



PM/83/89

PRIME MINISTER

The paper has been amended to meet our points (you need not read it again now)

Yes
 not
 after 6 early OD discussion?

A. J. C. 14/11

East-West Relations

1. In the country at large I sense a widespread feeling that:

- East-West relations are now worse than at any time since the Cuban crisis of 1962;
- part of the responsibility for this lies with the West, especially the Regan administration;
- Britain could and should do more to put matters right.

2. I believe that this contains some exaggeration but also some good sense. I am therefore circulating the attached paper. It sets out in summary form the reasons why East-West and Anglo-Soviet relations are as they are, the nature of the Western interest and the means available to promote it. Attached at Annex are recommended policy guidelines for the specific steps which I believe should be taken. The timescale is roughly the next five years. I should welcome an early opportunity to discuss the paper in OD.

3. I am sending copies of this minute and attachments to OD colleagues and to Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office
 14 November 1983

UK/SOVIET AND EAST/WEST RELATIONS

Introduction

1. The recent shooting down of the Korean airliner and the current INF debate have focussed attention on two important characteristics of the Soviet Union. The first is its paranoid view of its own security, an historical concern of all Russian/Soviet states. The second, underlined also by the START talks in Geneva, is its enormous military power. This combination of qualities, together with a political ideology which predicts as inevitable the final triumph of communism over all other political systems, confronts the Western democracies with one of our severest challenges. Since the last war, the West's response, which has included containment, roll-back and most recently detente, has at times been ambivalent and even contradictory.

2. The US Secretary of State in his testimony to the Senate Foreign Relations committee on 15 June said that the long term US aim was "to encourage the gradual evolution of the Soviet system towards a more pluralistic political and economic system". The rigidity and strength of the present Soviet state is such however that it is very doubtful whether, in the foreseeable future, any greater diversity can be expected. Our policies should therefore be based on the assumption that any change in the system, at least in the next four to five years will not be fundamental, however much Andropov himself may recognise the problems and the need for some change. If change does come, it will come very slowly and mainly as a result of internal, not external, pressure.

3. This paper outlines the main considerations affecting relations with the Soviet Union and East/West relations generally. Annex A recommends policy guidelines for the long term security of the UK. To be effective, these will

CONFIDENTIAL

need to be closely coordinated with those of our allies and partners and followed consistently.

Security

4. Only if the nuclear balance between the two super-powers remains stable can middle ranking powers pursue their own bilateral interests with the Soviet Union on a sound or lasting basis.

5. As a general rule, at every level, strategic, nuclear and conventional, the West should continue to confront the Soviet Union with the certainty that the Western alliance will do whatever is necessary to maintain adequate defences. The Russians should not be allowed to gain the impression that they can divide the West or undermine its resolve by appeals to public opinion.

6. In parallel, we should continue to offer the Soviet Union the serious possibility of balanced and verifiable arms control agreements which would maintain security at lower levels.

7. The detailed policies we should pursue on the individual questions now under current negotiation with the Soviet Union are the subject of separate consideration.

Political Relations

8. The main means of assisting change in the Soviet Union is through the spread of information. Information can be conveyed at a number of levels and in a variety of ways.

9. At the political level, meetings of senior ministers or heads of Government give us opportunities to put across our views on specific policies and problems of the day and expose their Soviet interlocutors to the sort of direct questioning and criticism which their own system is designed to prevent. Khrushchev's and Brezhnev's visits to

the West made a profound impression on them both. Andropov has yet to set foot in a free Western country.

10. High level contacts also present the West with opportunities of penetrating the system of Soviet decision making and assessing the relative strength of the various views and protagonists involved. This helps to reduce the likelihood of dangerous misunderstandings. Exposing the most senior ranks of the self-contained Soviet military caste to direct Western political and military argument is not the least benefit of such contacts.

11. Clearly the extent, timing and content of East/West political contacts should be a matter of careful planning and coordination among Western countries. UK practice since the Soviet invasion of Afghanistan has been to avoid high level and Ministerial contacts except where these are clearly advantageous to us. But other post-Afghanistan measures have been progressively relaxed by our allies who have been influenced by differing national problems and interests vis-a-vis the Soviet Union.

12. Our aim now should be to build up contacts over the next few years, while continuing to give careful consideration to the nature and timing of such exchanges. Incidents such as the shooting down of the KAL airliner will inevitably lead to the postponement or cancellation of particular events but should be treated in the framework of a long term consistent policy. We should also continue our present policy of strongly criticising the Soviet invasion of Afghanistan and making the Soviet Union pay as high a price as possible for its military presence there, with the long term aim of bringing about its withdrawal.

13. Political contacts at Senior Ministerial level with the Soviet Union have for the most part been confined to meetings between Mr Gromyko and the Foreign and Commonwealth Secretary in the margins of the UN or other international

meetings in third countries. Political consultations between the FCO and Soviet MFA also take place on an annual basis. In April this year they were held in Moscow between Mr Rifkind, Minister of State at the FCO and Mr Kornienko, the Soviet First Deputy Foreign Minister. The next step might be for the Foreign and Commonwealth Secretary to issue an invitation to Mr Gromyko to visit the United Kingdom some time in 1984.

