificates may be used for an export from any EC country.

6. When President Carter placed a partial embargo on US sales to Russia in January 1980 (in the case of grain this meant not selling quantities additional to those provided for in the US/USSR long-term agreement), the EC decided that Community supplies should be controlled so that they should not replace US supplies on the USSR market. For grain, this was done by setting a separate tender for export refunds to the USSR and limiting the quantity for which licences under it were granted. When President Reagan lifted the embargo in April 1981, the Community's restrictions on exports (other than of butter, butteroil and certain other milk products) to the USSR were removed and the USSR was reinstated in the list of destinations for which export refunds issued under the normal tender are available. This remains the position.

Ministry of Agriculture, Fisheries
and Food

1 December 1982

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Prime Minister

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why are we selling barley to the USSR? not

I was not aware of X. I am told that we do get rid of some of our excess barley to the Russians (yet we oppose butter and have criticised US grain sales).

FCS/82/195

MINISTER FOR AGRICULTURE, FISHERIES AND FOOD

A.J.C. 25/11

Sales of Butter to the USSR

1. Thank you for your letter of 24 November about the proposed sale of Community butter to the Soviet Union.
2. I am in entire agreement with you about our policy, namely that we must continue to object to such sales, as we always have. Our position is now well established and well known and we must maintain it by voting against the Commission proposal if and when it comes to the Management Committee.
3. At the same time we need to recognise that the situation has changed since April 1981 when we insisted that any resumption of subsidised butter sales to the Soviet Union should be discussed in COREPER before a decision was taken. We will get no support within the Community apart from the Germans. We have failed to enlist any help from the Americans to lobby against these sales on general East-West policy grounds. We are ourselves acquiescing and may even participate in sales of subsidised grain to the Soviet Union. There is therefore no prospect that we should be able to prevent the sale of butter, whatever discussion we insisted on in COREPER or elsewhere. In these circumstances to raise the Soviet butter issue in COREPER and to be rebuffed, as we should be, would in my view be a more damaging signal to the Soviet Union than a simple decision by the Management Committee which we opposed.
4. Against this background I hope you can agree to instruct the UK representative in the Management Committee on 25 November, in voting

X

/against

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against the Commission's proposal, to make a strong statement of disagreement with it on the grounds in the last sentence of your letter, but to stop there. Of course, if the Germans wish to have the issue discussed in COREPER, we must support them; and I will instruct Sir Michael Butler accordingly.

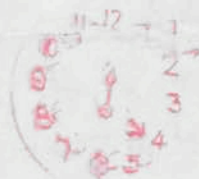
5. I am sending copies of this letter to the Prime Minister, members of OD(E) and Sir Robert Armstrong.

Handwritten initials

Foreign and Commonwealth Office

25 November 1982

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10 DOWNING STREET

From the Private Secretary

26 November 1982

Sales of Butter to the USSR

The Prime Minister has seen the minute of 25 November by the Foreign and Commonwealth Secretary on this subject.

Mrs Thatcher noted the statement that we were acquiescing in and might even participate in sales of subsidised grain to the Soviet Union. She has enquired what grain we are selling to the Soviet Union and why we are doing so. I should be most grateful if you could let me have the facts.

I am copying this letter to Roger Bone (FCO).

A. J. COLES

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries & Food.

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