14. Visits to the Soviet Union by, or invitations to their opposite numbers from, British Ministers with specific responsibilities in technical fields should be considered on their merits. The opportunities these meetings might provide for putting our views on political matters directly and forcefully to senior Soviet figures should not be overlooked.

15. Our public line on high level and Ministerial contacts with the Soviet Union in the immediate aftermath of the invasion of Afghanistan was that they were to be avoided. This was modified in 1981 to allowing "occasional high level and Ministerial contacts when these are deemed advantageous". In the aftermath of the KAL incident and in the run-up to INF deployment we should not now announce any change in policy. But we might instead say that Ministerial contacts are judged on a case by case basis and, where we see advantage, they take place. In practice we would gradually increase the number and level of contacts at Ministerial level, but with due regard always to the actual benefit to our interests in each case.

Information

16. At a more popular level the influence of Western thought and culture are strong where they are allowed to penetrate. A variety of ways can be used to expose the Soviet people to Western ideas and ideals. These include of the provisions on the freer flow of information and other human contacts provisions of the Helsinki and Madrid CSCE

documents and also use of contacts arising from the UK/Soviet cultural agreement, under which exchanges of teachers and students, exhibitions and films take place. These activities are, however, all subject to Soviet agreement and are therefore to some extent restricted but nevertheless provide useful opportunities to present Western ideas and values to the Soviet public.

17. The most effective means of getting information into the Soviet Union at present is by radio transmissions. These are not subject to censorship but they are subject to selective jamming. A re-examination of the role of the BBC External Services to the Soviet Union and Eastern Europe is now in progress.

Economy

18. Studies in OECD, NATO and elsewhere earlier this year, following the dispute over the Siberian pipeline, have confirmed that there is no reason to object to commercially sound and mutually advantageous financial and trade relations between East and West, provided always that the West abstains from the export of goods and technology which could contribute to the Soviet military build-up. The Soviet Union is broadly self sufficient in all raw materials. Trade with the West is small in both relative and absolute terms. Currently Soviet imports from OECD countries represent 2.5% of the Soviet GNP.

19. Efforts in the West have concentrated on refining COCOM rules on the export of militarily significant technology and equipment and on improving the national enforcement procedures of the strategic embargo. Given the nature of the Western free market system and the widespread availability of technology, a total ban on the transfer of technology would prove impossible. But our security interests require that the utmost care should be taken to ensure, as far as possible, that exports which could have

significant military application or give the Soviet Union significant military advancement do not occur.

20. Other areas have also been looked at in the studies mentioned above. There has been agreement to tighten up credit terms and to keep imports of Soviet energy (especially Siberian gas) to proportions that do not create undue dependence. Financially, the Soviet Union has a debt service ratio of 17% which is the lowest by far of all the CMEA countries and easily within its capacity to service.

21. In order to pursue their commercial relations all Western countries have, to some extent, to match the state structure on the Soviet side through the creation of intergovernmental Joint Commissions and Committees. Without these, the actual traders on the Western side (ie the firms concerned) would be seriously handicapped in conducting business. These inter-governmental links are necessary and should continue. Although of itself trade with the West can have beneficial political effects by exposing the Soviet Union to Western ideas and standards, it should be conducted on the basis of mutual advantage and financial prudence. It should also be compatible with our broad security interests.

Eastern Europe

22. The system imposed on Eastern Europe after the Second World War runs counter to the traditions, state of development, cultural links and religious ties of the countries involved (with the possible exception of Bulgaria). Attempts to remove or lighten the yoke have been put down at regular intervals. A direct confrontation would provoke the same Soviet response whatever the damage to the Soviet Union's international reputation. Those concerned in Eastern Europe understand that in their struggle they cannot look to the West for military assistance. Change will come slowly. Dramatic developments have always led to military response. There is no possibility in the foreseeable future

CONFIDENTIAL

of the Russians allowing any of these countries to become completely independent of the Soviet Union.

23. For its part the West must take care that the presentation of its policy towards Eastern Europe does not have the effect of making the Soviet Union adopt even more repressive policies towards its neighbours. But we must also make clear to the Soviet Union that while we understand its legitimate interest in its national security, the domestic, economic and social systems of individual East European countries must be for the peoples of those countries to decide for themselves and cannot, legitimately, be imposed from outside.

24. While taking care over its public presentation we should continue the policy of differentiating between Eastern European states on the basis of their willingness and ability to move away from the Soviet pattern of internal development (like Hungary) or from the Soviet line in foreign policy (like Romania). Poland is a special case, and we should not rule out a substantial relationship if its internal social and economic systems develop in a manner more comparable to, say, Hungary than Czechoslovakia.

25. Ministerial visits are one way of indicating this differentiation. They also provide additional indirect channels for getting our views across to the Russians on particular points. The Foreign and Commonwealth Secretary visited Hungary in September, and a Minister of State visited Czechoslovakia and the GDR in October. The Foreign and Commonwealth Secretary might also consider visits to Romania and perhaps Bulgaria. In the case of Czechoslovakia and the GDR, visits at above the level of Minister of State are not necessary nor desirable in 1984 but might be appropriate in 1985. A policy of differentiation should be presented, not on the basis of rewards and punishments but as a consequence of our view that the quality of bilateral relations is inevitably enhanced the more that the two countries have in common. As East European countries

liberalise their economic and social systems the opportunities for a more substantive relationship are increased.

26. Information will be one of the most effective means at the West's disposal to influence developments in Eastern Europe. The BBC External Service's broadcasts to Eastern Europe should be maintained at the highest level compatible with the resources available. In the Soviet Union and in Eastern Europe both the vernacular and English language world service broadcasts are important. The vernacular services reach the greater numbers but world service broadcasts are listened to in some Party and intellectual circles as an impartial source of information.

27. The British Council's programme of exchanges should be maintained. Schemes involving young people should be encouraged. Other exchanges through the arrangement of British cultural events in Eastern Europe, and vice-versa, although popular in Eastern Europe, should be considered selectively so as to ensure that the resources and prestige involved are commensurate with the returns. They should also be looked at in the overall framework of our relations with each individual country.

28. The UK should continue to pursue trade on its commercial merits while having regard to the wider interests of security. For those countries like Hungary, which appear genuinely determined to introduce economic reforms, the UK should do what it can to help with links with the major Western institutions like the IMF, although each case would have to be decided on its merits. There may be some limited scope for closer links with the EC, but improved access to the EC market will continue to be limited by economic conditions in Western Europe and by agricultural over-supply. These will have to be balanced against the undoubted political benefit of a closer EC-Hungary relationship which, inter alia, would reduce prospects for closer CMEA integration.

The Third World

29. Since the War the Soviet Union has been able to gain influence in a number of Third World countries by claiming to be on their side in the struggle against colonialism, by offering limited technical and economic assistance and by supplying arms and advice to revolutionary parties and Governments in internal struggles. In the 1970s the Soviet Union, through the use of Cuban and other surrogates, made major advances in Africa. The countries concerned are beginning to realise however that the Soviet Union is not able to provide the trade, aid or technology on a scale which they need. Angola, Mozambique and Ethiopia have all recently turned to the West for assistance. We should exploit these opportunities and look for similar openings in countries like the Seychelles. The West should not tacitly accept a Soviet or surrogate fait accompli, eg Afghanistan.

30. With the passage of time the fundamentally different approach to the Third World between the West and the Soviet Union is becoming more widely appreciated. The West, although criticised for not doing more, is seeking to resolve the underlying problems of particular regions, while the Soviet Union seeks to capitalise on them.

31. With its economic and technological advantages, the West should be able over time to contain and even reverse some Soviet gains. It is however to be expected that the Soviet Union will continue to seize low cost opportunities for enlarging its sphere of influence and to exploit instability as it is now doing in Central America.

China

32. The internal economic and political systems of China and the Soviet Union are in many ways similar. Recently there has been an increase in contacts between the two sides and a resumption of talks on the normalisation of relations.

However a number of obstacles - Cambodia, Afghanistan, Soviet force levels in East Asia and the border disputes - will continue to block progress and the atmosphere of Sino/Soviet relations remains essentially cool. The Chinese still see the Soviet Union as the greatest threat to China's national security and to world peace. Closer relations with the US and the West generally are the key to the success of their central policy of economic modernisation. The West should build on this essential Chinese requirement so that China continues to see the balance of her interests as lying in development of relations more with us than with the Soviet Union.

33. Recommended policy guidelines are attached at Annex A.

ANNEX A

POLICY GUIDELINES

General

1. The process of change in the Soviet Union will be slow. Our policy should be based on the assumption that any change in the system, in at least the medium term, will not be fundamental. To be effective our policy must be closely coordinated with our Allies and partners and followed consistently.

Security

2. The West should, at every level, continue to confront the Soviet Union with the certainty that the Western Alliance will do whatever is necessary to maintain adequate defences. We should, at the same time, seek balanced and verifiable arms control agreements, capable of maintaining security at lower levels.

Political Relations

3. The main means of influencing developments in the Soviet Union is through the spread of information.

4. High level political contacts expose Soviet leaders, including the military, to some direct questioning and criticism. They provide opportunities of assessing Soviet leaders and help to reduce the dangers of misunderstanding. Our aim should be to build up our contacts over the next few years while continuing to give careful consideration to the nature and timing of such exchanges which should be closely coordinated with our Allies and partners. We should not, however, abandon our present policy on Afghanistan.

5. The Foreign and Commonwealth Secretary might invite Mr Gromyko to visit the UK during 1984.

Information

6. The most effective means of getting information into the Soviet Union at present is by radio transmissions. The role of the BBC External Services should be re-examined.

7. Other opportunities arising from our bilateral cultural agreement and the CSCE process for exposing Soviet people to Western ideas and ideals should be exploited.

Economy

8. Western policy should be guided by the following:

- (a) East/West economic relations should be compatible with our security interests;
- (b) The nature of the Western free market system and the widespread availability of technology rule out a total ban on the transfer of technology;
- (c) Strategically significant exports should continue to be identified and embargoed under effective COCOM procedures;
- (d) Governments should exercise financial prudence in trading with the Soviet Union and Eastern European countries and avoid granting preferential treatment;
- (e) The West should avoid over-dependence on imports from or exports to the Soviet Union in all trade sectors, including energy (imports) and grain (exports);

- (f) Although trade may have certain desirable political effects-(eg contacts with Western methods and standards) this can seldom justify conducting trade on economic or commercial terms disadvantageous to the Western partner.

Eastern Europe

9. We should continue the policy of differentiating between Eastern European states on the basis of their willingness and ability to move away from the Soviet pattern of internal development (like Hungary) or from the Soviet line in foreign policy (like Romania).

10. The BBC External Service's broadcasts to Eastern Europe should be maintained at the highest level compatible with the resources available.

11. The British Council's programme of exchanges, particularly academic and youth exchanges, should be maintained. Other major cultural exchanges should be considered selectively.

12. Economic assistance is what the Eastern Europeans most want. But this will be hard to provide. Access to Western economic institutions, in particular the IMF, might be one of the best ways of introducing Western standards and ideas into the Eastern economies.

Third World

13. Western policy should be guided by the following:

- (a) The Russians are facing increasing problems in responding to developing countries' real needs. Even where Soviet/Cuban influence has been established (Angola, Mozambique, Ethiopia) countries are increasingly turning to the West for assistance. We should take advantage of this;

CONFIDENTIAL

- (b) Western policy should be aimed at resolving the underlying problems of a region, as well as eliminating Soviet/Cuban intervention;
- (c) So far as potential future Third World problems are concerned, measures which would contribute to world stability and build up resistance to the Soviet Union would be:
 - (i) to give practical help, including aid to developing countries which are vulnerable to Soviet pressure (EC Member States provide nearly half of all OECD aid);
 - (ii) to encourage the creation and strengthening of independent moderate regional groups such as ASEAN but to be wary of proposals for alliances which are purely dependant on Western backing;
 - (iii) to encourage influential moderates in the non-aligned movement and to promote the recent tendency away from the Cuban concept (advanced during their chairmanship of the movement) that the NAM have a natural ally in the Soviet Union;
 - (iv) to work on a multilateral basis through the appropriate international organisations (eg the IMF, the World Bank, GATT and the UN system) to promote Third World economic development and a sense of partnership and interdependence between the Western industrialised and the

developing countries;

- (v) to expose the hollowness of Soviet claims to provide either the political answers for developing countries or the practical assistance they need for their development.

China

14. Western relations with China should be pursued on their own merits, but also with an appreciation of the likely effect on Sino/Soviet relations.

BULACL

CONFIDENTIAL



cc CO

HU

10 DOWNING STREET

From the Private Secretary

16 November 1983

East/West Relations

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 14 November and the accompanying OD paper.

Mrs. Thatcher agrees that the paper should be discussed as soon as possible in OD.

I am copying this letter to Richard Hatfield (Cabinet Office).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

MO 13/7



PRIME MINISTER

*DWS
24/11*

EAST-WEST RELATIONS

copy attached

I have seen the Lord Chancellor's minute of 17th November about East-West relations.

2. I merely wish to record that I agree with every word of it.
3. I am copying this minute to the other members of OD and to Sir Robert Armstrong.

WDS

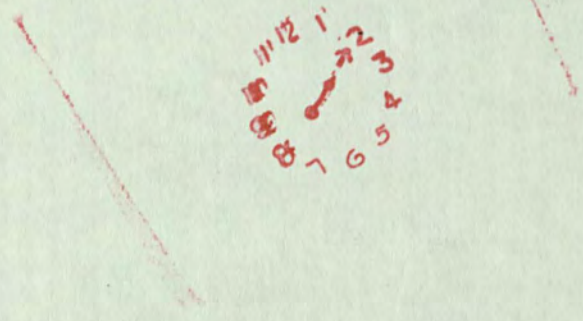
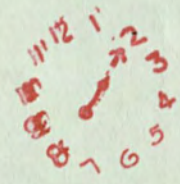
*N.A.S.O.
High level contacts
- can to Soviet
listeners.*

Information.

Ministry of Defence
23rd November 1983

Foreign Post
East/West
P+3

24 NOV 1983



POSTAGE
PAID
NOV 20 1983

B

054545

01

254380

CONFIDENTIAL

Prime Minister

The Foreign Secretary's minute and paper to yourself and OD colleagues is timely. I myself am confident that the feeling to which he makes reference in his first paragraph is indeed widespread and not without foundation.

There was an old saying to the effect that wars are not fought about small issues, but do occur as the result of trivial incidents and the classic recipe for war is the development of two massive and mutually hostile alliances with client states in a "third world" of lesser states in a condition of near anarchy - and a single spark, say a pistol shot in Sarajevo or a riot in Corfu to set the whole explosive mixture ablaze.

I was glad that the introduction to the paper made reference to the shooting down of the Korean Airliner. It was in itself a small incident, but it has given rise to serious consequences. What I found particularly disturbing about the incident was less the barbarous inhumanity of the act than the distinct impression I received that somewhere hidden under the whole event was less a piece of deliberate criminality than an example of owlish bureaucracy operating under rigid rules and incapable at its lower levels of showing either initiative or common sense. The absurd equivocation and want of candour on the part of the higher authorities seems to be part of the mystique of Soviet Government. The malevolence and brutality of the Soviet system are not in doubt. It is easy to condemn them. But it will be more important to prevent events like these from developing into a general conflagration, as might easily have happened had something of the kind taken place in the Middle East.

I am quite convinced myself that there is too much rhetoric flying about. The worst offenders are undoubtedly the Communist powers. One only has to differ from them in the slightest respect to incur allegations of bad motives, vituperative epithets and long malicious and ultimately nonsensical tirades. I believe that these are dangerous, and will become more so in proportion as we respond in like vein. But there is no reason why we should follow suit. Not a little of the feeling that the Reagan administration is at least partly responsible for the deterioration of the situation to which the Foreign Secretary refers lies I believe in the emotional and at times almost hysterical way in which the President gives vent to his otherwise legitimate

/...

CONFIDENTIAL

condemnation of the USSR and all it stands for. I do not believe that any good comes of such denunciations. A cold and clinical analysis would be far more effective. For instance, the affair of the Korean Airliner would have been far more effectively denounced by an objective analysis of the facts followed by a cold appraisal of the immense harm throughout the world that the Soviets would certainly suffer as a result. It was an opportunity missed. In the same way the fates of Afghanistan, Poland, Hungary, Czechoslovakia and the Baltic States are more valuable to us as warnings of what might befall if we were to lower our guard than as prizes to be won from Communism.

I am equally unconvinced by attempts directly to "punish" the USSR and their allies for breaches of international law (e.g. Afghanistan, Poland). We should be far more objective in assessing our own interests and avoid wherever possible cutting off our nose to spite our face. We should never enter into commercial relations with the Communist bloc unless we reap an advantage. If we do reap an advantage we should not be deterred by their inhumanity unless our national security is involved. Sanctions never work, and even if they did they should only be applied when it is to our interest to do so.

I am sure we have been wrong to avoid Ministerial and other contacts. The USSR is our enemy. It is to our advantage to study him at first hand wherever possible, and, if possible, to influence him by personal contact intelligently applied.

I believe the same to be true of contacts at lower levels. The thing to avoid is to permit contacts to be limited to Soviet sympathisers going to the USSR, or visiting Soviet figures to be allowed to limit their contacts to Soviet sympathisers here.

In the meantime although I remain intensely critical of it I am sure we must mend our fences with the Reagan administration. Britain has never gained much from a Republican administration, but all our hopes and fears must be centred on the solidity of the alliance, and the Republican administration is all we have at the present, and for ought I can see all we are likely to have at least during the foreseeable future (i.e. the next four or five years).

HAILSHAM OF ST. MARYLEBONE C.

Copies to members of OD Committee and Sir Robert Armstrong.

17th November, 1983



DR 1/16
F. 2 -

Clean version of OD paper
attached to a package of 14/11

East West Relations

With the compliments of

FOREIGN AND COMMONWEALTH OFFICE
LONDON, SW1A 2AH

CONFIDENTIAL

UK/SOVIET AND EAST/WEST RELATIONS

Introduction

1. The recent shooting down of the Korean airliner and the current INF debate have focussed attention on two important characteristics of the Soviet Union. The first is its paranoid view of its own security, an historical concern of all Russian/Soviet states. The second, underlined also by the START talks in Geneva, is its enormous military power. This combination of qualities, together with a political ideology which predicts as inevitable the final triumph of communism over all other political systems, confronts the Western democracies with one of our severest challenges. Since the last war, the West's response, which has included containment, roll-back and most recently detente, has at times been ambivalent and even contradictory.

2. The US Secretary of State in his testimony to the Senate Foreign Relations committee on 15 June said that the long term US aim was "to encourage the gradual evolution of the Soviet system towards a more pluralistic political and economic system". The rigidity and strength of the present Soviet state is such however that it is very doubtful whether, in the foreseeable future, any greater diversity can be expected. Our policies should therefore be based on the assumption that any change in the system, at least in the next four to five years will not be fundamental, however much Andropov himself may recognise the problems and the need for some change. If change does come, it will come very slowly and mainly as a result of internal, not external, pressure.

3. This paper outlines the main considerations affecting relations with the Soviet Union and East/West relations generally. Annex A recommends policy guidelines for the long term security of the UK. To be effective, these will

CONFIDENTIAL

CONFIDENTIAL

need to be closely coordinated with those of our allies and partners and followed consistently.

Security

4. Only if the nuclear balance between the two super-powers remains stable can middle ranking powers pursue their own bilateral interests with the Soviet Union on a sound or lasting basis.

5. As a general rule, at every level, strategic, nuclear and conventional, the West should continue to confront the Soviet Union with the certainty that the Western alliance will do whatever is necessary to maintain adequate defences. The Russians should not be allowed to gain the impression that they can divide the West or undermine its resolve by appeals to public opinion.

6. In parallel, we should continue to offer the Soviet Union the serious possibility of balanced and verifiable arms control agreements which would maintain security at lower levels.

7. The detailed policies we should pursue on the individual questions now under current negotiation with the Soviet Union are the subject of separate consideration.

Political Relations

8. The main means of assisting change in the Soviet Union is through the spread of information. Information can be conveyed at a number of levels and in a variety of ways.

9. At the political level, meetings of senior ministers or heads of Government give us opportunities to put across our views on specific policies and problems of the day and expose their Soviet interlocutors to the sort of direct questioning and criticism which their own system is designed to prevent. Khrushchev's and Brezhnev's visits to

CONFIDENTIAL

CONFIDENTIAL

the West made a profound impression on them both. Andropov has yet to set foot in a free Western country.

10. High level contacts also present the West with opportunities of penetrating the system of Soviet decision making and assessing the relative strength of the various views and protagonists involved. This helps to reduce the likelihood of dangerous misunderstandings. Exposing the most senior ranks of the self-contained Soviet military caste to direct Western political and military argument is not the least benefit of such contacts.

11. Clearly the extent, timing and content of East/West political contacts should be a matter of careful planning and coordination among Western countries. UK practice since the Soviet invasion of Afghanistan has been to avoid high level and Ministerial contacts except where these are clearly advantageous to us. But other post-Afghanistan measures have been progressively relaxed by our allies who have been influenced by differing national problems and interests vis-a-vis the Soviet Union.

12. Our aim now should be to build up contacts over the next few years, while continuing to give careful consideration to the nature and timing of such exchanges. Incidents such as the shooting down of the KAL airliner will inevitably lead to the postponement or cancellation of particular events but should be treated in the framework of a long term consistent policy. We should also continue our present policy of strongly criticising the Soviet invasion of Afghanistan and making the Soviet Union pay as high a price as possible for its military presence there, with the long term aim of bringing about its withdrawal.

13. Political contacts at Senior Ministerial level with the Soviet Union have for the most part been confined to meetings between Mr Gromyko and the Foreign and Commonwealth Secretary in the margins of the UN or other international

CONFIDENTIAL

meetings in third countries. Political consultations between the FCO and Soviet MFA also take place on an annual basis. In April this year they were held in Moscow between Mr Rifkind, Minister of State at the FCO and Mr Kornienko, the Soviet First Deputy Foreign Minister. The next step might be for the Foreign and Commonwealth Secretary to issue an invitation to Mr Gromyko to visit the United Kingdom some time in 1984.

14. Visits to the Soviet Union by, or invitations to their opposite numbers from, British Ministers with specific responsibilities in technical fields should be considered on their merits. The opportunities these meetings might provide for putting our views on political matters directly and forcefully to senior Soviet figures should not be overlooked.

15. Our public line on high level and Ministerial contacts with the Soviet Union in the immediate aftermath of the invasion of Afghanistan was that they were to be avoided. This was modified in 1981 to allowing "occasional high level and Ministerial contacts when these are deemed advantageous". In the aftermath of the KAL incident and in the run-up to INF deployment we should not now announce any change in policy. But we might instead say that Ministerial contacts are judged on a case by case basis and, where we see advantage, they take place. In practice we would gradually increase the number and level of contacts at Ministerial level, but with due regard always to the actual benefit to our interests in each case.

Information

16. At a more popular level the influence of Western thought and culture are strong where they are allowed to penetrate. A variety of ways can be used to expose the Soviet people to Western ideas and ideals. These include of the provisions on the freer flow of information and other human contacts provisions of the Helsinki and Madrid CSCE

CONFIDENTIAL

CONFIDENTIAL

documents and also use of contacts arising from the UK/Soviet cultural agreement, under which exchanges of teachers and students, exhibitions and films take place. These activities are, however, all subject to Soviet agreement and are therefore to some extent restricted but nevertheless provide useful opportunities to present Western ideas and values to the Soviet public.

17. The most effective means of getting information into the Soviet Union at present is by radio transmissions. These are not subject to censorship but they are subject to selective jamming. A re-examination of the role of the BBC External Services to the Soviet Union and Eastern Europe is now in progress.

Economy

18. Studies in OECD, NATO and elsewhere earlier this year, following the dispute over the Siberian pipeline, have confirmed that there is no reason to object to commercially sound and mutually advantageous financial and trade relations between East and West, provided always that the West abstains from the export of goods and technology which could contribute to the Soviet military build-up. The Soviet Union is broadly self sufficient in all raw materials. Trade with the West is small in both relative and absolute terms. Currently Soviet imports from OECD countries represent 2.5% of the Soviet GNP.

19. Efforts in the West have concentrated on refining COCOM rules on the export of militarily significant technology and equipment and on improving the national enforcement procedures of the strategic embargo. Given the nature of the Western free market system and the widespread availability of technology, a total ban on the transfer of technology would prove impossible. But our security interests require that the utmost care should be taken to ensure, as far as possible, that exports which could have

CONFIDENTIAL

significant military application or give the Soviet Union significant military advancement do not occur.

20. Other areas have also been looked at in the studies mentioned above. There has been agreement to tighten up credit terms and to keep imports of Soviet energy (especially Siberian gas) to proportions that do not create undue dependence. Financially, the Soviet Union has a debt service ratio of 17% which is the lowest by far of all the CMEA countries and easily within its capacity to service.

21. In order to pursue their commercial relations all Western countries have, to some extent, to match the state structure on the Soviet side through the creation of intergovernmental Joint Commissions and Committees. Without these, the actual traders on the Western side (ie the firms concerned) would be seriously handicapped in conducting business. These inter-governmental links are necessary and should continue. Although of itself trade with the West can have beneficial political effects by exposing the Soviet Union to Western ideas and standards, it should be conducted on the basis of mutual advantage and financial prudence. It should also be compatible with our broad security interests.

Eastern Europe

22. The system imposed on Eastern Europe after the Second World War runs counter to the traditions, state of development, cultural links and religious ties of the countries involved (with the possible exception of Bulgaria). Attempts to remove or lighten the yoke have been put down at regular intervals. A direct confrontation would provoke the same Soviet response whatever the damage to the Soviet Union's international reputation. Those concerned in Eastern Europe understand that in their struggle they cannot look to the West for military assistance. Change will come slowly. Dramatic developments have always led to military response. There is no possibility in the foreseeable future

CONFIDENTIAL

of the Russians allowing any of these countries to become completely independent of the Soviet Union.

23. For its part the West must take care that the presentation of its policy towards Eastern Europe does not have the effect of making the Soviet Union adopt even more repressive policies towards its neighbours. But we must also make clear to the Soviet Union that while we understand its legitimate interest in its national security, the domestic, economic and social systems of individual East European countries must be for the peoples of those countries to decide for themselves and cannot, legitimately, be imposed from outside.

24. While taking care over its public presentation we should continue the policy of differentiating between Eastern European states on the basis of their willingness and ability to move away from the Soviet pattern of internal development (like Hungary) or from the Soviet line in foreign policy (like Romania). Poland is a special case, and we should not rule out a substantial relationship if its internal social and economic systems develop in a manner more comparable to, say, Hungary than Czechoslovakia.

25. Ministerial visits are one way of indicating this differentiation. They also provide additional indirect channels for getting our views across to the Russians on particular points. The Foreign and Commonwealth Secretary visited Hungary in September, and a Minister of State visited Czechoslovakia and the GDR in October. The Foreign and Commonwealth Secretary might also consider visits to Romania and perhaps Bulgaria. In the case of Czechoslovakia and the GDR, visits at above the level of Minister of State are not necessary nor desirable in 1984 but might be appropriate in 1985. A policy of differentiation should be presented, not on the basis of rewards and punishments but as a consequence of our view that the quality of bilateral relations is inevitably enhanced the more that the two countries have in common. As East European countries

liberalise their economic and social systems the opportunities for a more substantive relationship are increased.

26. Information will be one of the most effective means at the West's disposal to influence developments in Eastern Europe. The BBC External Service's broadcasts to Eastern Europe should be maintained at the highest level compatible with the resources available. In the Soviet Union and in Eastern Europe both the vernacular and English language world service broadcasts are important. The vernacular services reach the greater numbers but world service broadcasts are listened to in some Party and intellectual circles as an impartial source of information.

27. The British Council's programme of exchanges should be maintained. Schemes involving young people should be encouraged. Other exchanges through the arrangement of British cultural events in Eastern Europe, and vice-versa, although popular in Eastern Europe, should be considered selectively so as to ensure that the resources and prestige involved are commensurate with the returns. They should also be looked at in the overall framework of our relations with each individual country.

28. The UK should continue to pursue trade on its commercial merits while having regard to the wider interests of security. For those countries like Hungary, which appear genuinely determined to introduce economic reforms, the UK should do what it can to help with links with the major Western institutions like the IMF, although each case would have to be decided on its merits. There may be some limited scope for closer links with the EC, but improved access to the EC market will continue to be limited by economic conditions in Western Europe and by agricultural over-supply. These will have to be balanced against the undoubted political benefit of a closer EC-Hungary relationship which, inter alia, would reduce prospects for closer CMEA integration.

The Third World

29. Since the War the Soviet Union has been able to gain influence in a number of Third World countries by claiming to be on their side in the struggle against colonialism, by offering limited technical and economic assistance and by supplying arms and advice to revolutionary parties and Governments in internal struggles. In the 1970s the Soviet Union, through the use of Cuban and other surrogates, made major advances in Africa. The countries concerned are beginning to realise however that the Soviet Union is not able to provide the trade, aid or technology on a scale which they need. Angola, Mozambique and Ethiopia have all recently turned to the West for assistance. We should exploit these opportunities and look for similar openings in countries like the Seychelles. The West should not tacitly accept a Soviet or surrogate fait accompli, eg Afghanistan.

30. With the passage of time the fundamentally different approach to the Third World between the West and the Soviet Union is becoming more widely appreciated. The West, although criticised for not doing more, is seeking to resolve the underlying problems of particular regions, while the Soviet Union seeks to capitalise on them.

31. With its economic and technological advantages, the West should be able over time to contain and even reverse some Soviet gains. It is however to be expected that the Soviet Union will continue to seize low cost opportunities for enlarging its sphere of influence and to exploit instability as it is now doing in Central America.

China

32. The internal economic and political systems of China and the Soviet Union are in many ways similar. Recently there has been an increase in contacts between the two sides and a resumption of talks on the normalisation of relations.

CONFIDENTIAL

However a number of obstacles - Cambodia, Afghanistan, Soviet force levels in East Asia and the border disputes - will continue to block progress and the atmosphere of Sino/Soviet relations remains essentially cool. The Chinese still see the Soviet Union as the greatest threat to China's national security and to world peace. Closer relations with the US and the West generally are the key to the success of their central policy of economic modernisation. The West should build on this essential Chinese requirement so that China continues to see the balance of her interests as lying in development of relations more with us than with the Soviet Union.

33. Recommended policy guidelines are attached at Annex A.

CONFIDENTIAL

ANNEX A

POLICY GUIDELINES

General

1. The process of change in the Soviet Union will be slow. Our policy should be based on the assumption that any change in the system, in at least the medium term, will not be fundamental. To be effective our policy must be closely coordinated with our Allies and partners and followed consistently.

Security

2. The West should, at every level, continue to confront the Soviet Union with the certainty that the Western Alliance will do whatever is necessary to maintain adequate defences. We should, at the same time, seek balanced and verifiable arms control agreements, capable of maintaining security at lower levels.

Political Relations

3. The main means of influencing developments in the Soviet Union is through the spread of information.

4. High level political contacts expose Soviet leaders, including the military, to some direct questioning and criticism. They provide opportunities of assessing Soviet leaders and help to reduce the dangers of misunderstanding. Our aim should be to build up our contacts over the next few years while continuing to give careful consideration to the nature and timing of such exchanges which should be closely coordinated with our Allies and partners. We should not, however, abandon our present policy on Afghanistan.

CONFIDENTIAL

5. The Foreign and Commonwealth Secretary might invite Mr Gromyko to visit the UK during 1984.

Information

6. The most effective means of getting information into the Soviet Union at present is by radio transmissions. The role of the BBC External Services should be re-examined.

7. Other opportunities arising from our bilateral cultural agreement and the CSCE process for exposing Soviet people to Western ideas and ideals should be exploited.

Economy

8. Western policy should be guided by the following:

- (a) East/West economic relations should be compatible with our security interests;
- (b) The nature of the Western free market system and the widespread availability of technology rule out a total ban on the transfer of technology;
- (c) Strategically significant exports should continue to be identified and embargoed under effective COCOM procedures;
- (d) Governments should exercise financial prudence in trading with the Soviet Union and Eastern European countries and avoid granting preferential treatment;
- (e) The West should avoid over-dependence on imports from or exports to the Soviet Union in all trade sectors, including energy (imports) and grain (exports);

CONFIDENTIAL

- (f) Although trade may have certain desirable political effects (eg contacts with Western methods and standards) this can seldom justify conducting trade on economic or commercial terms disadvantageous to the Western partner.

Eastern Europe

9. We should continue the policy of differentiating between Eastern European states on the basis of their willingness and ability to move away from the Soviet pattern of internal development (like Hungary) or from the Soviet line in foreign policy (like Romania).

10. The BBC External Service's broadcasts to Eastern Europe should be maintained at the highest level compatible with the resources available.

11. The British Council's programme of exchanges, particularly academic and youth exchanges, should be maintained. Other major cultural exchanges should be considered selectively.

12. Economic assistance is what the Eastern Europeans most want. But this will be hard to provide. Access to Western economic institutions, in particular the IMF, might be one of the best ways of introducing Western standards and ideas into the Eastern economies.

Third World

13. Western policy should be guided by the following:

- (a) The Russians are facing increasing problems in responding to developing countries' real needs. Even where Soviet/Cuban influence has been established (Angola, Mozambique, Ethiopia) countries are increasingly turning to the West for assistance. We should take advantage of this;

CONFIDENTIAL

- (b) Western policy should be aimed at resolving the underlying problems of a region, as well as eliminating Soviet/Cuban intervention;
- (c) So far as potential future Third World problems are concerned, measures which would contribute to world stability and build up resistance to the Soviet Union would be:
 - (i) to give practical help, including aid to developing countries which are vulnerable to Soviet pressure (EC Member States provide nearly half of all OECD aid);
 - (ii) to encourage the creation and strengthening of independent moderate regional groups such as ASEAN but to be wary of proposals for alliances which are purely dependant on Western backing;
 - (iii) to encourage influential moderates in the non-aligned movement and to promote the recent tendency away from the Cuban concept (advanced during their chairmanship of the movement) that the NAM have a natural ally in the Soviet Union;
 - (iv) to work on a multilateral basis through the appropriate international organisations (eg the IMF, the World Bank, GATT and the UN system) to promote Third World economic development and a sense of partnership and interdependence between the Western industrialised and the

developing countries;

- (v) to expose the hollowness of Soviet claims to provide either the political answers for developing countries or the practical assistance they need for their development.

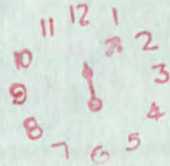
China

14. Western relations with China should be pursued on their own merits, but also with an appreciation of the likely effect on Sino/Soviet relations.

BULACL

CONFIDENTIAL

16 NOV 1983



CONFIDENTIAL